Pool Reinsurance Company Limited

Annual Report 2022–23

POOL Re
REINSURING TERRORISM RISK

Pool Reinsurance Company LTD

Equitable House,
47 King William Street,
London, EC4R 9AF

Registered in England

Registered Number: 02798901

Registered Office:
7 Savoy Court,
London, WC2R 0EX

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01 Company Overview

Pool Re

Working to provide confidence and resilience to the UK economy while returning risk to the private insurance market.

About Us

We are a mutual reinsurance company that was established in 1993 as a public-private response to the market failure in terrorism insurance caused by the Provisional IRA's mainland bombing campaign. For the following three decades, we have enabled and leveraged the private (re)insurance sector to underpin the UK's economic resilience to terrorism.

In this time, we have succeeded in re-establishing a market able to offer comprehensive and affordable terrorism insurance. Trusted by the insurance industry, we work in partnership with the Government to serve the UK terrorism property insurance market.

We have paid claims of £635m in relation to 13 terrorist events. However, we have never called on the Government's guarantee, demonstrating the effectiveness of our scheme, insulating the taxpayer from financial losses.

EST.

30 Years

established in 1993.

£

£635m

in paid claims in relation to 13 terrorist events.

Our Purpose

Our primary objective is to ensure that every business in the UK can access affordable and comprehensive terrorism insurance. In doing so, we help foster confidence and resilience in the economy; safeguard society and livelihoods from the economic consequences of terrorism; and insulate the taxpayer from the financial impact of such attacks.

Our team has worked hard to transform Pool Re from a simple risk-transfer mechanism into a dynamic reinsurer that delivers market-leading research, analysis, thought leadership and risk management information.

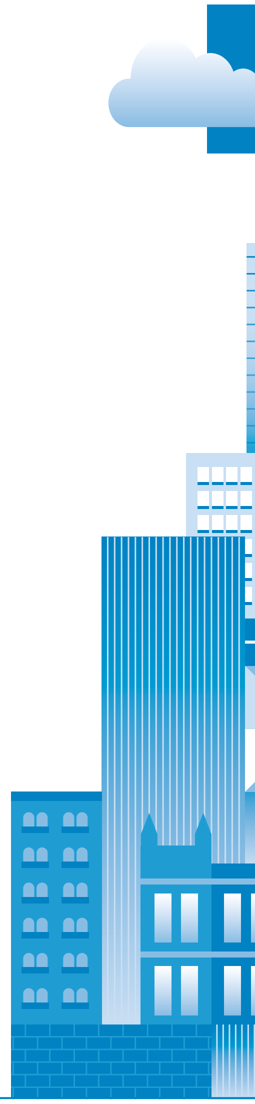
We have firmly established ourselves as critical enablers of the financial and governmental infrastructure that supports the UK's terrorism insurance market.

In our 30th year we are focused on looking ahead, laying the foundations to evolve our treaty reinsurance scheme. This will help to return more risk to the private insurance market and provide greater flexibility to our Members. We will continue to enhance the UK's resilience to terrorism and provide a platform for national security and prosperity.

Thank you for your support.

2022/23

Pool Re at a glance



£341m

gross written premium from Members in the 15-month period to 31 March 2023.

£72m

The Board declared a £72m Member dividend at its June 2022 AGM in respect of its 2021 results.

Terrorism Insurance

£2tn

of liabilities insured by Pool Re.

Large and small business.

Insurers

146 Members

the vast majority of insurers operating in the UK commercial property market are Members of Pool Re.

£2.4bn

of commercial retrocession purchased by Pool Re from private sector reinsurers.

Pool Re

£6.7bn

fund has been built up by Pool Re to meet potential claims.

£100m

raised from external investors through the placement of an insurance-linked security bond.

Government Guarantee

£1.8bn

of premiums have been paid to HM Treasury, although Pool Re can draw on this amount should Government funds be required.

£0

cost to the taxpayer.

The Pool Re Scheme

How are we run?

Pool Re is a mutual reinsurance company owned by its Members, the insurance companies that pass it business. In addition, we are an Arm's Length Body (ALB) of Government on account of the unlimited funding guarantee from HM Treasury.

Our relationship with HM Treasury is governed by a Retrocession Agreement. This directs many of the scheme's operations and grants certain rights to HM Treasury. The scheme is reviewed by HM Treasury every five years to ensure it is still functioning in optimal fashion. Changes can be made to the scheme during these reviews.

The scope of our activities is indirectly limited by legislation and the Reinsurance (Acts of Terrorism) Act 1993. Both can be amended. HM Treasury retains specific consent rights designed to ensure that nothing occurs outside the intended scope of its guarantee.

HM Treasury's rights include the need for its prior consent to certain commercial arrangements and to changes in the Underwriting Manual (Pool Re's Membership terms and conditions) and its Articles of Association, both of which govern the operation of the Pool Re scheme.

Our activities are funded by premiums paid by Member insurers. Profit is not our primary objective. Any surplus is invested prudently across a range of asset classes and other financial tools, such as commercial retrocession and insurance-linked securities, in order to meet future claims.

Scheme strengths

Breadth of cover: Terrorism cover offered by Pool Re Members is effectively "All-Risks". There is a war exclusion, but cyber-terrorism resulting in physical damage is added back. This scope of cover, which uniquely includes chemical, biological, radiological and nuclear (CBRN) to the full extent of the underlying sums insured/limits, is particularly relevant given the ever-changing nature of terrorism and the potential for unprecedented events.

Guaranteed acceptance: Membership of Pool Re is open to any UK authorised insurer. Where a Member insurer provides property insurance, they must offer terrorism cover upon request. Cover and terms are not constrained by geographical accumulation or risk profile.

Capacity: Pool Re is backed by an unlimited guarantee from HM Treasury. This means that an insurer who is a Member of the scheme can provide cover to all or any of their eligible policyholders who wish to buy terrorism insurance. Importantly this cover would continue to be available even after a catastrophic terrorism event.

Back-to-back with property: Pool Re cover is back-to-back with the property policy, given terrorism cover can only be written in conjunction with a commercial property policy. This means the definitions, exclusions and triggers are aligned, which facilitates seamless cover between the property and terrorism policies. All claims, whether property or terrorism, are handled by the underlying property insurer.

Certification: There is an agreed process for an event to be certified by HM Government as an act of terrorism, underpinned by a binding tribunal process in the event of a dispute. Given the back-to-back nature of the cover, if an event is certified then it is terrorism, but if it is not, then the exclusion on the property cover is not activated.

Competitive Premiums: Although it is for individual Members to decide on the premiums for each policyholder, the cost of reinsurance from Pool Re outside Central London reduced by circa 20% from October 2022. We reduced premium rates to incentivise take-up as part of our commitment to improving resilience of UK companies.

Risk management discount: In 2022 Pool Re has re-designed its Vulnerability Self-Assessment Tool (VSAT) risk management platform to improve navigability and streamline the question sets. In addition, the premium discount for eligible risks (Total Sums Insured exceeding £50m) that meet the VSAT benchmark has been increased to 10% from October 2022.

Cover that meets the contemporary threat: Since the scheme was created in 1993, the cover offered by Pool Re has been widened enormously. At its inception the scheme only offered fire and explosion, which was extended in 2003 to "All-Risks" including, CBRN and then widened further in 2018 to encompass damage caused by terrorism using remote digital interference. Finally, in 2019 legislation was passed in order to allow Pool Re to offer reinsurance for standalone non-damage business interruption.

How does the Government guarantee work?

In the event of claims resulting from an act of terrorism (as certified by HM Treasury), Members must first pay losses up to a predetermined threshold (retention).

When losses exceed that threshold, Members can claim upon our reserves. These reserves have accumulated since our inception. We would only need to utilise the guarantee from the Government if these reserves and the Company's commercial reinsurance are exhausted. This scenario has yet to occur in our history.

Our Retrocession Agreement with HM Treasury details how Government will step in to pay claims to their full extent if our funds prove insufficient. The taxpayer has, to date, benefited from the arrangement because we pay a premium to HM Treasury for its guaranteed support, along with Corporation Tax on profits generated from our investment fund, both of which can be used to invest in public services.

Scheme resilience

The resilience of the scheme as at 31 March 2023 is shown below.

HM Treasury HM Treasury Funding	
HM Treasury funds to the credit of Pool Re Premium paid to HM Treasury, held to the credit of Pool Re	£1.8bn
Fund Pool Re investment fund	£6.3bn
Retrocession Commercial retrocession & insurance-linked security	£2.4bn £0.1bn
Fund Pool Re investment fund	£0.4bn
Retention Per event Member retention	£0.25bn

Since its establishment in 1993, Pool Re has paid out a total of £635m for 13 certified terrorism events, without recourse to HM Government or the taxpayer. The resilience of the scheme as at 31 March 2023 is shown above. In the event of a certified act of terrorism, initial losses will be covered by Member retentions; where these exceed retention thresholds, the insurer can claim upon Pool Re's reserves. Since its inception, Pool Re has built an investment fund valued at £6.7bn. A further £2.4bn of protection is provided under a commercial retrocession programme, attaching above the first £0.4bn of the investment fund, with an additional £0.1bn protection provided by the issuance of an Insurance-Linked Security sitting within the first layer of the retrocession programme.

Only in the event that Pool Re's resources are exhausted will the company call upon funding from HM Government. This guaranteed funding assures Pool Re's financial solvency and its ability to meet claims obligations under its agreements with Members.

Our History

30 years of Pool Re

How our cover has evolved with the changing terrorism threat.

1993

March
Pool Re incorporated

April
Bishopsgate

August
Bournemouth

1992

April
Baltic Exchange

The protection that we enable our Members to offer to UK businesses has evolved with the changing nature, priorities and methodologies of terrorism.

After 9/11, we incorporated chemical, biological, radiological and nuclear (CBRN) threats into our cover.

In 2019, we incorporated business interruption losses not contingent on damage to property following a spate of attacks in 2017.

In 2018, cover was extended to include cover for physical damage triggered by remote digital means. We were the first global pool to do so.

Key

Attacks certified by HM Treasury

Pool Re coverage developments

Risk financing developments

Pool Re proposition developments

HM Government and HM Treasury developments

1996

February
South Quay

June
Manchester

2003

April
In the wake of 9/11...

in New York, Pool Re added chemical, biological, radiological, nuclear (CBRN) cover

1994

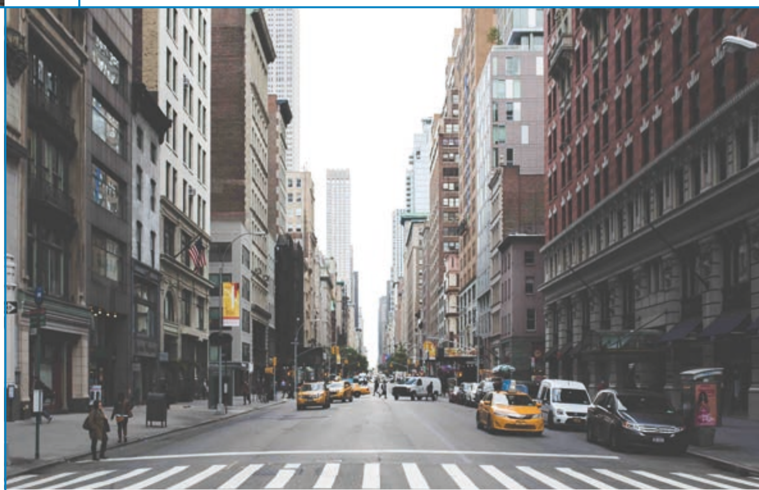
January
West End

February
Marble Arch

July
Israeli Embassy

July
Israeli charity, Finchley

August
Bognor Regis



2001

March
Wood Lane

August
Ealing Broadway

COMPANY OVERVIEW

2015

January

Renegotiation of settlement with HM Treasury

March

First retrocession placement of £1.8bn

October

Pool Re hosts…

first National Terrorism Reinsurance Pools Congress. The International Forum of Terrorism Risk (Re)Insurance Pools (IFTRIP) subsequently established in 2016

2005

July

London Underground

2013

August

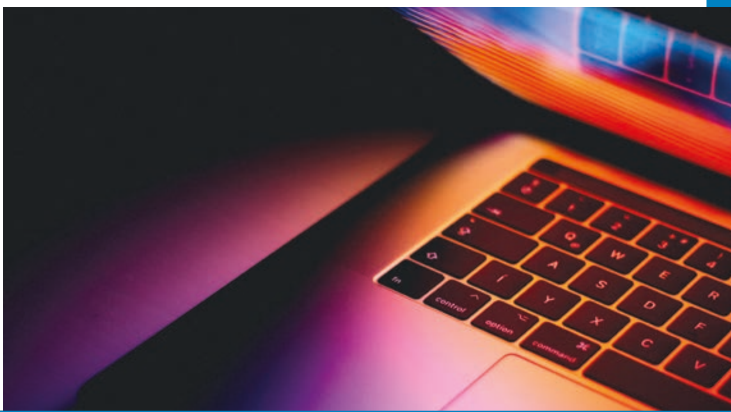
Portishead

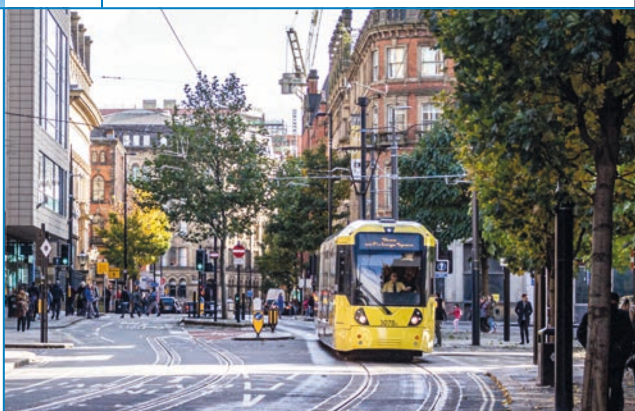
2017

March
Westminster

May
Manchester

June
Borough Market





2016

January
Increased annual aggregate Member retention to £270m

April
Formed Terrorism Risk and Analysis Centre

2018

January
Increased aggregate Member retention to £400m

April
Introduced Remote Digital (Cyber) Cover

April
Launch of PROTECT UK digital platform with Met Police

2019

January
Returned Contingency Cover to the Commercial Market

March
Added Non-Damage Business Interruption (NDBI) Cover

March
Placed world's first terrorism insurance-linked security (ILS) of £75m

March
Renewed retrocession placement, now largest global commercial terrorism placement at £2.3bn

March
Launch of information Sharing Platform Project with Met Police

November
London Bridge

2020

Review of settlement with HM Treasury

2023

May 2023
Terrorism (Protection of Premises), or Martyn's Law, Bill introduced

May 2023
Formalised the Counter Terrorism Alliance (CTA) with Met Police and Home Office

2022

March
HM Treasury 2020 Review concluded and "Scope of Works 2022/26" agreed

May
Arm's Length Body (ALB) Framework Agreement with HM Treasury signed

October
Introduced scheme rate reductions of 20–30%

COMPANY OVERVIEW

Moving to Treaty

Reviewing the Pool Reinsurance scheme

Prior to the 2020/22 HM Treasury Review, with the backing of our Board and Member advisory groups, a decision was made to review our reinsurance framework and structure to ensure the scheme was fit for the modern insurance marketplace and the constantly changing nature of the terrorism threat.

2022

On 18 March Members unanimously agree to the "Scope of Works" programme

Unlimited

Guarantee remains in place

Fundamental to the 2020/22 HM Treasury Review was our success in persuading HM Treasury that the unlimited guarantee must remain a cornerstone of our scheme. Any limit or cap would have an adverse impact on the insurance industry's ability to provide comprehensive and affordable terrorism cover. HM Treasury agreed and the guarantee remains in place.

A Members' Meeting was held on 18 March 2022, at which Members were asked to vote on an agreed "Scope of Works", which sets out the actions we need to take in order to deliver on objectives over the next five years. Central to the "Scope of Works" is the objective to transition to a treaty mechanism and amend the Member retention structures in order to return risk to the market and create conditions for a much higher penetration of terrorism insurance among small and medium-sized enterprises (SMEs).

How are we updating our reinsurance arrangements?

An aggregate excess of loss treaty is a structure commonly adopted by reinsurers to provide account-level protection to insurers for losses caused by many perils, such as storm, flood and earthquake. The treaty provides protection to all risks within the designated account(s) once the attachment point (or retention) has been exceeded.

The scope and extent of cover, along with any contractual terms and conditions, is set out in the reinsurance agreement. Importantly, pricing is calculated at the outset based on an estimate of the exposure and sums insured, which the reinsurer then uses to quantify modelled losses and calculate a price.

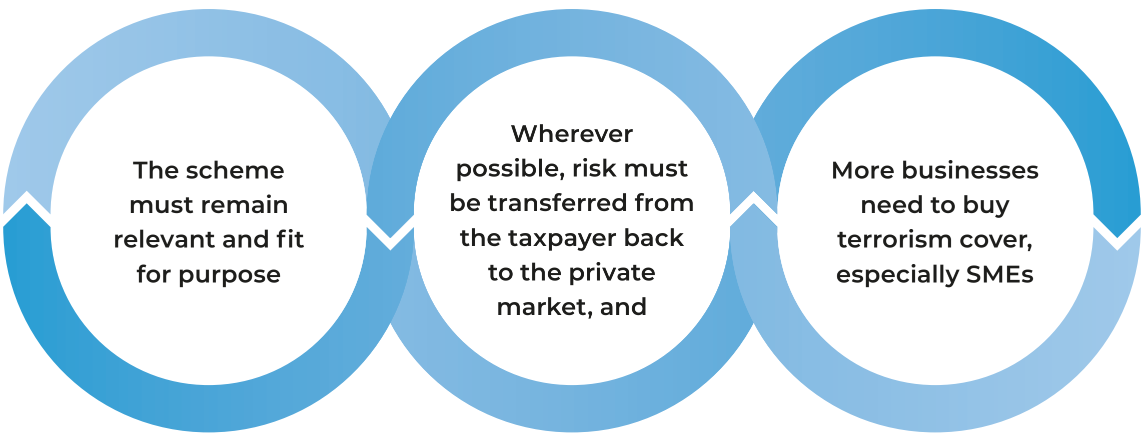
This price is in the form of a single premium, although there may be some element of declaration and adjustment at the end of the period.

This removes the friction in the existing scheme, where each risk has to be declared and rated against a basic tariff.

We believe updating our treaty arrangements will deliver a first-class reinsurance scheme and continue to provide the most effective and relevant cover for our Members. It will provide more seamless account level protection to Members by:

- Providing cover through the type of aggregate treaty structure most Members will already be familiar with.
- Subdividing the risk, known as bifurcation, freeing Members to vary retention breakdown between classes according to appetite. This will facilitate greater retention of conventional risk, and accelerate transfer of liability to the private sector.
- Freeing Members to set pricing of their own products and segments, allocating the cost of the treaty according to their own strategy and risk appetite.
- Empowering Members to drive SME penetration by removing terrorism exclusions from all risk products, simplifying the administrative processes.
- Operating within a framework that is still broadly familiar for insurers, preserving the elements of the scheme that Members value.
- Enabling the integration of terrorism cover into digital distribution channels.
- Creating a more attractive environment for retrocession and insurance-linked securities.
- Removing bureaucracy and rules that impair policyholder take-up.

Together with HM Treasury we have identified three core principles which must underpin a treaty type mechanism, namely:



Updating our treaty arrangements is not without challenges. We believe our aggregate excess of loss treaty proposals are in the interests of both our Members and HM Treasury. We undertook a market consultation exercise in late 2022 and we will continue our programme of engagement to ensure the changes have the support of both parties. In addition, our "Scope of Works" plans include the development of appropriate internal processes and obtaining the required legal and regulatory approvals.

The case for making changes to the scheme mechanism after 30 years can be summarised as follows:

Relaxing rules-based reinsurance

To reflect the requirements of a modern digital marketplace.

Current simplified approach to pricing

Does not reflect terrorism risk nor Members' retained risk. Pool Re is building a more sophisticated pricing model which will facilitate Member retentions being increased as well as the possible creation of buy-down mechanisms.

HM Treasury requires that risk be returned to the market

wherever possible and this requires Member retentions to be sub-divided (bifurcated) into conventional risk that can be privatised and CBRN risk, where there is no private risk appetite. The current scheme mechanism cannot deal with this.

Current scheme rules and pricing tariff

Applied at policyholder level which is a barrier to increasing penetration, especially for SMEs. Members need to be free to provide coverage across their portfolios without unnecessary bureaucracy or threats to account level reinsurance coverage.

Commercial insurance products

are sold digitally and increasingly without the involvement of an underwriter or broker. If terrorism is to be re-integrated into package products it must be sold and underwritten in the same way.

02 Strategy & Performance

Chair's Statement

30 Years of Partnership

I am delighted to present the annual report in the year that marks the 30th anniversary of the creation of Pool Re.

Three decades ago the bombing of the Baltic Exchange resulted in insurance for terrorism damage no longer being available in the country. To remedy this market failure, insurers and politicians partnered to create the mutual re-insurer Pool Re, a model that allowed them to share a risk which neither could address alone – or afford to leave unresolved.

Today, terrorism is both much more complex and potentially a more catastrophic risk. However, it is also one against which Pool Re, along with a growing, competitive insurance market, have combined to anchor the country's financial resilience and instil confidence across the economy. Thirty years on, Pool Re now underwrites a market that is protecting assets worth more than £2 trillion across all sectors of the economy. We have built a buffer of more than £10 billion, through a combination of carefully invested funds and innovative risk-financing instruments, including the world's largest terrorism retrocession placement and the world's only terrorism catastrophe bond. And in recent years, Pool Re has contributed on average between £150–£250 million to the public finances, depending on how much terrorist insurance has been written by our Members and the performance of the investment fund. In partnership with Government and the insurer Members of Pool Re, in recent years the Company has evolved to introduce new types of insurance cover to keep pace with this changing threat, and has also invested in projects with the Home Office and the police to help reduce or mitigate contemporary terrorism risk.

Terrorism is no longer an uninsurable peril in Great Britain.

Outcomes of 2020/22 HM Treasury Review

Pool Re undertakes a review with the Government every five years as a vital part of the ongoing evolution of the Company. We reported on the outcome of the latest review in last year's Report and Accounts and the Members voted unanimously in favour at the 2022 AGM. This year we are reporting on progress made, particularly in two areas. The first of these is Pool Re becoming an Arm's Length Body (ALB) of HM Treasury following its classification as such by the Office of National Statistics (ONS) and the second area is the steps taken to implement our strategy, known as "The Scope of Works".

We have to make a number of administrative changes as a result of agreeing a Framework Agreement with HM Treasury setting out our relationship with them, now that we are classified as part of the public sector and treated as an Arm's Length Body (ALB). We have moved to reporting our financials under International Financial Reporting Standards to facilitate consolidation of our results into the accounts of HM Treasury. We have taken appropriate actions, in agreement with HM Treasury, in response to being classified as part of the public sector, while also ensuring that Pool Re's operational freedoms, and ownership and management of the industry assets, are secured for the future, along with HM Treasury's uncapped loan facility which underpins the scheme.

The results of the review also renewed our mandate of continuing to create growth and innovation opportunities in the private terrorism market and together with our Member insurers and Government partners, we agreed the modernising of some important areas of the scheme. This work will take place incrementally over the next five years, with the intention of ensuring that Pool Re is working optimally for all of its stakeholders.

The key areas of strategic focus are:

- the proposal to modernise our system of reinsurance by transitioning the scheme from a facultative model to a catastrophe treaty model is explored in detail on page 40;
- the bifurcation or separation of conventional terrorism from the new types of terrorism and with more of the conventional terrorism risk being picked up by the market (more on this on page 41);
- seeking ways of increasing the take-up of terrorism insurance by the SME community; and
- developing further the consultancy services we can provide through the Pool Re Services division (page 44).

Financial Performance for the 15 months to 31 March 2023

The year end change means that this annual report and accounts covers an extended 15-month period. It is pleasing to be able to report that Pool Re received £341 million of gross premium income across these five quarters and particularly as the final two quarters reflected significant reductions in scheme pricing. At a time of higher inflation and increasing rates across many insurance classes, these reductions, which averaged 14% across the country, were welcomed by our Members and their policyholders alike and are an example of Pool Re's continued commitment to ensure the accessibility of comprehensive terrorism insurance for all businesses in Great Britain.

In spite of the very turbulent and challenging market conditions since the beginning of 2022, Pool Re is reporting a positive investment performance. This is a tribute to the careful stewardship of the £6.5 billion fund managed by ourselves and which represents the majority of the reinsurance buffer. As investment returns increase our ability to pay claims and protect the taxpayer from being the 'insurer of last resort' in the event of a certified terrorism event, the performance of this fund is an important key performance indicator for our business. After many years of a low inflation/low interest rate environment, as with so many others, we will be reviewing its asset allocation to maintain relevance in the very different economic outlook in which we now find ourselves.

The resilience of the fund over the period should also be considered in the context of two significant payments made under the provisions of our Retrocession Agreement with HM Treasury. First our annual payment to HM Treasury in respect of their guarantee of the scheme amounted to £187 million and was paid in March 2023. Unlike many bodies linked to Government departments, Pool Re is both financed by the industry and is a significant contributor to the public purse. Second, a dividend of £72 million was paid to Members in June 2022.

Staff and Board of Directors

Finally, I would like to take this opportunity to thank my fellow Board members, the Executive Management and all the company staff on another successful year. Pool Re is a small company with a large responsibility, and our ongoing success and reputation for innovation are attributable entirely to the diligence and ability demonstrated on a daily basis by our people. Eighteen months into my role as Chair of the Board, I am very pleased with the progress we have made since the last review, and view the year ahead with interest and optimism.

The Board of Directors has been changed and strengthened over this past 15 months. We paid a fond farewell to Andrew Skirton, who retired in June 2022 after a decade of diligent service to Pool Re and which included spells as Senior Independent Director and as acting Chair of the Company between March and December 2021. We have now recruited four new experienced Non-Executive Directors, with whom I look forward to continuing to work in the years ahead: Catherine Cripps, Matthew Moore, Ken Norgrove and Kevin Allchorne (who chairs our new Reinsurance Committee, which was constituted in January 2023).

In closing, I would like to congratulate our CEO, Tom Clementi, on an excellent first year in the role, during which he has brought a fresh vision and focus to all aspects of the operations, in particular in relation to its culture, digital enablement and stakeholder engagement, and made significant progress in delivering on our strategy.

Chief Executive Q&A

In April 2022, Pool Re welcomed Tom Clementi aboard as its new CEO. Now, after his first 15 months at the helm, he shares what attracted him to the role, the Company's major achievements since joining and what the next 12 months have in store.

? What attracted you to the position of CEO at Pool Re?

Several things appealed to me about the role. I was particularly drawn to the fact that Pool Re is a purpose-driven organisation, focused on providing the British economy with confidence and resilience in the face of the threats posed by terrorism. I was also attracted by the Company's unusual situation at the juxtaposition of the public and private sectors. Most of all though I wanted to do something which was different to what I had been doing before as well as meaningful in terms of benefiting society.

? What have you enjoyed most since joining the Company?

I've enjoyed working with Pool Re's diverse range of stakeholders. We've got one foot in two camps: one foot is planted firmly in the insurance industry, so we get to work alongside our Members, our reinsurers and the industry's regulators. The other foot is in the realm of public policy, which means dealing with Government departments, academia, think tanks and overseas pools.

I must also mention the fantastic Pool Re team. We have a great group of purposeful and talented individuals working collectively to serve our Members and deliver public policy objectives. They've made the past 15 months really enjoyable for me.

? How do you describe Pool Re's purpose?

Pool Re exists to provide confidence and resilience to the British economy in the face of the terrorism threat and to return risk back to the private market.

Ultimately our job is to enhance the resilience of the UK economy to terrorism whilst simultaneously distancing the UK taxpayer from its financial consequences.

"I was particularly drawn to the fact that Pool Re is a purpose-driven organisation"

? What have been Pool Re's major achievements in 2022–23?

Crucially, during the first part of 2022 and before I arrived, the Company successfully concluded a significant HM Treasury review. This preserved our unlimited guarantee, saw ownership of the Company's assets clarified and a "Scope of Works" and "Framework Agreement" agreed. The latter will help to shape our ongoing plans and govern our relationship with HM Treasury respectively.

Following the conclusion of the review, we established a Steering Committee to oversee the implementation of the "Scope of Works" initiatives. This involved putting detailed plans in place to track various workstreams, including the transition to our Arm's Length Body (ALB) status. We also agreed a vision for the future of Pool Re Solutions, our terrorism consulting arm, and ran a series of culture workshops for all staff across the business which have informed much of our Chief People Officer's plans for the coming year.

Later in 2022, we completed a comprehensive Member consultation exercise on our treaty reinsurance proposals. There was broad in principle support for these proposals, and we're now focused on developing the reforms in more detail, and doing so in conjunction with Members, reinsurers, the Government and our regulators. If approved, we are confident that the changes will, over time, drive greater take-up of terrorism insurance amongst SMEs, thereby increasing the resilience of the economy, and further insulating the taxpayer from the financial impact of terrorist attacks. These changes would constitute the most fundamental reform to Pool Re's reinsurance scheme in our history, and mark a turning point in the way insurers are able to reintegrate terrorism risk within their property and casualty operations. We are well positioned to go live with treaty reinsurance in April 2025.

We also held a successful online conference of the International Forum of Terrorism Risk Insurance Pools (IFTRIP) in May 2022, and in March 2023 held an in-person IFTRIP meeting in London, which provided an opportunity for us to share expertise, experience and best practice with similar bodies around the world.

All of this was in addition to the completion of an investment strategy review, the implementation of a new procurement and commercial services function, proposing revised claims authorisation limits to HM Treasury and revisions to the "Cede All Business" rule. We also secured third-party loss adjustment resource to cater for the demands of handling large terrorism claims and re-engaged with the Home Office to rejuvenate our Counter Terrorism Alliance (CTA).

Finally, we locked in three years of reinsurance cover via our £2.5 billion retrocession programme and catastrophe bond before the war in Ukraine disrupted the terrorism marketplace.

How have you made cover more accessible for British businesses?

We agreed and announced the most significant reduction in our reinsurance pricing for Members for 20 years, which went live in October 2022.

From October, rates were reduced by 21% in urban areas outside of Central London, and by 33% in non-urban areas. At a time of high inflation and increasing rates across many classes of business, this was welcome news for our Members and their policyholders.

We recognise that cost is a key factor when considering terrorism insurance cover, especially for SMEs, and these reductions help to make cover more affordable.

How does Pool Re's status as an Arm's Length Body (ALB) of Government affect company culture?

We've been around for 30 years and for 29 of them we weren't an ALB, so our own culture is already well established.

While there are no plans to materially change our culture, there are things we need to do slightly differently. For example, there are new obligations that require us to have a heightened focus on procurement and Government reporting because we're "managing public money" as an ALB of HM Treasury, but this shouldn't prove disruptive.

What are the Company strategies and priorities in the context of the "Scope of Works", which was agreed with HM Treasury and Member insurers in 2022?

At the heart of our strategy is a focus on delivering a reinsurance scheme that meets the needs of all stakeholders.

Key to doing so is our proposal to modernise Pool Re's system of reinsurance. This will see the scheme move from a facultative to an Aggregate Excess of Loss treaty model. At the same time we will introduce a bifurcated risk retention structure, split between chemical, biological, radiological and nuclear (CBRN) and all other terrorism perils.

Another priority is increasing awareness and take-up of terrorism cover among SMEs. The treaty proposal should help in that respect, but we're also working with key partners, including insurer Members, broader insurance and business bodies and HM Treasury to get the message across and drive penetration.

We also continue to work with HM Government to bring greater clarity to the definition of terrorism. This is essential to avoid any confusion about the cover we provide, and to reflect changes in the terrorism threat landscape.

And finally, we are developing Pool Re Solutions, a division of the Company which focuses on terrorism risk intelligence and risk management initiatives with insurer Members, providing bespoke consulting projects for their clients so they better understand the threats they face. This sits alongside broader, national risk mitigation projects which we carry out through the Counter Terrorism Alliance, a partnership between Pool Re, the Home Office and the counter-terrorism police.

By defining our strategic approach, we provide clarity to all stakeholders. People understand why we exist as an organisation, what we're trying to achieve and the means of delivering it. Ultimately, we want to deliver a reinsurance scheme that is fit for purpose and evolves to meet the needs of all our stakeholders.

? What are the key themes we can look forward to in the coming 12 months?

As mentioned, our main priority is developing an updated treaty reinsurance scheme that provides Members more flexibility to align with their strategic priorities and risk appetite. This will a) drive greater take-up of terrorism cover, thereby bolstering the resilience of the UK economy, and b) continue to distance the UK taxpayer from the financial consequences of terrorist attacks by returning risk back to the private market.

We'll also be focusing on developing resilience in Great Britain by partnering with the Home Office and counter-terrorism police. This work is managed through the Counter Terrorism Alliance (CTA) and we have Government approval to invest up to 1% of our funds in these initiatives with the aim of reducing the likelihood of a terrorism event and/or mitigating its impact should one occur.

Pool Re Solutions will also continue to help Members understand the threat to their clients. The team will develop their capabilities and conduct projects with Members and their largest policyholders to ensure they're better able to understand the risks they face and how to mitigate them.

Like many organisations, we'll also be focusing on digital transformation activities. For example, we'll be making sure that our treaty reinsurance scheme and our resilience proposition sits on a customer-friendly digital platform and that our operations use technology smartly to drive efficiencies.

"We have a great group of purposeful and talented individuals working collectively to serve our Members and deliver public policy objectives."

? What is the significance of Martyn's Law in 2023?

Martyn's Law came about in response to the Manchester Arena bombing in May 2017. When it passes into legislation, thousands of businesses up and down the country will have a statutory obligation to consider terrorism and take preventative and proportionate action to ensure public safety.

The legislation is still undergoing parliamentary scrutiny but it is likely that all publicly accessible locations in the UK with a capacity above a specified threshold will need to take pro-active and sensible steps to mitigate or prevent a terrorism event. It's going to put counter terrorism on the map for many businesses.

At Pool Re, we welcome this development. However, we recognise that it may place new compliance and liability pressures on British businesses. Many will need to implement unfamiliar protective security measures and may wish to purchase greater liability insurance cover as a result. In 2023, we will help to raise awareness of the new law and support our Members' understanding of what it means for them and their policyholders by providing education and guidance.

Pool Re Ecosystem

The infographic below shows how we think about our Purpose (the why) in the context of our Strategic Pillars (the what), the Levers (the how) and our Strategic Partners (the who).

Culture

Excellent	Personable	Innovative	Collaborative	Bold

Purpose (Why)

To provide confidence and resilience to the economy and return risk to the market

Strategic Pillars (What)

Encourage the return of risk to private (re)insurance and capital markets	Provide risk analysis and risk management services, and investment to support national resilience	Deliver a reinsurance scheme that meets the needs of all stakeholders	Address the lack of awareness and take-up of terrorism cover by SMEs	Explore opportunities to expand Pool Re's proposition to address other forms of systemic risk

Levers (How)

• Treaty • Bifurcation • Pool Re Solutions	• Pool Re Solutions • Collaboration with HMG, CT Police, academia, think tanks, private sector, non-profit organisations	• HMT Guarantee • Comprehensive cover • Terrorism definition • Member engagement • Investment fund	• Treaty & Bifurcation • HMT Dialogue • Member engagement	• Advisory Board • Engagement with HMT & wider Government

Strategic Partnerships With Members and HM Treasury (Who)

HM Treasury Relationship

Pool Re was established in 1993 by the insurance industry and Government as a mutual company owned by the insurance companies that cede business to it. At Pool Re, we have always relied on an unlimited funding arrangement with the Government, albeit one that we have never had to call upon.

In 2019, the Office for National Statistics (ONS) conducted a review of Pool Re and concluded that we should be classified as part of the Central Government Sector for statistical purposes.

As a result of this ONS classification, Pool Re has become part of the Government budgetary regime. Our results are now consolidated in HM Treasury's financial statements and we are now classified as an executive Non-Departmental Public Body (NDPB) sponsored by HM Treasury. As an NDPB, Pool Re has a role in the processes of national Government but is not a Government department or part of one, and accordingly operates at arm's length from Ministers.

Key to the future operations of Pool Re, HM Treasury has confirmed that:

1. Our Board remains responsible for setting the strategic direction of the Company and its governance, including whether an annual dividend will be paid;
2. The Pool Re fund, built up over many years, remains in our sole ownership for the purpose of the Company's reinsurance business; and
3. The scheme rules remain fit for purpose.

A Framework Agreement, setting out the broad governance arrangements within which our Company operates, has been agreed between HM Treasury and Pool Re. As such, a "Scope of Works" has been agreed with HM Treasury, Pool Re and our Members.

HM Treasury Five-Year Review

Much of Pool Re's success stems from the fact that we have never stopped evolving. Over the years the scheme's scope has expanded to reflect the changing nature of terrorism.

Today its cover includes chemical, biological, radiological and nuclear (CBRN) risks, along with non-damage business interruption and the physical and direct business interruption impacts of cyber terrorism.

At Pool Re, we have rightly gained a reputation for excellence as well. We have pioneered the return of terror cover to insurance markets with the world's largest terrorism reinsurance programme. While Pool Re is still underpinned by the Government, its financial strength means that any loss would have to exceed £10 billion before the taxpayer would need to step in. In addition, as Pool Re was the organisation that placed the world's first ever terrorism catastrophe bond, we remain at the forefront of insurance innovation.

Undoubtedly these achievements have led to the emergence of early stages of growth in the purely private terrorism reinsurance market. However, terrorism is an unpredictable risk. As a result, we continue to be of critical importance for the bulk of the UK terrorism insurance market. It is therefore vital that we continue functioning as effectively as possible and keep pace with market change.

In HM Treasury's words: "We welcome the innovative work of Pool Re, particularly over the last decade, in which it has become recognised as the world leader in terrorism reinsurance. This review has demonstrated that the Pool Re scheme continues to play a vital role in the provision of terrorism reinsurance in the UK and it remains a valued partner of HM Treasury."

In September 2020, HM Treasury launched its review of Pool Re's strategic partnership with the Treasury, in line with the commitment to regular reviews made in 2014. Ultimately, the steps agreed in this review ensure that Pool Re works well in the modern world and continues to innovate in response to the evolving needs of customers, the market and Government.

The review findings were the outcome of more than a year of detailed consideration, using data provided by us, with support from the Government Actuary's Department and a public Call for Evidence.

The agreed changes, collectively known as the "Scope of Works", are summarised as follows:

Developing Pool Re's proposed transition in providing treaty reinsurance, with a selected retention structure that can vary between "conventional" risks (e.g. blast) and less insurable "non-conventional" risks (e.g. CBRN and Cyber).

Working with HM Treasury, insurer Members and broader insurance bodies to generate awareness and take-up of terrorism cover among SMEs.

Exploring the necessity and desirability of modernising the definition of terrorism that underpins the Pool Re scheme.

Developing Pool Re Solutions, the division within our Company that focuses on terrorism risk management projects with insurer Members, and risk mitigation projects with the Home Office, Homeland Security Group and CT Police.

Progress on these initiatives is reviewed on pages 40–44.

The intention is for this work to take us up to HM Treasury's next review of Pool Re in 2026. As a result of these changes, businesses will be able to obtain the terrorism cover they need easily and efficiently. Premiums will better reflect risk, and cover will become more affordable. Importantly, these changes will mean the taxpayer will not be on the hook for costs that could be covered by the private market.

The agreed measures are supported by HM Treasury, all of us at Pool Re and our Members. We have every confidence that these changes will strengthen the UK terrorism insurance sector so it can continue to provide its customers with the security they so rightly deserve.

"The Pool Re scheme continues to play a vital role in the provision of terrorism reinsurance in the UK."

"Scope of Works" 2022 – 2026 Initiatives

1 Develop a proposal to modernise Pool Re's system of reinsurance

Summary

Develop a proposal to transition our reinsurance scheme from a "facultative obligatory" model to an "aggregate excess of loss treaty" model. At the same time, introduce a bifurcated (or sub-divided) risk retention structure split between "CBRN/Cyber" and "all other" terrorism perils.

Purpose

- Deliver a scheme fit for the contemporary digital insurance marketplace.
- Deliver on our mandate to create the conditions for the maximum return of risk to the private market over time.
- Empower Member insurers to more easily reintegrate terrorism cover within their products and in particular improve penetration within the SME market.

Key Activities and Success Criteria

- Design a modernised scheme that preserves the elements of the current scheme that Members value.
- Create and develop an actuarial and pricing model to underpin the modernised scheme.
- Secure Member and HM Treasury buy-in for the proposed changes.
- Implement the proposed changes with minimal disruption to Members and policyholders.

Progress to 31 March 2023

- Designed proposed scheme and pricing strategy, to be challenged and refined throughout 2023/24.
- Implemented model governance and peer-review regime.
- Conducted Member consultation August to November 2022. Responders constituted 87% of the scheme by Gross Written Premium (GWP).
- Constituted the Reinsurance Committee of the Board of Directors in January 2023.
- Convened three "Member Advisory Group" (MAG) meetings.
- Reconstituted the Member-based "Technical Advisory Group" (TAG).
- Continual dialogue regarding the proposed changes undertaken with Members, HM Treasury, trade bodies and regulatory authorities.

"Scope of Works" 2022 – 2026 Initiatives

2 Continue proactively to return risk to the private market

Summary

HM Treasury is willing to continue to extend an unlimited guarantee to Pool Re as long as we continue to find proactive ways to return risk to the market.

Purpose

- Continue to address the "market failure" that led to the scheme's creation in 1993 and ensure that HM Treasury's guarantee is only called upon where there are clear areas of ongoing market failure.
- Distance the taxpayer from financial loss in the event of certified terrorism attacks.
- Stimulate private (re)insurance and capital markets to retain as much terrorism risk as commercially viable.

Key Activities and Success Criteria

- Maximise commercial capacity through industry retention levels.
- Bifurcate the scheme's retention structure through the proposed transition to an aggregate treaty model, in order to facilitate greater retention of – and appetite for – non CBRN/Cyber risk.
- Continue to manage a viable and cost-effective retrocession programme.
- Continue to manage a viable and cost-effective terrorism catastrophe bond.
- Provide Members with actuarial analysis, pricing tools and threat analysis to develop greater comfort around underwriting and assuming terrorism risk.

Progress to 31 March 2023

- Increased industry retentions from £420 million (2022) to £450 million (2023) in the aggregate, and from £260 million (2022) to £275 million (2023) per event.
- Maintained world's largest terrorism retrocession programme of £2.4 billion.
- Maintained the world's only terrorism catastrophe bond of £100 million.

“Scope of Works” 2022 – 2026 Initiatives

3 Increase SME awareness and take-up of terrorism cover

Summary

Work with HM Treasury, insurer Members and broader insurance bodies to generate awareness and take-up of terrorism cover among SMEs.

Purpose

- Improve the resilience of SMEs in Great Britain and, by extension, the resilience of the economy as a whole to the threat of terrorism.

Key Activities and Success Criteria

- Work with trade associations, industry bodies and insurers to increase awareness of the terrorism risk and the insurance available to SMEs who do not buy insurance.
- Create the conditions for terrorism insurance to be as accessible as possible to all businesses in Great Britain.
- Create the conditions for Member insurers to deploy terrorism cover within their products through modernising the scheme’s system of reinsurance, and improve penetration in the SME market.
- Collaborate with the Home Office and police to assist Members and their policyholders (SMEs in particular) with awareness and education materials relating to the incoming Terrorism (Protection of Premises) Bill, or Martyn’s Law, expected in the spring of 2024.

Progress to 31 March 2023

- Delivered scheme pricing reductions from October 2022, reducing rates by an average of 14% across the country and up to 30% in non-urban areas, thereby further increasing accessibility of terrorism insurance for all businesses in Great Britain.
- Established partnerships with The British Insurance Brokers’ Association (BIBA), Airmic, the British Chambers of Commerce and the Home Office in order to generate and promote awareness materials for SMEs.
- Produced briefings and hosted Member seminars on how to prepare for the pending Martyn’s Law legislation.

“Scope of Works” 2022 – 2026 Initiatives

4 Explore clarifications to the Definition of Terrorism, which underpins the scheme

Summary

Work with HM Government to explore the possibility of agreeing new guidance that can be issued within the industry to clarify the scope of Pool Re’s cover.

Purpose

- Provide greater clarity to the market and policyholders regarding the scope of Pool Re’s cover against an evolving threat.

Key Activities and Success Criteria

- Facilitate a greater understanding by Members and HM Treasury of what we at Pool Re cover.

Progress to 31 March 2023

- Worked with the Home Office and legal counsel to establish and subsequently rule out the alternative statutory definitions which might have replaced the scheme’s existing definition of terrorism.
- Established consensus from Members that clarification of the scope of the scheme’s existing definition of terrorism is preferable to changing the definition.
- Submitted a proposal to HM Treasury in December 2022 requesting a clarification of their interpretation of the scheme’s definition of terrorism and scope of cover.

“Scope of Works” 2022–2026 Initiatives

5 Develop Pool Re Solutions and risk mitigation initiatives

Summary

Work to develop Pool Re Solutions, our division that focuses on terrorism risk intelligence and management projects, with insurer Members and academia, and risk mitigation projects with the Home Office, Homeland Security Group and counter-terrorism police.

Purpose

- Enhance Members’ and policyholders’ understanding of the contemporary terrorism threat through thought leadership, training and education services.
- Enhance national resilience and security efforts through partnership and investment in initiatives with the Home Office, Homeland Security Group and counter-terrorism police.
- Mitigate contemporary terrorism risk through the delivery of bespoke and at scale risk management services.
- Amplify terrorism risk mitigation best practice as a primary conduit between Government and the insurance industry.

Key Activities and Success Criteria

- Agree and implement a three-year development plan.
- Invest a proportion of the fund into technologies, companies and Home Office projects which reduce the threat of terrorism and increase the UK’s resilience.
- Deliver regular thought leadership, risk intelligence and risk management services to the scheme’s stakeholders.

Progress to 31 March 2023

- Agreed three-year development plan at December 2022 Board meeting.
- Established a Memorandum of Understanding with our Counter Terrorism Alliance (CTA) partners at the Home Office and counter-terrorism police.
- Continued investment in the National Security Strategic Investment Fund (NSSIF), delivered by the British Business Bank, which contributes patient capital to advanced technologies involved in delivering national security outcomes.
- Published and promoted regular thought leadership and risk intelligence material to all of our stakeholders.
- Delivered multiple bespoke risk management projects for critical sites across the UK.
- Increased the number of businesses using Pool Re’s Vulnerability Self-Assessment Tool (VSAT) to benchmark their risk management and qualify for premium discounts.

Financial Review

Following the classification of Pool Re to the Central Government Sector, we changed our accounting reporting date to 31 March in line with the Government, resulting in a 15-month accounting period to 31 March 2023, and moved to reporting our financials under International Financial Reporting Standards to facilitate consolidation of our results into the accounts of HM Treasury.

During the 15-month period to 31 March 2023, our Company recorded a gross premium income of £341.4 million (2021: £279.4 million). This is a satisfying result, given the introduction of pricing reductions averaging 14% which took effect on 1 October 2022. The price reductions were a key element of the "Scope of Works" agreed with both HM Treasury and Members, to ensure that our cover remains both available and affordable.

The net premium earned of £88.4 million (2021: £24.4 million) reflects the two elements to our outward reinsurance: premium to HM Government and the purchase of commercial reinsurance protection reported for the period.

The terms of the Retrocession Agreement between Pool Re and HM Treasury include provision for Pool Re to pay an annual distribution to Members. The Board declared such a dividend at its Annual General Meeting on 10 June 2022 in respect of its 2021 results. The amount paid as a dividend was £72 million. No new claims were recorded in the 15-month accounting period to 31 March 2023 and there were no claims outstanding at 31 March 2023. Investment income, including net realised and unrealised gains and losses, totalled just £6.8 million in the 15-month accounting period to 31 March 2023, reflecting the unprecedented market conditions. This compares to an investment profit of £246.7 million reported in 2021.

The amount provided for taxation is a credit of £25.5 million. This relates to United Kingdom Corporation Tax and foreign withholding tax on investment income receivable and realised and unrealised profits, less interest payable and investment expenses. There is no taxation charged on the underwriting result as the business is conducted on a mutual basis.

The Company made a resulting profit after taxation of £99.3 million for the period (2021: £216.1 million). After accounting for the dividend paid to Members in 2022, the accumulated balance on the Profit and Loss Account was £6,242.0 million at 31 March 2023, 0.4% higher than the 31 December 2021 balance of £6,215.0 million.

The investment fund (financial investments, accrued income and investment debtors, creditors and cash) stood at £6,692.6 million at 31 March 2023 (31 December 2021: £6,885.7 million).

Section 172 Statement:

Directors' Responsibility to Pool Re's Wider Stakeholder Base

The Directors are aware of their responsibilities to promote the success of our Company in accordance with Section 172(1) of the Companies Act 2006 and have acted in accordance with these responsibilities. The Board endeavours to understand the views of Pool Re's stakeholders and to consider how their interests have been addressed in Board discussions and decision-making.

The Pool Re Board also considers how decisions regarding management of our business affect stakeholders' interests. We continue to develop our approach to Environmental, Social and Governance (ESG) issues. This encompasses both Pool Re's office practices and the management of our investment fund. Our commitment to ESG matters is illustrated by our adoption of the UN Principles for Responsible Investment and by subscribing to the Carbon Disclosure Project.

The Board has considered the PRA Supervisory Statement 3/19 (SS 3/19), which requires banks and insurers to enhance their monitoring of the financial risk from climate change. An internal exercise has been undertaken to embed climate risk in our risk management framework and strategic decision-making processes.

At Pool Re, we continue to develop our suite of HR initiatives to retain, develop and encourage first-class performance from our staff. Pool Re's core values, which are Bold, Excellent, Innovative, Personable and Collaborative, guide the Company's decision-making process. We conducted an anonymous employee survey in November 2022, providing the opportunity for employees to give their views on working at Pool Re. The results were generally very positive, with 95% of staff responding that they were very or fairly satisfied with their jobs (November 2021: 92%). The survey output is subsequently shared with the Executive and the Board, and the key themes feed into our HR agenda for 2023. Furthermore, regular presentations and updates about the business and the office culture are given to staff where feedback is actively encouraged.

Delivering Value

UK businesses/policyholders

- Affordable terrorism insurance protection to enable and encourage economic activity and investment in the UK, including large infrastructure projects.
- A relevant and comprehensive product which evolves with and anticipates the threat and remains available after a large event.
- Insurance cover that can be designed to reward risk mitigation activities.

Member insurers of Pool Re

- A solution in response to market failure, and an evolving product which meets the needs of customers.
- Comprehensive terms for terrorism coverage, including CBRN.
- Reinsurance which is simple to operate, providing unbroken coverage.
- Access to information from Pool Re partnerships with public agencies, academia and international pools.
- Commercial and innovation opportunities associated with increased terrorism risk understanding and access to threat and actuarial expertise.
- Value from the Pool Re annual dividend, reflecting amount of premium ceded.
- London's reputation as a world-leading insurance and risk-transfer centre is further enhanced.

Wider (re)insurance industry

- A route to market normalisation, ensuring confidence in the insurance industry.
- Retrocession programme enables non-direct reinsurer participation which would not otherwise be possible.
- Encouragement for the development of a specialist terrorism market.

Delivering Value

UK Government

- Public finances boosted through sharing of Pool Re gross premium.
- Distanced from loss by Pool Re investment fund and risk-financing solutions e.g. Insurance-Linked Securities (ILS).
- A maturing market for conventional terrorism risk reduces reliance on the HM Treasury guarantee to Pool Re, distancing the taxpayer from potential loss.
- Support for Government's counter-terrorism strategy and conduit to incentivise businesses to implement accredited risk mitigation strategies.
- Access to expertise in the quantification and pricing of terrorism risk liabilities.
- An efficient mechanism for payment of claims to businesses impacted by terrorism, enabling the economy to "build back" in the event of catastrophic loss.
- A trusted advisor on how Government can intervene effectively in the market to address other risks which are difficult to insure on a purely commercial basis.
- Government moral hazard is reduced by formalised hierarchy of losses between the public and private sectors in the event of an attack.

International

- The International Forum of Terrorism Risk (Re)Insurance Pools (IFTRIP), launched in London in 2015 at the initiative of Pool Re, is the only forum for collaboration between the world's terrorism (re)insurance pools.
- Governments, the (re)insurance industry and their policyholders all over the world benefit from the exchange of best practice and enhanced management of terrorism risk fostered through IFTRIP.

03 Governance & Accountability

Directors' Report

The Directors of Pool Reinsurance Company Limited (registered number 2798901) present their report and the audited financial statements of the Company for the 15-month period from 1 January 2022 to 31 March 2023.

Board of Directors

Historically, the Board has held four quarterly meetings each year. Following the governance review led by Angela Knight on her appointment as Chair, from the beginning of 2022, the number of Board meetings per year increased to six.

At the Board meetings, the Board considers reports from each of the key functions and focuses in particular on financial performance, operational performance, commercial and customer engagement, investment management, legal and regulatory, marketing and communications and threat analysis.

In addition to these standing items, the Board annually considers other matters of significance to the Company, in accordance with an agreed schedule of matters to be considered in the forthcoming year. Alongside the regularly scheduled Board meetings, the Directors also hold an annual strategy session and meet as necessary to discuss any material matters as they arise. During the period 1 January 2022 to 31 March 2023, the Board met ten times, reflecting the needs of the business.

A formal schedule of matters reserved to the Board is maintained and reviewed annually. Such matters include those that are considered to be of significant strategic importance, which affect the structure of the Pool Re scheme, setting the culture, ethics, values and standards of the Company, or affect the corporate governance framework.

The Board has otherwise delegated power to its committees and to the Executive Management to make decisions on operational matters within a framework of internal controls.

Each committee operates within written terms of reference and the respective roles and responsibilities of the Chair, Senior Independent Director and the Chief Executive are set out in writing.All of this may only be amended with the Board's approval. The appointment and removal of the Chief Executive and the General Counsel and Company Secretary are also matters reserved to the Board.

The Chair, in conjunction with the Chief Executive, the General Counsel and Company Secretary, ensures that the Board receives the information it needs to discharge its responsibilities. All Directors have access to the services of the General Counsel and Company Secretary and independent professional advice is available, at the expense of the Company, to the Directors in respect of any issue arising in the course of their duties. The Company maintains appropriate directors' and officers' liability insurance in respect of legal actions against its Directors.

Following their appointment, new Directors are given an in-depth induction by Executive Management. Additional training is provided to Directors throughout their appointment to ensure they possess the necessary knowledge regarding the Company and its operations to perform their role effectively and, more broadly, on matters of relevance generally and specifically.

Composition

The Board currently consists of 11 Non-Executive Directors, including a Non-Executive Chair, and one Executive Director, the CEO. Brief biographical details of the current Directors are set out on pages 71–75.

The Directors who served during the year and up to the date of signing the financial statements are:

A A Knight CBE

T C Clementi
Appointed 14 April 2022

K Allchorne
Appointed 17 January 2023

C G Cripps
Appointed 29 June 2022

C Gienal

D N Jagger

B J Merry

M Moore
Appointed 14 March 2022

K M Norgrove
Appointed 17 November 2022

Dame Susan Owen

A M Rubenstein

A G Skirton
Retired 10 June 2022

A C Winslow

The power to appoint Directors rests solely with the Board. The Articles of Association provide that the number of Directors in office at any one time shall be between three and 12.

We keep the size and composition of the Board under review. This ensures an appropriate balance of independence, expertise and experience to support the strategic and operational direction of the Company and to provide effective challenge. Regardless of the number of Directors, a majority shall be independent Non-Executive Directors. Director appointments are undertaken with the support and assistance of executive search and leadership advisory firms.

The Articles of Association allow HM Treasury to nominate individuals to be considered by the Board for appointment as Directors. However, only one Director at any time may hold office following nomination in this way. Dame Susan Owen is the Director appointed following nomination by HM Treasury.

At Pool Re, we recognise that a Board of Directors having diverse experience, qualifications and knowledge is likely to promote more effective challenge. Equally, a wider range of perspectives will help it to identify a greater range of risks to the business and be better placed to appreciate and manage their impact. Board appointments and succession plans are based on merit and objective criteria and, within this context, should promote diversity.

Diversity extends beyond gender and ethnicity, to include areas such as social background, age and sexual orientation, as well as diversity of experience and cognitive and personal strengths, all of which are likely to bring some level of competitive advantage. While our business pursues diversity, the Board is not committed to any specific targets. Instead, the Board continues to pursue a policy of appointing talented people at every level who have the knowledge and skillset to deliver high performance, while mitigating the risk exposure of the Company.

Every year, the Board considers the ongoing independence of each Director. This takes into account the period they have served, whether they are also Directors of companies within groups that cede business to Pool Re or whether they have been appointed by significant counterparties. The Board has determined that, as at the date of this statement, the majority of Non-Executive Directors remain independent in character and judgement.

In accordance with the Articles of Association of the Company, all Directors must retire and seek election at the first Annual General Meeting (AGM) following their appointment. Subsequently, at each AGM, each Director will be subject to annual re-election.

Board Committees

Historically, there have been three standing Committees: the Investment Committee; the Risk and Audit Committee; and the Remuneration, Nominations and Conflicts Committee.

However, following the governance review implemented by Angela Knight in early 2022, the Board resolved that the Remuneration, Nominations and Conflicts Committee be split in two: a stand-alone Remuneration Committee, which continues with the same Committee Chair and membership, and a separate Nominations and Governance Committee chaired by Angela Knight and to comprise all Non-Executive Directors.

The Board also resolved that a fifth standing Board Committee, the Reinsurance Committee, be set up in the first quarter of 2023. As a result, there are five standing Committees: the Investment Committee, the Risk and Audit Committee, the Remuneration Committee, the Nominations and Governance Committee, and the Reinsurance Committee. All of these have written Terms of Reference. The Board has satisfied itself that each of its Committees has sufficient resources to undertake its duties.

The Investment Committee

The Investment Committee is chaired by Alan Rubenstein and comprises five Directors. The Committee met five times during the period 1 January 2022 to 31 March 2023. A summary of the principal activities of the Committee during this period is provided below:

- **Asset Allocation:** The Committee kept the Company's Asset Allocations under review.
- **Investment Policy:** The Committee advised the Board on the development and implementation of the Investment Policy and Strategy and led the process of the ongoing monitoring of the Company's investments.
- **Investment Guidelines:** Investment Guidelines have been issued to the Company's Investment Managers and the Committee monitored adherence to these guidelines.
- **Investment Manager Presentations:** At each meeting the Committee received a presentation from one or more of the Investment Managers, with each manager presenting at least once every two years.

The Risk and Audit Committee

The Risk and Audit Committee is chaired by Barbara Merry and comprises four Directors, of whom three are independent Non-Executive Directors and one is a Member Director. While the UK Corporate Governance Code (the "Code") provides that membership of this committee be comprised solely of Independent Non-Executive Directors, the Board considered that the inclusion of a Member Director would provide a wider balance of skills, experience and knowledge to the Committee to enhance its discussions.

The Committee met five times during the period 1 January 2022 to 31 March 2023. A summary of the principal activities of the Committee during this period is provided below:

- **Effectiveness of Enterprise Risk Management:** The Committee monitored the effectiveness of the enterprise risk management function in the Company, including the effectiveness of the Chief Risk Officer, and reviewed and approved the resources of the risk function to satisfy itself that these are sufficiently adequate and independent to discharge its responsibilities.
- **Enterprise Risk Management Framework:** The Committee reviewed and recommended to the Board for approval our Risk Management Framework, risk appetites, operating policies and other relevant documents relating to our approach to enterprise risk management.
- **Risk Register:** The Committee reviewed at each meeting our Company's risk register, including monitoring, developing and emerging risks and the operation of key controls and advising the Board about the same.
- **Business Plan Alignment:** The Committee advised the Board as to whether our strategy and annual business plan is aligned with the Risk Framework.
- **Financial Statements:** The Annual Report and Accounts and PRA Annual Return were reviewed carefully by the Committee to monitor the integrity of the financial statements prior to submission to the Board for approval. The Committee considered significant risks, including any estimates and significant financial reporting judgements of management and the methodology and assumptions used in relation to our financial statements. Specific consideration was given by the Committee to the key risk of misstatement as regards the existence and valuation of financial investments. The Committee gained assurance as to the effectiveness of key controls relating to pricing, valuations and existence of financial instruments.
- **Financial Instruments:** The Committee considered the pricing, valuations and existence of derivative financial instruments.
- **Internal Controls and Internal Audit:** The Committee monitored the system of internal controls and the effectiveness of our internal audit function throughout the year, assessing the resources and skills available.
- **Internal audit reports:** These are regularly reviewed by the Committee and the outsourced internal auditor reports to all meetings of the Committee.
- **Going Concern and Viability of the Company:** The Committee monitored our resources and has satisfied itself that the Company has an adequate level of resources for the foreseeable future.

- **Relationship with the External Auditor:** The Committee is responsible for overseeing the relationship with the External Auditor, assessing the effectiveness of the audit process and making recommendations on the appointment and removal of the External Auditor. It makes recommendations to the Board on the level of the audit fees and the terms of engagement for the Auditor. The External Auditor is invited to attend Committee meetings, where appropriate, and also meets with the Committee and the Committee Chair without management being present.
- **Non-Audit Services:** The Committee regularly reviews and monitors the External Auditor's independence and objectivity. As part of this, it considers the nature and extent of any services supplied by the External Auditor to ensure that independence is maintained.

The Remuneration Committee

The Remuneration Committee is chaired by Denise Jagger and comprises five Directors, of whom four are independent Non-Executive Directors and one is a Member Director. While the Code provides that membership of this committee be comprised solely of Independent Non-Executive Directors, the Board considered that the inclusion of a Member Director would provide a wider balance of skills, experience and knowledge to the Committee to enhance its discussions.

The Committee held four scheduled meetings during the period 1 January 2022 to 31 March 2023. A summary of the Committee's principal activities is as follows:

- **Remuneration Policy:** The Committee has delegated responsibility for considering and setting the overall remuneration policy for the Company and in particular its application to the Chair, the Chief Executive and the senior management team, approved after recommendation from the Chief Executive. In doing so it reviews and agrees performance objectives for the Chief Executive and the senior management team which are aligned with our wider objectives. It receives regular performance updates and ensures the fair and consistent application of the remuneration policy elements. These include salary and bonus. In fulfilling its duties it receives advice from appropriately qualified external advisors.
- **Remuneration of Employees (Including the CEO and Senior Management Team):** The Committee has delegated responsibility to review and consider the overall remuneration of Pool Re staff, having regard to the market levels and the Framework Agreement as agreed with HM Treasury.
- **Remuneration Practices:** The Committee has responsibility to design and implement practices to support strategy and promote long-term sustainable success and when determining remuneration of the CEO and senior management team, to consider the Code requirements of clarity, simplicity, risk mitigation, predictability, proportionality and alignment to culture.

The Nominations and Governance Committee

The Nominations and Governance Committee is chaired by Angela Knight. The Committee met three times during the period and held several additional meetings to develop and complete the successful nomination and recruitment of Catherine Cripps, Matthew Moore, Ken Norgrove and Kevin Allchorne as Non-Executive Directors. A summary of the Committee's principal activities is as follows:

- **Board Appointments and Succession Planning:** Review and recommend to the Board the appropriate size, structure and composition of the Board, taking into consideration skills, experience, diversity and leadership needs.
- **Board Effectiveness:** Make recommendations to the Board concerning the re-election of Directors under the annual re-election provisions, having due regard to performance, ability, contribution and length of service.
- **Evaluation of the Board Committees and Directors:** Oversee and review the results of the annual evaluation of the performance of the Board and its Committees, including the performance of individual Directors, composition and succession planning and overseeing the implementation of any resulting action plan.
- **Governance Framework:** Assess and oversee the operation of the governance framework and corporate governance practices of our Company.
- **Conflicts of Interest:** Consider any direct or indirect interest that a Director may have and which may conflict with the interests of our Company.

The Reinsurance Committee

The Reinsurance Committee met for the first time in February 2023 and held two meetings during the period to 31 March 2023. The Committee is chaired by Kevin Allchorne and comprises four Non-Executive Directors, one Executive Director (the CEO) and the Chief Underwriting Officer. The principal activities of the Committee are as follows:

- **Underwriting:** Oversight of the Company's underwriting scope and rules.
- **Reinsurance:** Oversight of our reinsurance proposition, including structure and retention levels.
- **Brokers:** Provide input into the process of procurement, appointment and termination of our brokers for placing the retrocession programme.
- **Regulatory and legal:** Consider issues arising in respect of the reinsurance proposition.
- **Company Plan:** Oversee our plan in relation to the implementation of the Consumer Duty, considering any impact on consumers.

In addition to these Committees, the Board may from time to time establish ad hoc committees to address any specific purpose, with such delegation of powers and membership as the Board considers appropriate or necessary to meet its aims.

In accordance with the Articles of Association, the proceedings of any Committee to which the Board has delegated powers are minuted and reported to the Directors at the following Board meeting.

Attendance at Meetings

It is recognised that Directors' executive responsibilities outside of the Company may result in them being unable to attend all the regularly scheduled Board and/or Committee meetings. On such occasions, the Chair of the Board will obtain their comments on matters to be considered at the meeting in question for passing on to the other Directors as appropriate. During the period 1 January 2022 to 31 March 2023, the Board met on ten occasions.

The table below sets out each Director's attendance at the meetings of the Board and the Committees which they were eligible to attend during the period 1 January 2022 to 31 March 2023.

	Board	Nominations and Governance Committee	Risk and Audit Committee	Investment Committee	Remuneration Committee	Reinsurance Committee
A A Knight CBE	10 (10)	3 (3)		4 (5)	4 (4)	
T C Clementi[1]	3 (3)					2 (2)
K Allchorne[2]	1 (1)					2 (2)
C G Cripps[3]	4 (4)	2 (2)	3 (3)	3 (3)	1 (1)	
C Gienal	5 (10)	2 (3)			3 (4)	
D N Jagger	10 (10)	3 (3)			4 (4)	
B J Merry	6 (10)	2 (3)	5 (5)	4 (5)		2 (2)
M Moore[4]	4 (7)	2 (3)		3 (5)		1 (2)
K M Norgrove[5]	2 (2)	1 (1)				1 (2)
Dame Susan Owen	10 (10)	3 (3)	5 (5)		3 (4)	
A Rubenstein	9 (10)	3 (3)		5 (5)	3 (4)	
A G Skirton[6]	4 (4)		2 (2)	2 (2)		
A C Winslow	10 (10)	3 (3)	5 (5)			

Possible number of meetings during the period that could be attended are shown in brackets.

1. T C Clementi (appointed 14 April 2022)
2. K Allchorne (appointed 17 January 2023)
3. C G Cripps (appointed 29 June 2022)
4. M Moore (appointed 14 March 2022)
5. K M Norgrove (appointed 17 November 2022)
6. A G Skirton (resigned 10 June 2022)

Performance Evaluation

Each year the Board undertakes an evaluation of its performance. Every three years, the evaluation process includes an assessment undertaken by external Board performance consultants, the intervening years being undertaken through self-assessment.

In 2022, following the postponement of the evaluation in 2021 until completion of the review with HM Treasury, the Board undertook an evaluation by self-assessment. In order to ensure thoroughness and independence, the self-assessment was supported by Independent Audit Limited (IAL) who facilitated the exercise using their online governance platform. Questionnaires were prepared for the Board and Committees in discussion with the General Counsel and Company Secretary, who consulted with the Chair of the Board and Committee Chairs. The Board questionnaires were completed by Board members, executives and external advisors. Directors did not complete the questionnaires for Committees which they did not routinely attend. The results were analysed by the General Counsel and Company Secretary and IAL and the reports based on the results were shared with the Board and Committees.

The evaluation was undertaken on the understanding that since the previous review, there has been considerable change on the Board and in the Company, with a new Chair, several new Non-Executive Directors and a new CEO. This change was reflected in the questionnaires, which showed that the Board is working well in terms of the composition, dynamics, chairing and relationships. It is also indicative of a well-functioning Board where Non-Executive Directors and executives were broadly aligned in their responses to the questionnaires.

The Board's strengths were broadly recognised to be that it operates in an environment of openness and trust, it is led by a highly respected Chair, it holds inclusive discussions, has well-functioning Committees, and high quality support. Following the review, areas of development will be focused on developing the risk management framework, implementation of the strategy and the development of the firm's culture.

Directors' Remuneration

The Company's Articles of Association provide that until otherwise determined by ordinary resolution, there shall be paid to the Directors such fees as the Directors determine, not exceeding an annual aggregate.

At the AGM in 2022, Members resolved to approve an increase in the annual aggregate limit applicable to Directors' fees from a limit of £600,000 to a new limit of £800,000. This increase allowed for headroom to appoint new Directors in 2022–2023 up to the maximum of 12 Directors allowed by the Articles.

Subject to the annual aggregate limit, Directors receive fees at levels approved by the Board. These are reviewed by the Board on an annual basis, incorporating the use of market data to do so. Directors serving on the various Committees of the Board, other than the Chair, also receive further fees to reflect the additional time commitment involved.

No Director receives any additional remuneration from the Company other than their fees. Directors are not paid compensation for loss of office.

Dividend

The Articles of Association of the Company provide for distributions to Members in the form of a dividend and in the circumstances of a winding up.

In June 2022, the Company paid a dividend to Members of £72 million (2021: £31 million) in proportion to premium ceded during the preceding year.

Donations

The Company has a policy that it does not make political donations. In the year under review we made no such donations. The Company has established a Donations Committee to consider and determine its charitable donations, subject to an annual limit of £50,000. The donations made during the period 1 January 2022 to 31 March 2023 totalled £30,334, listed below:

£15,000	Survivors Against Terror
£10,000	Royal British Legion
£3,500	Age UK
£1,534	Employee matched giving to charities
£300	City Giving Day

Bribery and Corruption

The Company adopts a zero-tolerance approach to bribery and corruption and has appropriate policies and regular training in place to maintain this approach.

Tax Evasion

The Company adopts a zero-tolerance approach to tax evasion in compliance with the Criminal Finance Act 2017 and the corporate criminal offence of failing to take reasonable steps to prevent the facilitation of tax evasion.

Whistleblowing

The Board complies with the recommendation made in the Code with regard to a policy on whistleblowing and has reviewed the arrangements under which staff may, in confidence, raise concerns.

The Board has adopted a whistleblowing policy, which is disseminated throughout the Company, and is satisfied that adequate arrangements are in place for the proportionate and independent investigation of such matters and, where appropriate, for follow-up action to be taken. Denise Jagger, one of our independent Non-Executive Directors, is our Whistleblowers' Champion. In this role, she is responsible for ensuring and overseeing the integrity, independence and effectiveness of our whistleblowing framework.

Financial Risk Management

The Company's financial risk management objectives and policies with regard to the use of financial instruments are described in note 5 to the financial statements.

Directors' Indemnities

The Company has entered into indemnities for the benefit of its existing Directors and future Directors, and these indemnities remain in force at the date of this report. Copies of the Directors' indemnities, which are qualifying indemnity provisions, are available for inspection at the Company's registered office.

Statement of Directors' Responsibilities

The Directors are responsible for preparing the Strategic Report, Directors' Report and the Company's financial statements (the "financial statements") in accordance with applicable law and regulations.

Company law requires the Directors to prepare financial statements for each financial year. Under that law, the Directors have prepared the financial statements in accordance with applicable law and UK-adopted international accounting standards. These include:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and accounting estimates that are reasonable and prudent;
- State whether applicable UK-adopted international accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Notify Members in writing about the use of disclosure exemptions, if any, of UK-adopted international accounting standards used in the preparation of financial statements; and
- Prepare the financial statements on the going concern basis unless it is inappropriate to presume that the Company will continue in business.

The Directors are responsible for keeping adequate accounting records that are sufficient to show and explain the Company's transactions and disclose with reasonable accuracy at any time our financial position and enable them to ensure that the financial statements comply with the Companies Act 2006.

They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

At the date of this report, each individual Director states that they are not aware of any relevant audit information of which our auditors are unaware, and each individual Director states that they have taken any necessary steps as set out in section 418(4) of the Companies Act 2006 as a Director to make themselves aware of any relevant audit information and establish whether the Company's auditors were aware of that information.

Statement of Going Concern

The Board is satisfied, after taking account of the size of the investment fund and the Retrocession Agreement with HM Government, that the Company has adequate financial resources to continue to operate for the foreseeable future which is, but not limited to, at least 12 months. For this reason, it considers the going concern basis appropriate for the preparation of the financial statements.

Status of the Company

The Company is a private company limited by guarantee, not having share capital. Consequently, the Directors do not have any relevant interests that require disclosure. The Company is authorised and regulated by the Prudential Regulation Authority and the Financial Conduct Authority.

The Company is not part of a group. It does not have any branches outside the United Kingdom. It has two subsidiary undertakings, Pool Re Solutions Limited and Pool Re Services Limited, both of which are currently dormant. In 2020, the Company was classified by the ONS to the Central Government Subsector in the context of international statistical rules laid out in the European System of Accounts 2010 and the accompanying Manual on Government Deficit and Debt 2019.

As a consequence, the Cabinet Office has classified the Company for administrative purposes as an unclassified Arm's Length Body (ALB) of HM Treasury.

The ONS classification and the ALB classification do not affect the separate legal personality of Pool Re, or that its assets (including reserve funds) belong to Pool Re.

Independent Auditor

The Board's policy on the provision of non-audit services to the Company by the Auditor is to permit such work to be performed in areas where it is appropriate, provided this does not compromise independence. During the year the Auditor performed no such work.

Future Developments

Likely future developments in the business of the Company are discussed in the Strategic Report.

Employee Engagement

Details of employee engagement are set out on page 46.

Wider Stakeholder Engagement

Details of wider stakeholder engagement are set out on pages 46–48.

Greenhouse Gas Emissions, Energy Consumption and Energy Efficiency Action

Details of greenhouse gas emissions, energy consumption and energy efficiency action are set out on pages 90–91.

By Order of the Board

Rhod Cruwys

General Counsel and Company Secretary

Statement of Accounting Officer's Responsibilities

HM Treasury has designated the Pool Re Chief Executive as the Pool Re Accounting Officer.

The responsibilities of an Accounting Officer, including responsibility for the propriety and regularity of the public finances for which the Accounting Officer is answerable, for keeping proper records and for safeguarding Pool Re's assets, are set out in Managing Public Money published by HM Treasury. The responsibilities include accountability for the propriety and regularity of finances, keeping proper records and safeguarding assets. This includes ensuring propriety, regularity, value for money and feasibility in the handling of expenditure by Pool Re.

In preparing the accounts, the Accounting Officer is also required to have regard for the requirements and principles of the Government Financial Reporting Manual (FReM).

In preparing the accounts, the Accounting Officer is required to comply with the requirements of the Government FReM and in particular to:

- Observe the Accounts Direction issued by HM Treasury, including the relevant accounting and disclosure requirements, and apply suitable accounting policies on a consistent basis;
- Make judgements and estimates on a reasonable basis;
- State whether applicable accounting standards have been followed, and disclose and explain any material departures in the financial statements;
- Prepare the financial statements on a going concern basis; and
- Confirm that the Annual Report and Accounts as a whole is fair, balanced and understandable and take personal responsibility for the Annual Report and Accounts and the judgements required for determining that it is fair, balanced and understandable.

As the Accounting Officer, the Pool Re Chief Executive has taken the steps required to be aware of relevant audit information and ensure that Pool Re's auditors are informed of that. As far as the Pool Re Chief Executive is aware, there is no relevant audit information of which the auditors are unaware.

Governance Statement

The Board is committed to meeting high standards of corporate governance. The Board's policy is to maintain a framework of corporate governance that would be considered good practice in companies of similar significance.

In 2022, following the completion of the review with HM Treasury, Pool Re was classified by the Cabinet Office as an unclassified Arm's Length Body (ALB) of HM Treasury. This resulted in additional governance arrangements for Pool Re, which are set out in its Framework Agreement agreed with HM Treasury. The Framework Agreement establishes Pool Re's responsibilities to HM Treasury; describes the governance and accountability framework that applies between the roles of HM Treasury and Pool Re; and sets out how the day-to-day relationship works in practice, including in relation to governance and financial matters. The document does not convey any legal powers or responsibilities but both parties agree to operate within its terms.

Pool Re and HM Treasury share the common objective of ensuring the ongoing availability and affordability of terrorism (re)insurance in Great Britain. To achieve this, Pool Re and HM Treasury work together collaboratively, recognising each other's roles and areas of expertise, ensuring an effective environment for Pool Re to achieve this objective through the promotion of partnership and trust.

In line with the Framework Agreement, Pool Re is required to comply with the principles and provisions of the Financial Reporting Council's Code to the extent determined by the Board. This is not a significant change for the Company as it previously already followed the spirit of the Code on a voluntary basis and therefore continues to exercise good governance practices applying the "comply or explain" approach. In addition to compliance with the Code, Pool Re has undertaken to comply with the Government FReM to the extent appropriate to Pool Re, to comply with applicable procurement law and guidance and to comply with the Managing Public Money regime.

Details of how the Board has applied the principles of the Code during the financial period to 31 March 2023 are set out here:

Board Leadership and Company Purpose

The Role of the Board
Principle A

The Board is responsible for providing leadership of the Company within a framework of prudent and effective controls, which enables risk to be assessed and managed. The Board sets the overall strategy of our Company and oversees its implementation. It is also responsible for reviewing the performance of management, ensuring that there are appropriate systems of internal controls and risk management and that the necessary financial and human resources are in place for us to achieve our objectives and provide long-term value to Members.

The Board comprises a diverse range of individuals with extensive experience, skills and knowledge across a defined range of disciplines. A robust governance structure supports Directors in discharging their duties to promote the long-term sustainable success of our Company. The Board reviews stakeholder engagement by taking account of the views of our other key stakeholders and keeps engagement mechanisms under review so that they remain effective.

Purpose, Values, Strategy and Culture Principle B

The Company's purpose is to provide confidence and resilience to the economy and return risk to the market. It has a clear strategy, which is set out in the Company Overview (page 4) and underpinned by its core values expected from and promoted by its employees. Such values include being: Bold, Innovative, Collaborative, Excellent, Personable and Sustainable. The Company's culture was reviewed in 2022 and this exercise was overseen by the CEO and the Board.

Resources and Controls
Principle C

The Board is responsible for ensuring that the necessary financial and human resources are in place for our Company to achieve its objectives. It is also responsible for reviewing management's performance against those objectives. The Risk and Audit Committee has the Board delegated responsibility for risk oversight and challenge and to review the checks and balances in place to ensure the delivery of our strategic objectives.

Stakeholder Engagement
Principle D

At Pool Re, we have developed a clearly defined stakeholder engagement programme with forums representing diverse stakeholder groups, such as the Member Advisory Group and the Technical Advisory Group. In addition, regular Spotlight meetings are held with Members and quarterly meetings are held with HM Treasury.

Workforce policies and practices
Principle E

The Board has oversight of workforce policies and practices and their alignment with our values. At Pool Re, we have clear recruitment, retention, promotion, performance management, rewards and incentives, flexible working and other policies in place. Whistleblowing procedures are in place and a Whistleblowers' Champion has been appointed (page 61).

Division of Responsibilities

The Role of the Chair
Principle F

Angela Knight leads the Board and facilitates constructive Board relations, ensuring that each Director contributes effectively to Board discussions. The Board is responsible for evaluating its own and its committees' performance. The Chair evaluates the Directors' performance and the Senior Independent Director evaluates the Chair's performance. The Nominations and Governance Committee has the Board-delegated responsibility for oversight of the annual evaluation of the performance of the Board and Committees, including the performance of individual Directors.

Division of Responsibilities
Principle G

The Board is comprised of 11 Non-Executive Directors, of whom seven are independent Non-Executive Directors and one is an Executive Director (the CEO). With the exception of the CEO, none of the firm's Executive Management are members of the Board of the Company, thereby ensuring a clear division between the leadership of the Board and the executive leadership of the Company's business.

Role of the Non-Executive Directors Principle H

The Nominations and Governance Committee assesses the time commitments presented by the Directors' other commitments prior to appointment. Additional appointments also require approval by the Board. Directors are provided with regular and timely management information to enable them to provide constructive challenge, strategic guidance, offer specialist advice and hold management to account. Directors meet with the executive team at least quarterly.

Role of the Company Secretary in Supporting the Board
Principle I

The Board and each of the Committees are supported by the Company Secretary and the Company Secretariat. The Company Secretary works with the Chair and the CEO to ensure that the Board and each Board committee functions effectively.

Composition, Succession and Evaluation

Board Composition
Principle J

The Nominations and Governance Committee regularly reviews the skills and diversity mix of Board members and prepares a description of the role, capabilities and time commitment required for the role. The Committee manages the appointment process using the expertise of leading executive search firms with financial expertise. Candidates are drawn from a variety of backgrounds.

Procedures are in place for an orderly succession plan for Board and Senior Management roles with the oversight of the Nominations and Governance Committee. The Committee seeks to identify individuals for nomination as senior management, taking account the candidates' skills, experience, fitness and propriety and time commitment and ensuring the maintenance of an effective balance of skills, experience and thought by ensuring that diversity is promoted in its widest sense of gender, social and ethnic backgrounds, cognitive and personal strengths. Further information on Board composition can be found on page 53.

Skills, Knowledge and Experience
Principle K

The skills, experience and knowledge of the Directors is regularly assessed across a skillset of 18 categories, recorded and reviewed at least annually by the Nominations and Governance Committee. The length of service of the Board as a whole is kept under review and regularly refreshed.

Board Evaluation
Principle L

The Board undertakes an independent external evaluation every third year. In the current reporting period, the Board undertook a self-assessment of itself, its Committees, the Chair and the individual Directors. Further information on Board Evaluation can be found on page 60.

Audit, Risk and Internal Control

Internal and External Audit
Principle M

The Risk and Audit Committee has Board-delegated responsibility for annually assessing the independence and effectiveness of the outsourced internal audit function. The procedures to ensure the independence of both the internal and external auditor are set out in the Committee's terms of reference and in the Company's internal Board procedures manual.

Further information on the work of the Risk and Audit Committee in relation to the internal and external auditors can be found on page 56.

Fair, Balanced and Understandable Assessment
Principle N

Assurance is provided to the Board in relation to a fair, balanced and understandable assessment of the Company's position and prospects by the external auditor and evidenced by the viability statement, and the going concern statement which are set out on pages 56 and 63.

Risk Management and Internal Controls
Principle O

Oversight of the Board-delegated responsibility for establishing procedures to manage risk, oversee the internal control framework and determine the nature and extent of the principal risks the Company is willing to take to achieve its long-term objectives is provided by the Risk and Audit Committee.

This Committee oversees the risk function and provides assurance to the Board. Risk preferences and appetites are set by the Board following consultation with the Risk and Audit Committee and with Senior Management. Further information on the work of the Risk and Audit Committee on risk management and internal controls can be found on page 56.

Remuneration

Remuneration Policies
Principle P

The Remuneration Committee has the Board-delegated responsibility for developing remuneration policy. The Committee determines the remuneration policy which applies to all staff and is designed to promote the long-term sustainable success of our Company. Further information on the work of the Remuneration Committee can be found on page 57.

Executive Remuneration
Principle Q

The Remuneration Committee is responsible for recommending executive salaries to the Board for approval. These are determined after considering benchmark data and the calibre of the individual and linked to satisfactory performance and the achievement of financial and non-financial strategic objectives. Executive pay is determined annually and approved by the Board. Further information on the work of the Remuneration Committee can be found on page 57.

Independent Judgement
Principle R

The responsibility for remuneration decisions ultimately rests with the Board, following recommendations from the Remuneration Committee. The Remuneration Committee takes independent advice from external consultancies, where necessary, on behalf of the Board. No Director or executive is involved in their own remuneration outcomes.

The Board, Executive Management and Corporate Information

Details of the Directors of the Company who served during the 15-month period and up to the date of signing the Financial Statements are set out as follows.

Investment Committee

Remuneration Committee

Nominations and Governance Committee

Angela A Knight CBE

Chair of the Board

Angela Knight joined us in November 2021 as Chair of the Board. Angela is also the Chair of the Nominations and Governance Committee. Angela's current Non-Executive Directorships include Encore Capital Group Inc, Provident Financial Group plc, Arbuthnot Latham Limited and Vanquis Bank Limited, plus Taylor Wimpey plc until April 2022. Prior to joining Pool Re, Angela was the Senior Independent Director at TP ICAP plc and Chair of the Office of Tax Simplification. She has extensive experience in both the public and private sectors, having been a Member of Parliament and Treasury Minister (Economic Secretary). Prior to that she worked for many years in the engineering industry. Since Parliament, she has been the Chief Executive of the British Bankers' Association and the CEO of Energy UK, as well as serving on several company Boards.

Reinsurance Committee

Thomas C Clementi

Chief Executive Officer

Tom Clementi was appointed CEO of Pool Re in April 2022 prior to which he was CEO of MS Amlin, a Lloyd's underwriting business, where he spent 13 years in various management roles. Tom was a Director of the Lloyd's Market Association between 2017 and 2020 and a common Councillor in the City of London between 2017 and 2022. Prior to insurance Tom worked as a solicitor at Linklaters. He currently serves as a Governor of the Royal Ballet School and is a member of the National Preparedness Commission and the OECD's High Level Advisory Board on Catastrophic Risks. Tom has an MBA from INSEAD business school and a degree from Oxford University.

Nominations and Governance Committee

Reinsurance Committee

Kevin Allchorne

Kevin joined the Pool Re Board as a Non-Executive Director and Chair of the newly formed Reinsurance Committee in January 2023. He worked as a reinsurance treaty underwriter for Amlin's Syndicate 2001 for 20 years before being appointed head of Amlin London and active underwriter of the syndicate in 2012. From 2014 to 2015 he served as Global Managing Director of Amlin's reinsurance business. After leaving Amlin, Kevin has served as an independent Non-Executive Director of MAP Underwriting Limited (2016 to present) and as a director (2017–2021) and advisor (2021 to present) of Giroux Ltd, a data analytics consultant for the MGA sector.

Risk and Audit Committee

Investment Committee

Nominations and Governance Committee

Catherine G Cripps

Catherine Cripps joined our Board in June 2022 and brings significant financial markets and investment industry experience spanning over 30 years where she has held a number of senior executive roles. She is an experienced Non-Executive Director and currently serves as a Non-Executive Director of Goldman Sachs International and Goldman Sachs International Bank, chairs the companies' Board Risk Committees and is a member of their Audit Committees. She is also a Non-Executive Director of Maniyar Capital Advisors Ltd, Non-Executive Chair of Polar Capital Technology Trust plc and recently completed a four-year term as Director of the Nuclear Liabilities Fund Ltd where she chaired the Investment Committee.

Remuneration Committee

Nominations and Governance Committee

Claudio Gienal

Claudio Gienal joined the Board of Pool Re in March 2021. Claudio is Chief Executive Officer of AXA UK and Ireland, a position he assumed in September 2018. Prior to that, he served as Chief Strategic Officer for the AXA Group. A Swiss national, Claudio has a master's degree in environmental engineering from the Swiss Federal Institute of Technology in Zurich. He began his career as a management consultant, working for Accenture and later McKinsey & Company. He entered the insurance industry in 2008 by joining Zurich, where he held a number of senior positions including Chief Strategy Officer for Zurich Group and CEO of the Zurich Life Insurance Company.

Remuneration Committee

Nominations and Governance Committee

Denise N Jagger

Denise Jagger has been a Director since January 2014. She is the Chair of the Remuneration Committee and the Senior Independent Director. Denise is a corporate lawyer by background having worked in private practice and industry. Formerly a partner at Eversheds Sutherland LLP and General Counsel and Company Secretary of Asda Group, she was Senior Independent Director of Bellway plc until December 2022. Currently, she is the Senior Independent Director of Reach plc, Non-Executive Director of CLS Holdings plc, Chair and Pro Chancellor of the University of York (until the end of July 2023) and Trustee of the National Trust.

Risk and Audit Committee

Investment Committee

Nominations and Governance Committee

Reinsurance Committee

Barbara J Merry

Barbara Merry has been a Director since February 2019 and has Chaired the Risk and Audit Committee since late 2019. She is also a member of the Investment Committee, the Reinsurance Committee and the Nominations and Governance Committee. Barbara was formerly employed at the Corporation of Lloyd's (1985–1999), as MD of Omega Underwriting (1999–2001) and as CEO of Hardy Underwriting Group plc (2002–2014). She is now a portfolio Non-Executive Director with Domestic & General Insurance Limited, Berkshire Hathaway International Insurance Limited, Berkshire Hathaway European Insurance Company DAC, BGC Brokers LP/BGC European Holdings LP, Argus Group Holdings Limited and Portable Powertech Technology Limited.

Investment Committee

Nominations and Governance Committee

Reinsurance Committee

Matthew Moore

Matthew is EVP, President of Underwriting for Global Risk Solutions (GRS, Liberty Mutual). He is responsible for the underwriting strategy and results for the $20 billion organisation. Covering 25 countries and 46 (re)insurance products, it represents one of the broadest portfolios in commercial and specialty insurance. He was previously President and Managing Director of Liberty Specialty Markets, covering all the major international insurance hubs, one of the largest Lloyd's syndicates and a significant global reinsurance business.

Matthew was Chair of the London Market Group, the London Markets' convening Trading Association, until December 2022 and formerly on the Board of the Lloyd's Members Association. He was educated at Oxford University and began his insurance career as a Lloyd's graduate trainee.

Nominations and Governance Committee

Reinsurance Committee

Kenneth M Norgrove

Ken Norgrove joined the Board in November 2022. Ken has been Chief Executive Officer of RSA, UK & International since January 2022. He was the CEO of RSA Scandinavia from 2019 until the acquisition of RSA by IFC in June 2021. Under Ken's leadership, the subsidiary delivered its best financial results in a decade, building a stable platform for sustained profitability. Ken's history with RSA dates back to 1986, including a four-year term in the UK where he set up the very successful Global Renewable Energy Business. Ken is a Chartered Insurance Director, a Chartered Insurer and fellow of the Chartered Insurance Institute UK (CII).

Risk and Audit Committee

Remuneration Committee

Nominations and Governance Committee

Dame Susan J Owen

Dame Sue Owen DCB was appointed to the Board on 1 July 2020, following nomination by HM Treasury. She is an economist with over 30 years' experience in Government, including 14 years at HM Treasury. She led the Department for Digital, Culture, Media & Sport from 2013–19, having also worked in the British Embassy Washington, No. 10, International Development and as Strategy Director General in Work & Pensions. Having retired from the civil service in 2019, Sue now chairs the UK Debt Management Office Advisory Board and chairs the Governors of the Royal Ballet. In addition, she is a Non-Executive Director at Pool Re Nuclear, Serco plc, Pantheon International plc, Methera Global Communications and Opera Holland Park. She is also a Specialist Partner at Flint Global and a member of the DAF NV Supervisory Board.

Investment Committee

Remuneration Committee

Nominations and Governance Committee

Alan M Rubenstein

Alan Rubenstein joined the Board of Pool Re in March 2021 as an independent Non-Executive Director. He is the Chair of the Investment Committee. Alan was formerly the Chief Executive of the Pension Protection Fund, having previously worked in investment banking, asset management, pensions and insurance in the course of a 40-year career in financial services. Now a portfolio Non-Executive Director, he currently chairs the Board of the National House Building Council, is a member of the Boards of Fidelity International's UK holding company and subsidiaries and of the British Coal Staff Superannuation Scheme.

Risk and Audit Committee

Nominations and Governance Committee

Adam C Winslow

Adam Winslow joined the Board of Pool Re in November 2021. He has been CEO of Aviva, UK and Ireland GI since 2021. Prior to joining Aviva, Adam worked at AIG from 2015 and was CEO, Global Life Insurance and CEO, International Life and Retirement. Before that, he was Director of Strategic Partnerships at Aviva.

Andrew G Skirton

A Director since December 2011, Andrew Skirton retired from the Board after the Annual General Meeting on 10 June 2022.

Executive Management

CHIEF EXECUTIVE

Thomas C Clementi

Appointed April 2022

CHIEF FINANCE AND OPERATIONS OFFICER

Peter N Aves FCA

CHIEF UNDERWRITING OFFICER

Jonathan Gray

Appointed February 2023

CHIEF INVESTMENT OFFICER

Ian M Coulman MCSI

GENERAL COUNSEL & COMPANY SECRETARY

Rhodri D Cruwys

CHIEF STRATEGY & COMMUNICATIONS OFFICER

Tracey A Paul

CHIEF PEOPLE OFFICER

Georgina E Wicken

Appointed October 2022

CHIEF EXECUTIVE

Julian A P Enoizi

Resigned March 2022

CHIEF RESILIENCE OFFICER

Edward A Butler CBE

Retired December 2022

CHIEF UNDERWRITING OFFICER

Stephen M Coates

Retired February 2023

Corporate Information

Registered in England:
United Kingdom Registration number 2798901

Registered office:
7 Savoy Court, London, WC2R 0EX

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Telephone number
+ 44 (0) 20 7337 7170

E-mail
enquiries@poolre.co.uk

Website
www.poolre.co.uk

Remuneration and Staff Report

The remuneration and staff report sets out the Company's remuneration policy, with particular reference to Directors' remuneration and details the amounts paid to Directors. The report also provides details of the composition of staff employed by the Company and presents measures relating to gender pay gap and fair pay reporting.

Reward and remuneration policy

The Remuneration Committee has the responsibility, delegated to it from the Board, for developing remuneration policy.

The Committee determines the reward and remuneration policy which applies to Directors and staff, designed to promote the long-term sustainable success of the Company, with executive remuneration aligned to the Company's purpose and values.

The Company's policy is to reward Directors and staff in accordance with the role, the market rate for similar positions, having regard to the provisions of the Framework Agreement as agreed with HM Treasury dated 5 May 2022, and the contribution of the individual. Executive salaries are linked to satisfactory performance and the achievement of financial and non-financial strategic objectives.

The Company aims to offer a reward package that is competitive with comparable companies in the sector and of similar size and complexity, in order to attract and retain quality people. Directors' fees and staff remuneration are periodically subject to market benchmarking. Independent benchmarking has been undertaken for the 2023 reviews of both Directors' fees and staff remuneration.

The salary and performance-related bonus of the Chief Executive, who is the only Executive Director, and that of the Executive Management Team is decided annually by the Remuneration Committee and approved by the Board. The Chair receives an annual fee.

All other Non-Executive Directors receive a basic fee, plus fees for additional responsibilities, including acting as the senior independent Non-Executive Director and for chairing or membership of the Remuneration Committee, the Investment Committee, the Risk and Audit Committee and the Reinsurance Committee.

Whilst the Remuneration Committee takes independent advice from external consultancies where necessary on behalf of the Board, the responsibility for remuneration decisions rests with the Board. No Director or executive is involved in their own remuneration outcomes.

Pool Re's Members set the total maximum amount that could be payable to Directors at the Company's Annual General Meeting, approving the overall figure included in the Articles and as amended from time to time. The Remuneration Committee proposes a fee for the Chair and in turn asks the Board to approve. The Chair with the Chief Executive proposes Non-Executive Directors' fees, which are put to the approval of the full Board. Non-Executive Director fees are not performance-related and there is no provision for compensation if a contract is terminated.

Directors' remuneration report

Details of the Directors' remuneration for the 15-month period ending 31 March 2023 and year ending 31 December 2021 are shown below.

15-MONTH PERIOD ENDING 31 MARCH 2023	Banded fees and salary £'000	Taxable benefits £'000	Banded performance related bonus £'000	Pension and cash in lieu of pension £'000	Banded total £'000
EXECUTIVE DIRECTORS					
T C Clementi Appointed 14 April 2022	420-425	0-5	420-425	40-45	890-895
NON-EXECUTIVE DIRECTORS					
A A Knight CBE	125-130	-	-	-	125-130
K Allchorne Appointed 17 January 2023	10-15	-	-	-	10-15
C G Cripps Appointed 29 June 2022	45-50	-	-	-	45-50
C Gienal	45-50	-	-	-	45-50
D N Jagger	65-70				65-70
B J Merry	80-85	-	-	-	80-85
M Moore Appointed 14 March 2022	-	-	-	-	-
K M Norgrove Appointed 17 November 2022	15-20	-	-	-	15-20
Dame Sue Owen	70-75	-	-	-	70-75
Alan Rubenstein	75-80	-	-	-	75-80
A G Skirton Resigned 10 June 2022	25-30	-	-	-	25-30
Adam Winslow	60-65	-	-	-	60-65

12-MONTH PERIOD ENDING 31 DECEMBER 2021	Banded fees and salary £'000	Taxable benefits £'000	Banded performance related bonus £'000	Pension and cash in lieu of pension £'000	Banded total £'000
EXECUTIVE DIRECTORS					
-	-	-	-	-	-
NON-EXECUTIVE DIRECTORS					
A A Knight Appointed 29 November 2021	5-10	-	-	-	5-10
G M Riddell Resigned 19 March 2021	25-30	-	-	-	25-30
A J Brown Resigned 10 June 2021	20-25	-	-	-	20-25
C Gienal Appointed 29 March 2021	25-30	-	-	-	25-30
D N Jagger	45-50	-	-	-	45-50
B E Masojada Resigned 31 December 2021	40-45	-	-	-	40-45
B J Merry	55-60	-	-	-	55-60
Dame Susan Owen	45-50	-	-	-	45-50
A M Rubenstein Appointed 22 March 2021	40-45	-	-	-	40-45
A G Skirton	95-100	-	-	-	95-100
M E Tulloch Resigned 10 June 2021	15-20	-	-	-	15-20
A C Winslow Appointed 15 November 2021	5-10	-	-	-	5-10

Notes:

Tom Clementi was appointed Chief Executive of Pool Re in April 2022 and subsequently appointed a Director of the Company in August 2022. Mr Clementi's total remuneration from the date of his appointment as Chief Executive in April 2022 is included in the 01 January 2022 – 31 March 2023 table above.

"Taxable benefits" represent the gross (pre-tax) value of benefits, whether cash or non-cash, that UK income tax is charged on. The figures in this column include any *taxable expenses* directly and properly incurred by Directors in the performance of their duties.

"Performance-related bonus" is shown for the financial period it is earned in.

"Pension" figures are shown as the amounts paid to defined-contribution pension schemes and as cash in lieu of (instead of) pension contributions.

The Chair and other Non-Executive Directors are paid fees and the Executive Director is paid a salary. The Executive Director does not receive fees or any extra remuneration for his role as a Director. Salaries and fees are stated for the financial period they are earned in and relate to each Director's period of appointment. For the Executive Director, the figure in the "Fees and salary" column consists of basic salary.

By mutual agreement, Matthew Moore has taken up his role as a Director of Pool Re on a pro bono basis. As a result, he does not receive Board fees.

Fair pay disclosures

The fair pay disclosure shows the relationship between the remuneration of the highest-paid Director and the remuneration of employees at the 25th, 50th and 75th percentile of pay and benefits of our workforce. The 50th percentile is also known as the median, the midpoint of our range of salaries.

For these purposes, total remuneration includes basic salary, bonuses and taxable benefits. It does not include pension contributions or cash in lieu of pension contributions.

The ratio of the total remuneration of the highest-paid Director to the remuneration of the workforce as a whole (excluding highest-paid Director) is shown below:

Accounting Period	2022–23
25th percentile pay ratio	16.4
Median (50th percentile) pay ratio	8.8
75th percentile pay ratio	3.8

All staff are included in the discretionary performance bonus plan, subject to completion of probation periods. Additionally, all staff are eligible for the company pension plan, funded with 10% employer contributions and 6% employee contributions. Pool Re ceased to offer private medical insurance and pension sacrifice arrangements for individuals first employed after the 5 May 2023 signing of the Framework Document with HM Treasury.

Executive Management Team

The individuals listed below served as members of the Pool Re Executive Team in 2021 and the 15-month period 2022–23.

CHIEF EXECUTIVE
Tom Clementi
Appointed April 2022

CHIEF EXECUTIVE
Julian A P Enoizi
Resigned March 2022

CHIEF FINANCE AND OPERATIONS OFFICER
Peter N Aves FCA

CHIEF RESILIENCE OFFICER,
Edward A Butler CBE
Retired December 2022

CHIEF UNDERWRITING OFFICER
Stephen M Coates ACII
Retired February 2023

CHIEF UNDERWRITING OFFICER
Jonathan Gray ACII
Joined November 2022, appointed Chief Underwriting Officer February 2023

CHIEF INVESTMENT OFFICER
Ian M Coulman MCSI

GENERAL COUNSEL & COMPANY SECRETARY
Rhodri Cruwys

CHIEF STRATEGY & COMMUNICATIONS OFFICER
Tracey Paul

CHIEF PEOPLE OFFICER
Georgina Wicken
Appointed October 2022

Gender Pay Gap

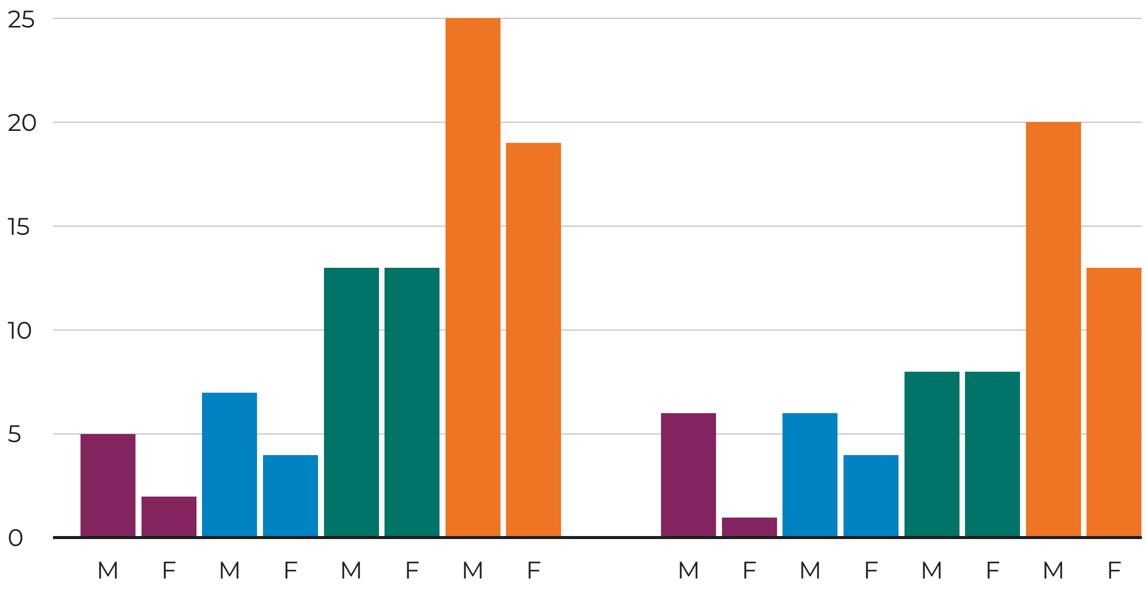
The gender pay gap measures the difference in pay between male and female employees.

In accordance with Section 17.4 of the May 2022 Framework Agreement between HM Treasury and Pool Re, we are publishing data on the organisation's gender pay gap as prescribed by the Government Equalities Office published gender pay gap reporting guidance.

This reporting is mandatory for employers with a headcount of 250 or more. Pool Re's headcount at the current reporting date, 5 April 2023, was 44. This excludes Non-Executive Directors, whose remuneration is detailed separately in this report. As we are a relatively small organisation, changes in pay and staff movements for just one employee can have a substantial impact on our pay gap reporting for the year. Nevertheless, we believe this reporting is an important tool to help us to reflect on progress and pursue our ambition to become a fully inclusive and diverse workforce.

This year we are publishing our gender pay gap for the first time. Our mean gender pay gap stood at 72.0% on 5 April 2023 (5 April 2022: 83.7%). The current gender pay gap reflects the current mix of staff employed by Pool Re at 5 April 2023 and 5 April 2022 shown in the table below. We have moved closer to gender parity in total headcount in the past year, but we recognise the need to increase female representation at Executive and Management level, through a combination of recruitment and developing our existing staff.

Headcount



HEADCOUNT 5 APRIL 2023

EXECUTIVE		
Male	5	71.4%
Female	2	28.6%
Total Executive	**7**	

MANAGEMENT		
Male	7	63.6%
Female	4	36.4%
Total Management	**11**	

OTHER STAFF		
Male	13	50.0%
Female	13	50.0%
Total Other Staff	**26**	

TOTAL		
Male	25	56.8%
Female	19	43.2%
Grand Total	**44**	

HEADCOUNT 05 APRIL 2022

EXECUTIVE		
Male	6	85.7%
Female	1	14.3%
Total Executive	**7**	

MANAGEMENT		
Male	6	60.0%
Female	4	40.0%
Total Management	**10**	

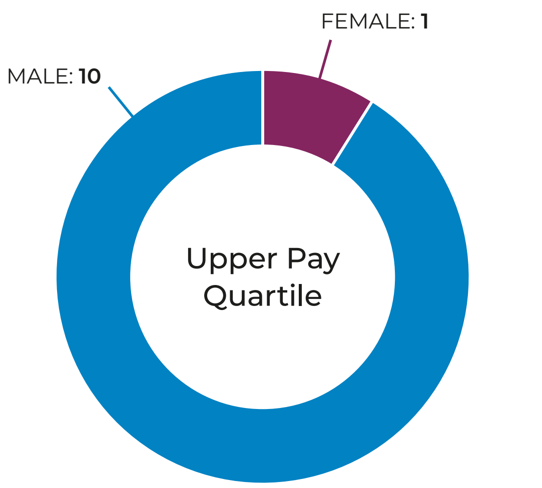
OTHER STAFF		
Male	8	50.0%
Female	8	50.0%
Total Other Staff	**16**	

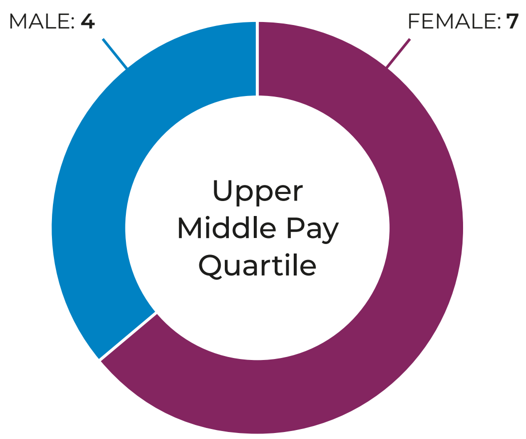
TOTAL		
Male	20	60.6%
Female	13	39.4%
Grand Total	**33**	

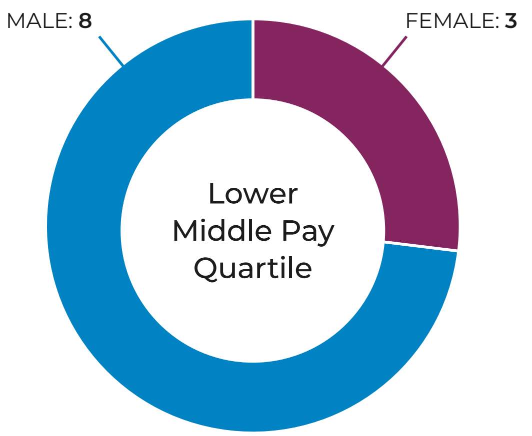
Gender representation by Level

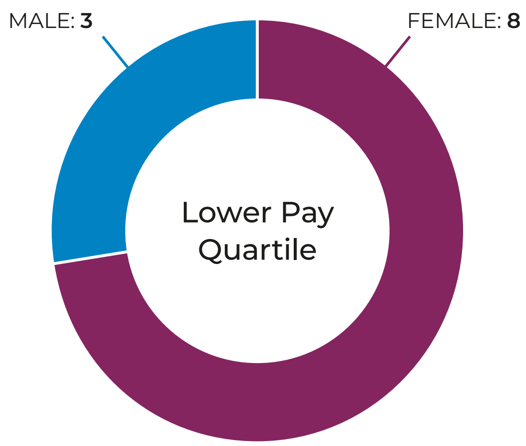
The gender representation for each pay quartile is shown below.

April 2023





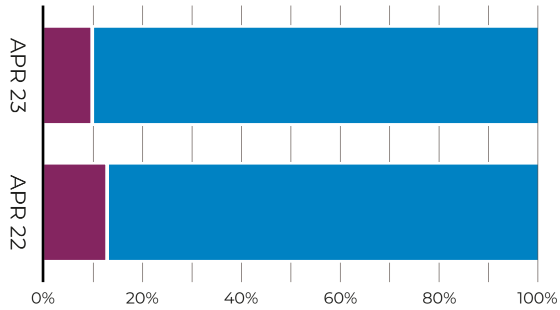




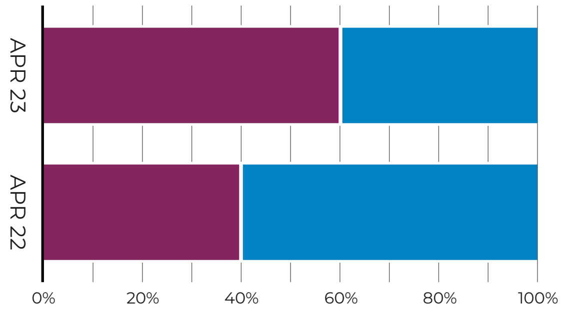
The comparison of April 2023 data with April 2022 below shows that the gender imbalance in the upper pay quartile remained static in the past year. Conversely, there is a significant improvement in the upper middle pay quartile.

This illustrates the sensitivity of the data in our relatively small staff population. We believe that the Equality, Diversity & Inclusion (ED&I) Working Group that we have launched in 2023 has an important role to play in redressing gender imbalance across the business.

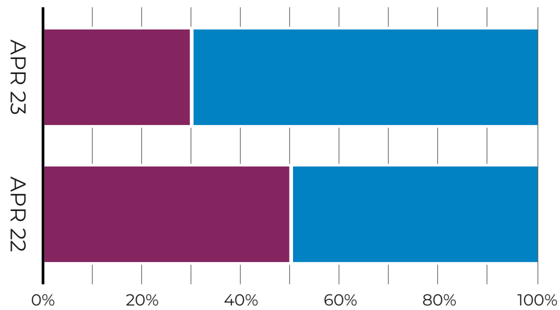
Upper Pay Quartile



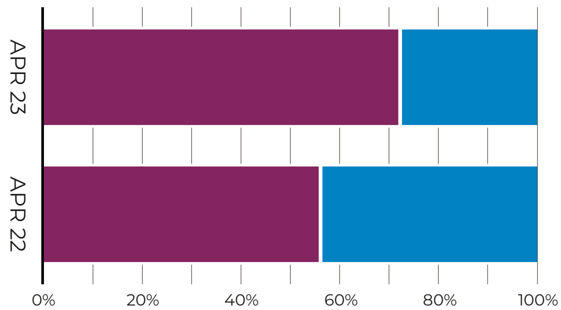
Upper Middle Pay Quartile



Lower Middle Pay Quartile



Lower Pay Quartile



MALE FEMALE

Sustainability

As a reinsurer of terrorism risk, our purpose is founded on the principle of offering a societal benefit and to help support Great Britain as a safe and secure place in which to live, work and invest.

In the event of a terrorism claim, we seek to support our Member insurers, to ensure claims are paid promptly and enable the fastest recovery possible for those affected. At Pool Re, we are committed to treating all our colleagues with fairness and to operating responsibly and to the highest ethical standards. Our corporate responsibility efforts are a core element of our goal to be a high quality and well-respected reinsurance company.

Our Governance and Ethics

Supported by management assurance and the oversight of an engaged Board, we will operate our business with a demonstrable commitment to the highest level of ethical corporate conduct daily.

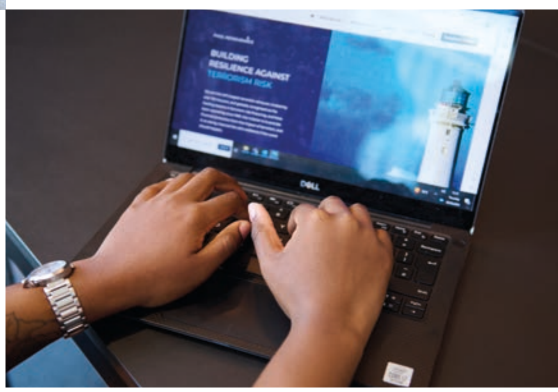
This commitment is reinforced by strong policies and practices related to fair, ethical and honest business dealings. Robust governance, a strong risk framework and compliance with applicable laws underscore our commitment.

We are committed to protecting and promoting human rights and seek to establish the same throughout our network of service providers. As a Public-Private Partnership, we seek to collaborate with both the insurance industry and His Majesty's Government to support the objective of building a more sustainable long-term future.

Our People

We commit to providing market-competitive compensation and benefits, maintaining fair labour practices and ensuring a healthy working environment that reflects our core values and culture. We believe we are at our best when we bring together different perspectives, experience and ideas. We strive to create a workplace in which there is mutual trust and respect and encourage everyone to feel responsible for the performance and reputation of the Company. We respect one another and each other's individual rights and customs.

As such, we work towards achieving a diverse and inclusive workforce, recruiting, employing and promoting people only based on objective criteria and the qualifications and abilities needed for the job to be performed. We promote integrity and professionalism and seek to lead by example, which we do by setting the right tone from the top of the organisation. We support our colleagues' professional development and long-term career growth and recognise and reward colleagues who perform well.



Our Communities

Although a small organisation, we recognise that we can do more beyond business operations and, where possible, seek to make positive contributions to the wider community. We encourage our people to support their local communities, whether that is in time, effort or a financial contribution. Our key focus points are the community, education and the environment.

Our support is delivered through initiatives that:

- Help local communities and those in need.
- Support the more vulnerable in society.
- Underpin social cohesion initiatives designed to reduce or prevent violent extremism.

Our Environment

We are committed to operating our business in a way that demonstrates our dedication to global environmental sustainability.

This commitment includes:

- Improving our environmental performance across all aspects of the business, including reinsurance, investments and the work environment.
- Working with our counterparts and suppliers with similar dedication to global environmental sustainability.
- Reaching a net-zero carbon-neutral position by 2050. We have either established, or are seeking to establish, milestones and metrics to measure and monitor our journey to reach this goal.

It is important to recognise that metrics are subject to change and that underlying data may be spurious, which could require us to re-evaluate both the metrics used and the time frame set.

Environmental, Social and Governance (ESG) Working Group

The purpose of the ESG Working Group is to assist Executive Management and the Board in promoting the long-term sustainable success of the Company with regard to ESG matters.

Key Working Areas

Underwriting

We give consideration as to whether any action can be taken with regard to our underwriting policy in relation to ESG matters with Member companies.

We are obliged to assume all risk from insurers and policyholders that request cover for terrorism-related damage to commercial property. Hence, unlike traditional (re)insurance companies, who can decide not to cover businesses that are deemed to have a detrimental impact on the environment or operate unsociable practices, Pool Re is not able to be as selective. However, we do believe we can support our Members and other stakeholders as they consider the effect these matters are having on developing a sustainable future and seek to influence change.

Investments

We recognise that our investment portfolio carries significant exposure to ESG-related risks. Operating an outsourced model for our investment portfolio, it is imperative that we engage with our appointed investment managers on ESG risks and challenge them on the investments they make on our behalf. These responsibilities and the approach we have adopted form part of Pool Re's Investment Policy.

In addition to this, and to support our analysis, we subscribe to an independent third-party database that provides information and analytics on ESG-related matters. This platform allows us to measure the impact our investments have on the environment, monitor changes and challenge investment managers on their decisions as they relate to E, S and G matters.

Business Operations

Our business operations are relatively modest. We currently employ 44 people in a single location occupying 575 square metres. As a result we recognise that, from a business operations perspective, our ability to have a material impact on carbon emissions is limited. However, there are actions we can take, and have already taken, to support and build a more sustainable and fairer environment.

From an environmental perspective, we incorporate low energy and timed lighting to reduce energy consumption; have the facilities to recycle paper, plastic, batteries and pens, and encourage staff to do so; and work with our landlord and other building tenants to determine if action can be taken to reduce the environmental impact of the building.

From a social perspective, we offer a variety of physical and mental health services to staff for their wellbeing and will continue to integrate and develop corporate policies in relation to employee welfare and benefits. We are a signatory of the Living Wage initiative to ensure service providers pay their own staff the minimum Living Wage. We are also a signatory of 10,000 Black interns, an organisation that seeks to create 2,000 black internships every year for the next five years.

Risk Framework

Governance

The Board is responsible for establishing effective risk governance and a system of internal controls to safeguard the Company's assets and to ensure compliance with laws and regulations. These responsibilities are delegated to the Risk and Audit Committee, which is tasked with providing risk oversight and challenge across the business.

The Company operates a "three lines of defence" risk management and governance framework.

1. The Executive Management and staff of Pool Re form the first line of defence, responsible for ownership and management of risks that might affect the Company's objectives as set out in the Risk Framework, which is agreed by the Board.

2. The Enterprise Risk Management and Compliance functions form the second line of defence, responsible for providing guidance, oversight and challenge around the business processes and risk management activities.

3. The Internal Audit function forms the third line of defence and provides an independent assurance across the business.

The Board, with support from the Risk and Audit Committee, has oversight over the second and third lines of defence.

THE BOARD

INVESTMENT COMMITTEE

NOMINATIONS AND GOVERNANCE COMMITTEE

REMUNERATION COMMITTEE

RISK & AUDIT COMMITTEE

EXECUTIVE MANAGEMENT

FINANCE & OPERATIONS MANAGEMENT

INVESTMENT MANAGEMENT

COMMUNICATIONS & CUSTOMER ENGAGEMENT MANAGEMENT

Pool Re SOLUTIONS

ENTERPRISE RISK MANAGEMENT

LEGAL, REGULATION & COMPLIANCE

INTERNAL AUDIT

FIRST LINE OF DEFENCE

1 RISK OWNERSHIP

SECOND LINE OF DEFENCE

2 OVERSIGHT & CHALLENGE

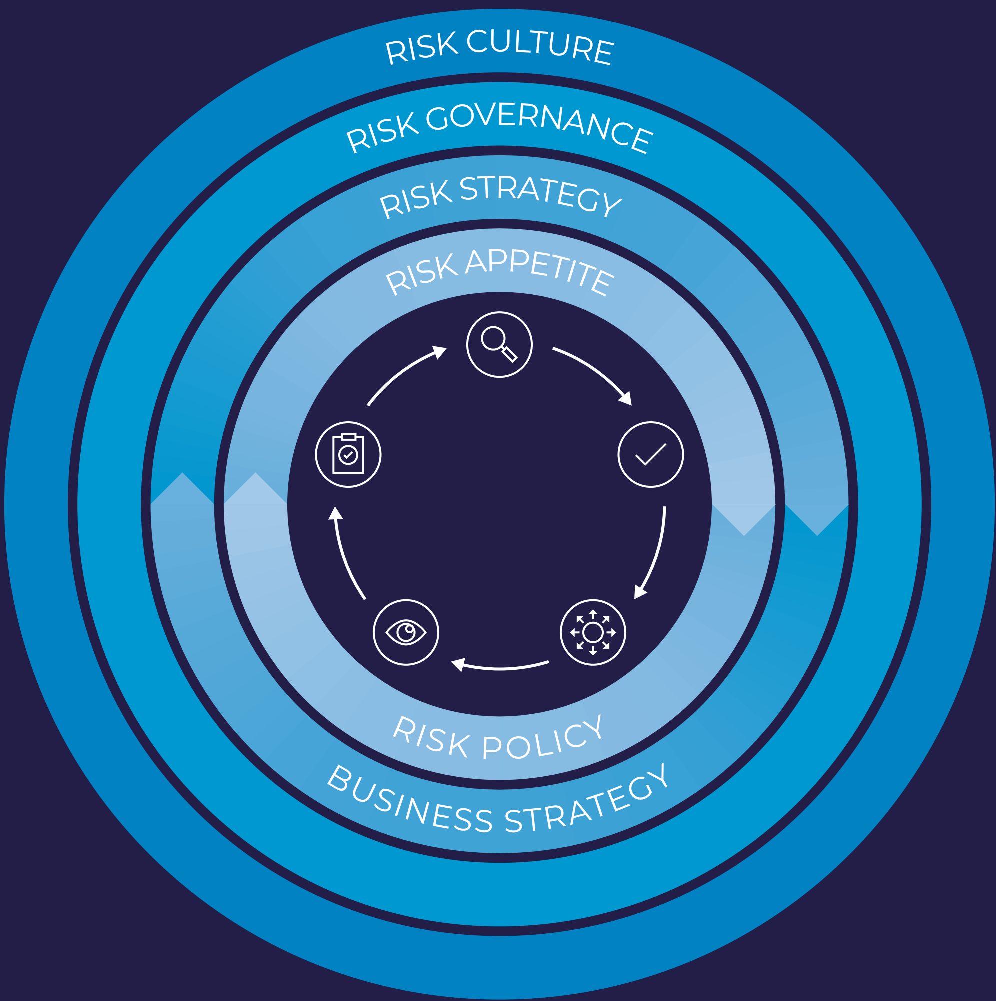
THIRD LINE OF DEFENCE

3 INDEPENDENT ASSURANCE

The Risk Framework

The risk framework incorporates various aspects of risk management and is used to co-ordinate our overall approach to managing risk.

The Pool Re Board sets the culture, governance strategy and approves the risk appetite. The risk framework aims to mitigate risk by taking a balanced approach to risk and reward. It also embeds Enterprise Risk Management throughout the activities of the Company, ensuring that risk ownership is allocated to appropriate senior management. This approach ensures that an appropriate control framework is in place to mitigate the risks, including a process of continuous control assessment.



Identify Risk: The Company reviews both its environment and its internal operations on a bi-annual basis to identify areas where risks can occur.

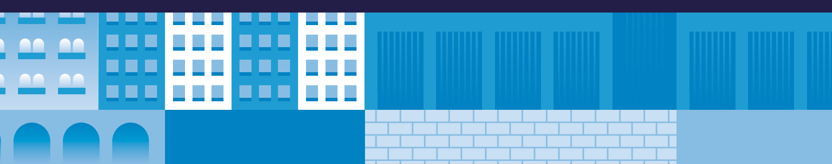
Assess Risk: The Company then assesses each risk by likelihood and significance before deciding how to manage the risk.

Manage Risk: The Company manages risks by either reducing likelihood or impact through the use of controls and other appropriate mitigation strategies.

Monitor Risk: The Company monitors risks in terms of changes to the control environment affecting either likelihood or impact.

Report Risk: The Company reports at Management and Executive meetings, as well as to the Risk and Audit Committee.

The effectiveness of the Company's risk management framework and its system of internal controls is reviewed by an external provider of internal audit services. Reports on such reviews, including recommendations and management responses, are considered by the Risk and Audit Committee.



Principal Risks and Uncertainties

The Directors consider that the principal risks which face the Company, together with details of the control measures adopted by the Company, are as follows:

1

Strategic Risk

The Company is exposed to strategic risk through the external business environment, the changing terrorism threat, execution of its business strategy, and environmental, social and governance concerns.

Key Risk Mitigants and Controls

The Company's approach to the management of strategic risk is considered in the context of the agreed initiatives of the long-term strategy of the Company.

Exposure is managed by continual review of the business strategy in conjunction with the commitment to develop plans and contingencies that reflect changes in the external environment whether political, regulatory, economic, social, technological, legal or environmental.

ESG concerns regarding climate change present an uncertainty to Pool Re, which has been considered in terms of impact on insurance risk as a possible macro-economic driver of increased terrorism, risks to the investment fund and throughout the business in areas of operational risk.

Legal advice is obtained periodically to review the Company's position in relation to Chapter 1 of the Competition Act 1998, to determine that the Scheme continues to meet the exemption requirements set out in that Act.

2
Financial Risk

The Company is exposed to financial loss or gain arising from insurance, market, credit or liquidity risks which could lead to financial loss or gain and/or reputational damage.

Key Risk Mitigants and Controls

The Company's approach to the management of financial risk is considered to follow in the context of insurance, market, credit or liquidity risk management.

2.1
Insurance Risk

The Company is exposed to insurance risk arising from inherent uncertainties as to the occurrence, amount and timing of its insurance liabilities.

Insurance risk is judged to be the most significant risk for Pool Re and carries the largest gross exposure.

Key Risk Mitigants and Controls

The Company's approach to the management of insurance risk reflects the commitments contained in the agreements which underpin the Pool Re scheme. At the Company, we undertake to accept all risks presented to us which meet the scheme criteria.

Exposure to insurance risk is managed through commercial placement of reinsurance protection for large losses with high credit-rated reinsurers, exposure management and strong claims management processes. This ensures, as far as possible, that adequate resources are available to meet a claim or series of claims as and when necessary.

In addition, under the Retrocession Agreement with HM Government, the Company would draw funds if claims were to exceed the Company's resources. The agreement specifies circumstances in which amounts paid by HM Government would be subject to repayment by the Company.

This risk and its mitigations are described further in note 5(a) to the financial statements.

2.2

Market Risk

The Company is exposed to market risk through its investments in financial assets.

Market risk arises from fluctuations in asset prices due to movements in interest rates, currencies and other economic variables.

Key Risk Mitigants and Controls

The Company's investment strategy is relatively conservative, designed to preserve capital and limit volatility from market fluctuations while still delivering an acceptable return.

Exposure to market risk is managed through regular monitoring of investment performance and returns, investing in high-quality investment counterparts, and oversight of the Company's investment strategy and performance by the Investment Committee. The investment strategy rests on the two main objectives for the fund of stability and liquidity, with the asset allocation aligned to these.

This risk and its mitigations are described further in note 5(b) to the financial statements.

2.3

Credit Risk

The Company is exposed to credit risk arising from a counterparty failing to perform its financial obligations, including failure to perform them in a timely manner.

Key Risk Mitigants and Controls

Exposure to credit risk predominantly arises from financial investments and commercial reinsurance contracts. These exposures are managed through the use of high-quality counterparts and setting appropriate investment limits with individual or group counterparts and reinsurance counterparts.

This risk and its mitigations are described further in note 5(b) to the financial statements.

2.4

Liquidity Risk

The Company is exposed to liquidity risk through its investments in financial assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with the recognition that they may not be called upon for long periods.

Key Risk Mitigants and Controls

Exposure to liquidity risk is managed through holding assets in high-quality liquid investments, meeting any cash outflow by using the Company's funds, and then drawing on support provided by HM Treasury, should that be required.

The commercial reinsurance programme contributes to the management of liquidity risk, creating additional liquidity following a large incident.

This risk and its mitigations are described further in note 5(b) to the financial statements.

3

Operational Risk

The Company is exposed to operational risk in cases where there are inadequate controls or failures in people, processes, systems and external factors which jeopardise the operation of Pool Re.

Key Risk Mitigants and Controls

Exposure to operational risk is managed through a risk management and control framework reviewing the effectiveness of processes, systems and controls throughout the Company.

Arrangements with external providers are monitored and their appropriateness assessed periodically. The Company maintains a strong and open relationship with its regulators and embraces a good conduct culture.

The Company keeps under review the impact of various possible outcomes on each of the risk categories previously outlined, both in respect of its reinsurance operations and investment strategy.

By Order of the Board

Rhod Cruwys
Chief Risk Officer

Independent Auditor's Report to the Members of Pool Reinsurance Company Limited

Report on the Audit of the Financial Statements

1. Opinion

In our opinion the financial statements of Pool Reinsurance Company Limited (the "Company"):

- give a true and fair view of the state of the Company's affairs as at 31 March 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom adopted international accounting standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements which comprise:

- the statement of profit or loss;
- the statement of financial position;
- the statement of changes in equity;
- the statement of cash flows; and
- the related notes 1 to 22.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom adopted international accounting standards and IFRSs as issued by the IASB.

2. Basis for Opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the financial statements section of our report.

We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's (FRC's) Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

The non-audit services provided to the Company for the period are disclosed in note 7 to the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. Summary of our Audit Approach

Key audit matters	The key audit matter that we identified in the current year was: Valuation and existence of financial investments and derivatives. Within this report, key audit matters are identified as follows: Newly identified Increased level of risk Similar level of risk Decreased level of risk
Materiality	The materiality that we used in the current year was £109.2 million, which represents 1.75% of net assets.
Scoping	Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.
Significant changes in our approach	There have been no significant changes in our audit approach in the current year.

4. Conclusions Relating to Going Concern

In auditing the financial statements, we have concluded that the Directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Our evaluation of the Directors' assessment of the Company's ability to continue to adopt the going concern basis of accounting included:

- A challenge of the budget for the 12 months to June 2024 and its underlying assumptions, which included the availability of cash resources and the ability to readily convert assets into cash;
- An assessment of the arithmetic accuracy of the model; and
- Assessing the appropriateness of the going concern disclosures in the financial statements.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Company's ability to continue as a going concern for a period of at least 12 months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Directors with respect to going concern are described in the relevant sections of this report.

5. Key Audit Matters

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) that we identified. These matters included those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team.

These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

5.1. Financial investments

Key audit matter description	As at 31 March 2023 the financial investments balances stood at approximately £6.6 billion (31 December 2021: £6.9 billion), equating to 98% (2021: 97%) of total assets of the Company. Changes in the fair value of these financial instruments during the reporting period have a material impact on the Company's net assets and vary year on year depending on market movements. The Company's investment portfolio is largely comprised of assets that are actively traded and have observable market prices, reducing the risk of misstatement. However due to the size of the portfolio, a 1.5% price variance would result in a material misstatement. In addition, there is a risk that management may override the prices obtained from Bank of New York Mellon ("BNYM") inappropriately. We have therefore concluded that the valuation of investments is the area with the greatest potential for fraud. We have pinpointed the risk around the valuation and existence of investments. Further details are included on pages 92–99.

How the scope of our audit responded to the key audit matter	We obtained an understanding and tested the relevant controls relating to the valuation and existence of financial investments. These included monthly reconciliations between the investment manager and custodian's investment holding and pricing data, where any differences outside of a risk-based threshold are investigated by the Company. We have inspected BNYM's SOC1 report covering the full reporting period in order to attest the operating effectiveness of relevant controls at the outsourcer that support management's controls in validating the valuation and existence of investments. We performed the valuation testing of bond and equities that form over 95% of financial investments excluding cash and cash equivalents through obtaining price data from reputable third-party sources. Additionally, we have reconciled the prices in the accounts to those obtained from BNYM. We tested the valuation of derivative financial instruments through involving our in-house financial instruments specialists to price independently a sample of these valuations. We have tested the existence of financial investments by obtaining independent custodian statements for 100% of the instruments held as at 31 March 2023 and reconciling these to the general ledger.
Key observations	Based on audit procedures, the valuation and existence of financial investments were appropriate.

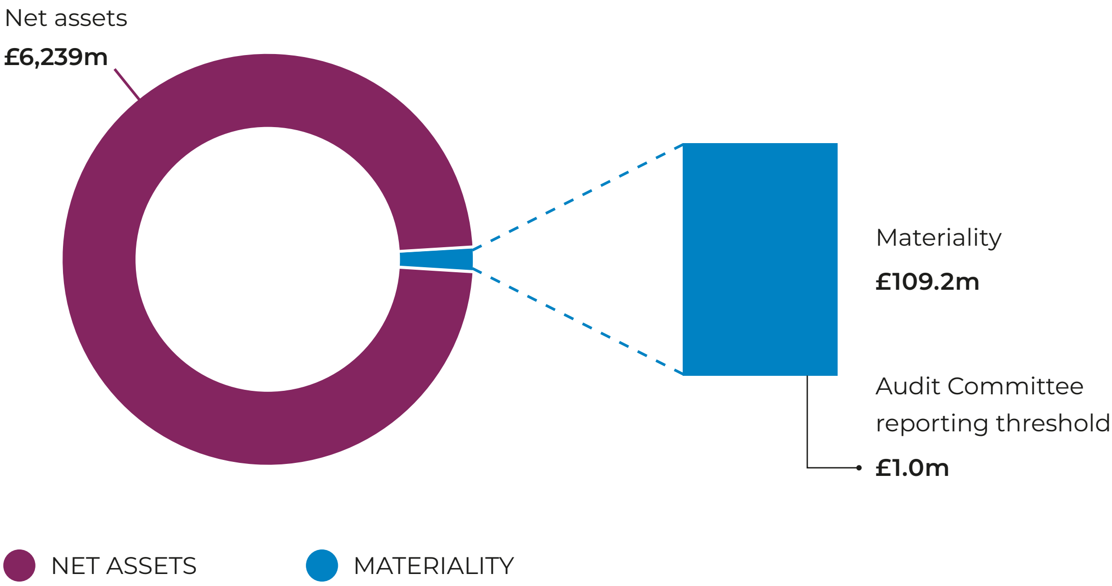
6. Our Application of Materiality

6.1. Materiality

We define materiality as the magnitude of misstatement in the financial statements that makes it probable that the economic decisions of a reasonably knowledgeable person would be changed or influenced. We use materiality both in planning the scope of our audit work and in evaluating the results of our work.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Materiality	£ 109.2 million (2021: £108.8 million)
Basis for determining materiality	1.75% (2021: 1.75%) of year end Company net assets.
Rationale for the benchmark applied	Pool Reinsurance Company Limited is a mutual reinsurance company, which exists for the benefit of its Members. As such, we considered net assets to be the most appropriate benchmark, as this represents the Company's ability to meet claims as they fall due, which is deemed to be of most concern to the Members.



6.2. Performance materiality

We set performance materiality at a level lower than materiality to reduce the probability that, in aggregate, uncorrected and undetected misstatements exceed the materiality for the financial statements as a whole. Performance materiality was set at 70% of materiality for the 2023 audit (2021: 70%). In determining performance materiality, we considered the following factors:

a) there have not been any significant changes in business structure and operations; and

b) our experience from previous audits, which has indicated a low number of corrected and uncorrected misstatements identified in prior years.

6.3. Error reporting threshold

We agreed with the Audit Committee that we would report to the Audit Committee all audit differences in excess of £ 1 million (2021: £1 million) as well as differences below that threshold that, in our view, warranted reporting on qualitative grounds. We also report to the Audit Committee on disclosure matters that we identified when assessing the overall presentation of the financial statements.

7. An Overview of the Scope of our Audit

7.1. Scoping

Our audit was scoped by obtaining an understanding of the Company and its environment, including internal control, and assessing the risk of material misstatement. Audit work to respond to the risks of material misstatement was performed directly by the audit engagement team.

8. Other Information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The Directors are responsible for the other information contained within the annual report.

Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated.

If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the financial statements themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

9. Responsibilities of Directors

As explained more fully in the Directors' responsibilities statement, the Directors are responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Directors determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Directors are responsible for assessing the Company's ability to continue as a going concern, disclosing as applicable matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Company or to cease operations, or have no realistic alternative but to do so.

10. Auditor's Responsibilities for the Audit of the Financial Statements

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

A further description of our responsibilities for the audit of the financial statements is located on the FRC's website at: **www.frc.org.uk/auditorsresponsibilities**. This description forms part of our auditor's report.

11. Extent to which the Audit was Considered Capable of Detecting Irregularities, Including Fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

11.1. Identifying and assessing potential risks related to irregularities

In identifying and assessing risks of material misstatement in respect of irregularities, including fraud and non-compliance with laws and regulations, we considered the following:

- the nature of the industry and sector, control environment and business performance including the design of the Company's remuneration policies and the key drivers for Directors' remuneration, bonus levels and performance targets;
- results of our enquiries of management, directors and the audit committee about their own identification and assessment of the risks of irregularities including those that are specific to the Company's sector;
- any matters we identified having obtained and reviewed the Company's documentation of their policies and procedures relating to:
    - identifying, evaluating and complying with laws and regulations and whether they were aware of any instances of non-compliance;
    - detecting and responding to the risks of fraud and whether they have knowledge of any actual, suspected or alleged fraud;
    - the internal controls established to mitigate risks of fraud or non-compliance with laws and regulations;
- the matters discussed among the audit engagement team and relevant internal specialists, including the financial instrument and complex pricing specialists regarding how and where fraud might occur in the financial statements and any potential indicators of fraud.

As a result of these procedures, we considered the opportunities and incentives that may exist within the organisation for fraud and identified the greatest potential for fraud in the valuation and existence of financial investments and derivatives. In common with all audits under ISAs (UK), we are required to perform specific procedures to respond to the risk of management override.

We also obtained an understanding of the legal and regulatory framework that the Company operates in, focusing on provisions of those laws and regulations that had a direct effect on the determination of material amounts and disclosures in the financial statements. The key laws and regulations we considered in this context included the UK Companies Act, tax legislation, Money Laundering Regulations, Financial Services and Markets Act 2000 and FCA/PRA Rulebooks.

In addition, we considered provisions of other laws and regulations that do not have a direct effect on the financial statements but compliance with which may be fundamental to the Company's ability to operate or to avoid a material penalty. These included the Company's regulatory market and solvency requirements set by the FCA and the PRA, respectively.

11.2. Audit response to risks identified

As a result of performing the above, we identified the valuation and existence of financial investments and derivatives as a key audit matter related to the potential risk of fraud. The key audit matter section of our report explains the matter in more detail and also describes the specific procedures we performed in response to that key audit matter.

In addition to the above, our procedures to respond to risks identified included the following:

- reviewing the financial statement disclosures and testing the supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- enquiring of management, the audit committee and in-house legal counsel concerning actual and potential litigation and claims;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with HMRC, the FCA and the PRA; and
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

We also communicated relevant identified laws and regulations and potential fraud risks to all engagement team members including internal specialists, and remained alert to any indications of fraud or non-compliance with laws and regulations throughout the audit.

Report on other Legal and Regulatory Requirements

12. Opinions on Other Matters Prescribed by the Companies Act 2006

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the strategic report and the Directors' report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the strategic report and the Directors' report have been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the Company and its environment obtained in the course of the audit, we have not identified any material misstatements in the strategic report or the Directors' report.

13. Matters on which we are Required to Report by Exception

13.1. Adequacy of explanations received and accounting records

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not received all the information and explanations we require for our audit; or
- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of Directors' remuneration have not been made; or
- the financial statements are not in agreement with the accounting records and returns.

We have nothing to report in respect of these matters.

14. Use of our Report

This report is made solely to the Company's Members, as a body, in accordance with Chapter 3 of Part 16 of the Companies Act 2006. Our audit work has been undertaken so that we might state to the Company's Members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Company and the Company's Members as a body, for our audit work, for this report, or for the opinions we have formed.

Colin Rawlings FCA
(Senior Statutory Auditor)

For and on behalf of Deloitte
LLP Statutory Auditor

London, UK, **22 June 2023**

04 Financial Statements

Statement of Profit or Loss

for the 15 months ended 31 March 2023

	Notes	31-Mar-23 £000	31-Dec-21 £000 *Restated
INCOME			
Gross premiums written	6	**341,391**	279,377
Outward reinsurance premiums	6	**(293,485)**	(257,015)
Net premiums written		**47,906**	22,362
Change in provision for unearned premiums	15	**13,468**	4,083
Change in provision for unearned premiums, reinsurers' share	15	**27,036**	(2,012)
Net premiums earned		**88,409**	24,433
Investment result	9	**6,847**	246,667
Other income		**69**	7
Total income		**95,326**	271,107
EXPENSES			
Claims and claim adjustment expenses		**-**	-
Reinsurance recoveries		**-**	-
Claims and claim adjustment expenses, net of reinsurance		**-**	-
Operational expenses	3(a)(i), 7	**(21,555)**	(17,033)
Total expenses		**(21,555)**	(17,033)
Results of operating activities		**73,770**	254,074
Profit before tax		**73,770**	254,074
Tax credit/(expense)	10	**25,508**	(37,872)
Profit for the period	3(a)(i)	**99,279**	216,202

* See note 3.

The above results all relate to continuing operations and to risks located in the United Kingdom.

There were no amounts recognised in other comprehensive income in the current or preceding periods other than those included in the statement of profit or loss. Therefore no statement of other comprehensive income has been presented.

Company number: 2798901

The notes on pages 116–157 form an integral part of these financial statements.

Statement of Financial Position

as at 31 March 2023

	Notes	**31-Mar-23** **£000**	31-Dec-21 £000 *Restated	01-Jan-21 £000 *Restated
ASSETS				
Property, plant and equipment	*3(a)(i), 12*	**1,669**	2,299	3,019
Financial assets carried at fair value	*11*	**6,553,921**	6,796,189	6,649,887
Reinsurance assets	*15*	**103,868**	76,833	78,845
Trade and other receivables, including reinsurance receivables	*3(a)(i), 14*	**194,960**	117,722	110,199
Current tax assets		**3,463**	8,513	-
Cash and cash equivalents	*13*	**168,498**	101,712	85,892
Total assets		**7,026,379**	7,103,267	6,927,842
EQUITY AND LIABILITIES				
Retained earnings	*3(a)(i), 18*	**6,242,041**	6,214,782	6,029,645
Total equity		**6,242,041**	6,214,782	6,029,645
Deferred tax liabilities	*17*	**10,534**	39,826	4,010
Reinsurance liabilities	*15*	**125,550**	139,017	144,136
Financial liabilities carried at fair value	*11*	**7,804**	11,597	124,460
Current tax liabilities		**-**	-	2,262
Trade and other payables	*3(a)(i), 16*	**640,450**	698,046	623,329
Total liabilities		**784,338**	888,486	898,198
Total equity and liabilities		**7,026,379**	7,103,267	6,927,842

* See Note 3.

The financial statements on pages 112 to 115 were approved by the Board of Directors on June 2023 and signed on its behalf by:

Angela Knight
Chair

Tom Clementi
Director and Chief Executive

Company number: 2798901

The notes on pages 116–157 form an integral part of these financial statements.

Statement of Changes in Equity

for the 15 months ended 31 March 2023

	Notes	£000 *Restated
Balance at 1 December 2021, as previouly stated		**6,029,964**
Impact of change in accounting policy	*3(a)(i)*	**(319)**
Restated balance at 1 December 2021		**6,029,645**
Restated profit for the period	*3(a)(i)*	**216,202**
Dividend paid	*19*	**(31,067)**
Restated balance at 31 December 2021		**6,214,782**
Balance at 1 January 2022		**6,214,782**
Profit for the year		**99,279**
Dividend paid	*19*	**(72,018)**
Balance at end of period 31 March 2023		**6,242,041**

* See Note 3.

The notes on pages 116–157 form an integral part of these financial statements.

Statement of Cash Flows

for the 15 months ended 31 March 2023

	Notes	**31-Mar-23 £000**	31-Dec-21 £000 *Restated
OPERATING ACTIVITIES			
Profit before tax	3(a)(i)	**73,770**	254,074
Adjustments for:			
Net foreign exchange (gain)/loss		**(309,102)**	8,718
Net losses/(gains) on financial assets/liabilities carried at fair value		**426,165**	(148,799)
Income from financial assets carried at fair value		**(157,761)**	(130,294)
Depreciation	3(a)(i)	**672**	822
Interest expense	3(a)(i)	**22,670**	13,271
Changes in operational assets and liabilities:			
(Increase)/decrease in reinsurers' share of contract liabilities		**(27,036)**	2,012
Proceeds from sale of financial assets carried at fair value		**11,566,304**	10,373,581
Purchase of financial assets carried at fair value		**(11,464,312)**	(10,500,333)
Increase in trade and other receivables	3(a)(i)	**(77,121)**	(16,137)
(Decrease)/increase in trade and other payables	3(a)(i)	**(48,740)**	85,413
Decrease in gross contract liabilities		**(13,468)**	(4,083)
Cash generated from operations		**(7,957)**	(61,754)
Taxation received/(paid)		**1,266**	(12,831)
Interest paid	3(a)(i)	**(31,343)**	(14,036)
Interest received		**123,166**	103,634
Dividends received		**34,594**	26,660
Net cash flows from operating activities		**119,727**	41,674
INVESTING ACTIVITIES			
Purchase of property, plant and equipment	3(a)(i)	**(42)**	(2,006)
Net cash flows used in investing activities		**(42)**	(2,006)
FINANCING ACTIVITIES			
Dividends paid		**(72,018)**	(31,067)
Lease payments	3(a)(i)	**(552)**	(446)
Net cash flows used in financing activities		**(72,570)**	(31,513)
Net increase in cash and cash equivalents		**47,114**	8,154
Cash and cash equivalents at beginning of period	13	**101,712**	85,892
Net increase in cash and cash equivalents		**47,114**	8,154
Effect of exchange rate flucuations on cash and cash equivalents		**19,671**	7,667
Cash and cash equivalents at end of period	13	**168,498**	101,712

* See Note 3.

The notes on pages 116–157 form an integral part of these financial statements.

Notes to the Financial Statements

for the 15 months ended 31 March 2023

1. General information

The Company is a mutual company limited by guarantee, incorporated in England and Wales, with its principal place of business at Equitable House, 47 King William Street, London, EC4R 9AF. Its principal activity continues to be reinsurance in respect of losses arising from damage to, or destruction of, commercial property resulting from Acts of Terrorism within England, Wales and Scotland.

2. Basis of preparation

The financial statements have been prepared in accordance with United Kingdom adopted International Accounting Standards and International Financial Reporting Standards (IFRSs) as issued by the International Accounting Standards Board (IASB) and in accordance with the provisions of the UK Companies Act 2006 as applicable to companies reporting under international accounting standards.

The financial statements have been prepared in accordance with the Accounts Direction given by HM Treasury on 17 April 2023 in accordance with the Framework Agreement between HM Treasury and the Company. In addition to the UK Companies Act 2006, the Company shall also have regard for the requirements and principles identified in the Government Financial Reporting Manual ("the FReM") issued by HM Treasury for the financial year for which these financial statements are being prepared to the extent that they clarify or build on the requirements of the Companies Act.

For all periods up to and including the year ended 31 December 2021, the Company prepared its financial statements in accordance with UK Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" (FRS 102), Financial Reporting Standard 103 "Insurance Contracts" (FRS 103) and the Companies Act 2006. These financial statements, for the 15-month period ended 31 March 2023, are the first the Company has prepared in accordance with UK-adopted International Accounting Standards. Refer to Note 3 for information on how the Company adopted International Accounting Standards.

The Company has presented a 15-month reporting period to align its period end date of 31 March 2023 with that of HM Government following the Company's classification as an Arm's Length Body (ALB) of HM Treasury and the signing of the Framework Agreement between HM Treasury and the Company on 5 May 2022. The information contained in the Company's Annual Report and Accounts is consolidated into the Annual Report and Accounts of HM Treasury. Given that comparative information presented in these financial statements and accompanying notes is reported on a 12-month basis, amounts presented are not entirely comparable.

The financial statements have been prepared on a historical cost basis, except for certain financial instruments, including derivative instruments, which are measured at fair value. The Statement of Financial Position of the Company has been presented in order of increasing liquidity. All amounts presented in the Statement of Profit or Loss relate to continuing operations.

The preparation of financial statements in conformity with UK-adopted International Accounting Standards requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. Any areas involving a high degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements, are disclosed in Note 4.

Following the completion of HM Treasury's five-year review of the scheme in early 2022, an updated Retrocession Agreement was entered into extending the unlimited guarantee. The current assessment confirms that the Company has adequate capital resources to meet its liabilities as they fall due.

Furthermore, this assessment is consistent with the conclusions reached by the PRA, as set out in its direction dated 10 November 2020, which states Pool Re's capital requirement is zero. The assessment, which remains valid until 1 January 2026, is based upon the PRA's recognition that the capital resources available to Pool Re include capacity available from HM Treasury under the Retrocession Agreement.

Based on current assessments, management has determined that the financial statements should be prepared on a going concern basis for the year ended 31 March 2023.

The Company's financial statements are presented in pound sterling and rounded to thousands. The Company's functional currency is the pound sterling.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

a. Adoption of new accounting standards, interpretations and amendments to published standards

These financial statements, for the 15-month period ended 31 March 2023, are the first the Company has prepared in accordance with UK-adopted International Accounting Standards. For periods up to and including the year ended 31 December 2021, the Company prepared financial statements in accordance with UK Accounting Standards.

The Company has prepared financial statements that comply with UK-adopted International Accounting Standards as at 31 March 2023, together with comparative data for the year ended 31 December 2021. In preparing the financial statements, the Company's opening Balance Sheet was prepared as at 1 January 2021. This note explains the principal adjustments made by the Company in restating its financial statements.

The estimates at 1 January 2021 are consistent with those made for the same dates in accordance with UK Accounting Standards. The information used by the Company to present these estimates in accordance with UK-adopted International Accounting Standards reflect the conditions at 1 January 2021, the date of transition.

(i) IFRS 16: Leases

IFRS 16 sets out the principles for the recognition, measurement and disclosure of leases. The Standard was effective for annual reporting periods beginning on or after 1 January 2019, with the Company adopting the Standard for its reporting period beginning 1 January 2021.

The Company has applied IFRS 16 using the retrospective approach, and has chosen to apply the practical expedient allowing the Company to not reassess whether a contract is, or contains, a lease at the date of initial application. The practical expedient is applied to all contracts. As a lessee, the Company applies IFRS 16 retrospectively to each prior year reporting period presented. The Company has labelled the restated comparative information with the heading "restated".

The Company leases an office and photocopier equipment. Until 31 December 2021, these leases were recognised as operating leases under UK Accounting Standards, with lease payments charged to profit or loss as incurred over the non-cancellable lease term. The adoption of IFRS 16 requires the Company to recognise its leases as a right-of-use asset and a corresponding liability from the date at which the leased assets are available for use by the Company.

Assets and liabilities arising from leases are initially measured on a present value basis. Lease liabilities are calculated as the present value of expected lease payments over the duration of the contract, discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, rather than using the incremental borrowing rate as per IFRS 9, the Company has determined that the use of discount rates as set by HM Treasury and promulgated in Public Expenditure System (PES) papers are a suitable proxy. At 1 January 2021, the Company recognised a lease liability of £2,734k.

Lease payments are allocated between principal and finance costs. The finance cost is charged to profit or loss over the lease period based at the rate used to discount the lease liability.

Right-of-use assets are initially measured at cost, comprising the amount of the initial measurement of the lease liability, any initial costs, restoration costs, payments made before commencement date and lease incentives. Right-of-use assets are depreciated over the lease term on a straight line basis. At 1 January 2021, the Company recognised a right-of use asset of £2,298k.

The difference between the value of right-of-use assets and lease liabilities, created due to the different rates at which the two balances are recognised in profit or loss, along with certain lease payments made before commencement date, has been recognised in retained earnings at 1 January 2021.

The following tables summarise the impacts of adopting IFRS 16 on the Company's financial statements.

Statement of Financial Position at 1 January 2021

	As previously stated	Adjustments	As restated
	£000	**£000**	**£000**
ASSETS			
Property, plant and equipment	721	2,298	3,019
Trade and other receivables, including reinsurance receivables	110,300	(101)	110,199
		2,197	
LIABILITIES			
Trade and other payables	620,813	2,516	623,329
		2,516	
EQUITY			
Retained earnings	6,029,964	(319)	6,029,645
		(319)	

Statement of Financial Position at 31 December 2021

	As previously stated £000	Adjustments £000	As restated £000
ASSETS			
Property, plant and equipment	389	1,910	2,299
Trade and other receivables, including reinsurance receivables	117,823	(101)	117,722
		1,809	
LIABILITIES			
Trade and other payables	696,067	1,980	698,046
	696,067	1,980	
EQUITY AND LIABILITIES			
Retained earnings	6,214,952	(170)	6,214,782
		(170)	

Statement of Profit or Loss for the year ended 31 December 2021

	As previously stated £000	Adjustments £000	As restated £000
Total income	271,107	-	271,107
EXPENSES			
Claims and claim adjustment expenses, net of reinsurance	-	-	-
Operational expenses	(17,179)	146	(17,033)
Total expenses	(17,179)	146	(17,033)
Results of operating activities	253,928	146	254,074
Profit before tax	253,928	146	254,074
Tax expense	(37,872)	-	(37,872)
Profit for the year	216,056	146	216,202

(ii) IFRS 9: Financial Instruments

IFRS 9 sets out the principles for the reporting of financial assets and financial liabilities, including the classification, recognition and measurement of financial instruments. The Standard was effective for annual reporting periods beginning on or after 1 January 2018, with the Company adopting the Standard for its reporting period beginning 1 January 2021.

Until 31 December 2021, the Company applied the recognition and measurement provisions of IAS 39 (as adopted by the European Union) and the disclosure requirements of FRS 102 in respect of financial instruments. The adoption of IFRS 9 changes the Company's approach for accounting for impairment losses by replacing the incurred loss approach under UK Accounting Standards with a forward-looking expected credit loss approach. IFRS 9 requires the Company to recognise an expected credit loss for all financial assets not held at fair value through profit or loss, which, as at 1 January 2021, comprises debtors arising out of reinsurance operations, investment debtors and other debtors.

At 1 January 2021, the Company concluded that expected credit losses were immaterial, therefore no adjustment was made.

b. Future accounting developments

At the date of authorisation of these financial statements, the Company has not applied the following new and revised IFRS Standards that have been issued but are not yet effective:

(i) IFRS 17: Insurance Contracts

IFRS 17 Insurance Contracts, as issued by the IASB and endorsed by the UK Endorsement Board on 16 May 2022, is a replacement for IFRS 4 Insurance Contracts, effective for annual periods beginning on or after 1 January 2023, with a transition balance sheet date of 1 January 2022.

IFRS 17 outlines a default general measurement model, which is simplified if certain criteria are met by measuring the liability for remaining coverage (LRC) using the premium allocation approach (PAA).

Under IFRS 17, the Company's reinsurance contracts issued have coverage periods of 12 months in duration and therefore automatically qualify for the PAA under IFRS 15.53(b).

The Company reasonably expects all contracts with a coverage period greater than 12 months in duration will provide a liability for remaining coverage that would not materially differ from the general measurement model. These contracts are therefore eligible to be measured by applying the PAA under IFRS 17.53(a).

The Company therefore intends to apply the PAA across all its reinsurance contracts issued and held.

Impact of IFRS 17: Insurance Contracts

The Company will adopt IFRS 17 for the year starting on 1 April 2023 and will report under IFRS 17 for the first time in its financial statements for the year ended 31 March 2024. Comparative numbers for the 15-month accounting period ended 31 March 2023 and transition balance sheet as of 1 January 2022 will be restated under IFRS 17 in these financial statements. The Company expects to apply the standard using a fully retrospective approach which will be validated by ongoing implementation work.

IFRS 17 establishes principles for the recognition, measurement, presentation and disclosure of insurance contracts issued and reinsurance contracts held. Application of IFRS 17 does not change classification of reinsurance contracts.

The Company is currently undertaking the implementation of the Standard and has not yet quantified the impact of transition to IFRS 17 on the Company's equity, thus the impact of the adoption of IFRS 17 on the Company's Financial Statements and disclosures is still uncertain while the Company continues implementation activities.

The Company does not report on any other metrics (alternative earnings pattern, etc.) that could have been impacted by IFRS 17 implementation.

Level of aggregation

The Company will be required to group reinsurance contracts issued and reinsurance contracts held separately for aggregation purposes under IFRS 17. Groups of contracts are determined by first identifying portfolios of contracts, each compromising contracts subject to similar risks and managed together. Each portfolio is then divided into profitability groups and annual cohorts.

The Company expects its contracts to be categorised into two portfolios:

- Reinsurance contracts issued: The reinsurance contracts issued cover losses and damage from Acts of Terrorism; thus, contracts cover similar risks and business is managed together, forming one portfolio.
- Reinsurance contracts held: The reinsurance contracts (commercial facultative outwards reinsurance, Retrocession agreement with HM Treasury and ILS /CAT Bonds) will be measured at the contract level.

The Company does not expect to have reinsurance contracts issued falling into onerous contracts grouping.

The Company will set its cohorts at annual intervals based on underwriting year.

Contract boundaries

Under IFRS 17, the measurement of a group of contracts includes all the future cash flows within the boundary of each contract group. Compared with the current accounting, the Company expects that for certain contracts the IFRS 17 contract boundary will change the scope of cash flows to be included in the measurement of existing recognised contracts, as opposed to future unrecognised contracts.

Key accounting policy decisions

As set out above, all the Company's reinsurance policies issued and reinsurance policies held are deemed to be eligible for the PAA:

- The application of the disaggregation requirements of IFRS 17 have resulted in the Company determining its portfolios as reinsurance contracts issued, and reinsurance contracts held at contract level.
- The Company intends to take the option to expense its reinsurance acquisition cash flows immediately for the reinsurance contracts issued.
- The Company has chosen not to accrete interest on the PAA LRC and ARC balance where it is not required.
- The Company is planning to use the "bottom-up" approach for deriving its discount rates.

The Company is expecting to measure all contracts under the PAA, a risk adjustment is therefore only explicitly needed for the liability for incurred claims. A risk adjustment for the liability for remaining coverage will only be required for onerous contract testing. The Company plans to use a scenario based approach for deriving its risk adjustment.

The above policy choices are based on the current stage of IFRS 17 implementation and are subject to change until the implementation work is complete.

c. Foreign currency

Foreign currency transactions are translated into pound sterling using the exchange rates prevailing at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the Profit and Loss Account for the period.

Translation differences on non-monetary items, such as equities held at fair value through profit or loss, are reported as part of the fair value gain or loss.

d. Insurance contracts

The Company has reviewed the nature of the inwards and outwards reinsurance business it transacts. It is satisfied that all such business transfers significant insurance risk and has therefore treated the relevant contracts as insurance contracts, as defined by IFRS 4 Insurance Contracts, for the purposes of these financial statements. All premiums disclosed in the Profit and Loss Account relate to standard insurance contracts.

The Company's financial position and its obligations to meet claims under its agreements with Members are assured in that the Company has entered into a Retrocession Agreement with HM Government under which the Company would draw funds from HM Government if claims were to exceed the Company's resources. The Retrocession Agreement specifies circumstances in which amounts paid by HM Government will be subject to repayment by the Company. However, in certain circumstances when the Retrocession Agreement is terminated, HM Government is not entitled to repayment of amounts it has paid to the Company.

Premium is payable to HM Government for providing retrocession cover only when the funds standing to the credit of the Insurance Fund and the Investment Fund, as defined by the Retrocession Agreement, exceed £1 billion. These funds are broadly equivalent to premiums received, investment income earned and investment gains, less investment losses, incurred claims, taxation and expenses, subject to certain differences in the timing of their recognition. The retrocession premium may become immediately payable, in certain circumstances, if the Company fails to comply with the conditions of the Retrocession Agreement.

(i) Premiums written

Premiums written relate to business that incepted during the period, together with any difference between booked premiums for prior years and those previously accrued and include estimates of premiums due but not yet receivable or notified to the Company.

Where written premiums are subject to subsequent adjustment, reductions are made as soon as they are foreseen, however, potential increases are not recognised until the amount can be determined with reasonable certainty. Additional or return premiums are treated as adjustments to gross written premiums.

(ii) Unearned premiums

Unearned premiums represent the proportion of premiums written in the period that relate to unexpired terms of policies in force at the balance sheet date, calculated on a time apportionment basis.

The unearned premiums calculation has been carried out using the most appropriate basis available, which is considered to be the eighths basis. This basis assumes premium received for a particular quarter represents policies which incept, on average, at the mid-point of the quarter. Thus 1/8 of the premium for the first quarter, 3/8 of the premium for the second quarter, 5/8 of the premium for the third quarter and 7/8 of the premium for the fourth quarter is unearned at the end of the period.

The Company calculates unearned premiums in respect of its gross written premiums and also in respect of outwards retrocession.

(iii) Claims incurred

Claims incurred comprise claims and related expenses paid in the period and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

(iv) Claims provisions and reinsurance recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Company. The Company takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

In estimating the cost of claims notified but not paid, the Company has regard to the cost of claims incurred by Members, both within and in excess of each Member's retention. The overall emerged claims cost is closely managed by the Company.

The nature of the underlying business is such that there is unlikely to be a significant delay between the occurrence of a claim and the claim being reported. However, there can be significant delays in assessing the Company's ultimate liability for such claims. Claims notified to the Company at the balance sheet date are estimated on a basis that reflects the current position for Members' liabilities to their policyholders, less Members' retentions.

Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that may be recoverable from reinsurers based upon the gross provisions and having due regard to collectability.

(v) Outward reinsurance premiums

A creditor is recognised for outwards reinsurance premiums payable to HM Government under the terms of the Retrocession Agreement and to other commercial reinsurers.

e. Employee benefits

The Company provides a range of benefits to employees, including a defined contribution pension plan, annual bonus arrangements and long-term incentive plans for members of senior management.

(i) Short-term benefits

Short-term benefits, including salaries, holiday pay, accrued bonuses and pension contributions, are recognised in the period in which employees provide the services to which the payments relate.

(ii) Defined contribution pension plan

The Company operates a defined contribution pension plan for its employees. Under the pension plan the Company pays fixed contributions to an independently administered pension fund. Once the contributions have been paid, the Company has no further payment obligations. The contributions are recognised as an expense when they are due. Amounts not paid are shown in accruals in the balance sheet.

(iii) Annual bonus arrangements

The Company operates annual bonus plans for employees. An expense is recognised in the Profit and Loss Account when the Company has a legal or constructive obligation to make payments under the plans as a result of past events and a reliable estimate of the obligation can be made.

(iv) Long-term incentive plans

The Company operated a cash-settled long-term incentive plan for members of senior management in respect of years up to and including 2021. The plan was based on an individual's personal targets in developing the business and payment was deferred over a period of in excess of three years. The cost of awards made under the plan has been recognised in the year to which the awards relate. Payments may be reduced or forfeited in instances where an individual leaves employment or a material risk event occurs. Final payments under the plan fall due in January 2025.

f. Expenses

All expenses are recognised on an accruals basis and are charged to the Profit and Loss Account.

Capital expenditure on computer equipment and office equipment is depreciated by equal instalments over the estimated useful lives of the assets. Expenditure on computer software is written off as incurred.

g. Property, plant and equipment

Property, plant and equipment are stated at historical purchase cost less accumulated depreciation and any impairment loss. Depreciation is calculated to write off the costs of tangible assets, less their residual values, over their expected useful lives using the straight-line basis. Fixtures and fittings are depreciated over the lease term of the office premises. Furniture is depreciated over five years and computer and telephone equipment over two years. At each balance sheet date, tangible assets are reviewed to determine whether there is an indication that the asset may be impaired. If there is such an indication, the recoverable amount of the asset is compared to the carrying amount of the asset and, where necessary, the carrying amount is adjusted accordingly.

Additions are included at their original purchase price plus any costs directly attributable to bringing the asset to its working condition for its intended use. Property, plant and equipment is derecognised on disposal or when no future economic benefits are expected. On disposal, the difference between the net disposal proceeds and the carrying amount is recognised in the Profit and Loss Account.

h. Leased assets

The Company recognises right-of-use assets at the commencement date of the lease (i.e. the date at which the asset is available for use). Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses and adjusted for any remeasurement of lease liabilities. The cost of right-of-use assets includes the amount of lease liabilities recognised, initial direct costs incurred and lease payments made before the commencement date, less any lease incentives received. The right-of-use assets are depreciated over the lower of the estimated useful life of the asset and the lease term. Right-of-use assets are presented on the statement of financial position as property, plant and equipment.

At the commencement date of the lease, the Company recognises lease liabilities measured at the present value of the lease payments to be made over the lease term. Lease liabilities are presented on the statement of financial position as trade and other payables. In calculating the present value of lease payments, the Company uses the rate implicit in the lease contract, if this is not available it will use discount rates as set by HM Treasury and promulgated in Public Expenditure System (PES) papers. After the commencement date, the amount of the lease liability is increased to reflect interest charges and reduced for the lease payments made. The carrying amount of lease liabilities are remeasured if there is a modification of the lease, including a change in the lease term or a change in future lease payments.

In calculating the present value of lease payments, the Company uses the rate implicit in the lease contract; if this is not available it will use discount rates as prescribed by HM Treasury. After the commencement date, the amount of the lease liability is increased to reflect interest charges and reduced for the lease payments made. The carrying amount of lease liabilities are remeasured if there is a modification of the lease, including a change in the lease term or a change in future lease payments.

The Company applies the short-term lease recognition exemption to its short-term leases (i.e. leases that have a term of less than 12 months from the commencement date).

It also applies the lease of low-value assets recognition exemption to leases that are considered of low value. Lease payments on short-term leases and leases of low-value assets are recognised as an expense on a straight-line basis over the lease term.

The Company has chosen to apply the practical expedient in IFRS 16, allowing the Company to not reassess whether a contract is, or contains, a lease at the date of initial application. The practical expedient is applied to all contracts.

i. Current and deferred tax

Taxation is charged on investment income receivable plus realised and unrealised gains, less interest payable and investment expenses, for the period. Current tax is the expected tax payable on the taxable income for the period using tax rates enacted or substantively enacted at the reporting date and adjustments to tax payable in prior periods.

Deferred tax is recognised in respect of all material temporary differences that have originated but not reversed at the balance sheet date where the transactions or events result in an obligation to pay more tax in the future or a right to pay less tax in the future, including revaluation gains and losses on investments recognised in the Profit and Loss Account.

A net deferred tax asset is recognised as recoverable and therefore recognised only when, on the basis of all available evidence, it can be regarded as more likely than not that there will be suitable taxable profits against which to recover carried forward tax losses and from which the future reversal of underlying temporary differences can be deducted.

Deferred tax is measured at the average tax rates that are expected to apply in the periods in which the temporary differences are expected to reverse, based on tax rates and laws that have been enacted or substantively enacted by the balance sheet date. Deferred tax is measured on an undiscounted basis.

j. Fair value

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique.

This assumes that the transaction takes place in the principal market under current market conditions. Fair value is a market-based measure and in the absence of observable market prices in an active market, it is measured using the assumptions that market participants would use when pricing the asset or liability.

The fair value of a non-financial asset is determined based on its highest and best use from a market participant's perspective. When using this approach, the Company takes into account the asset's use that is physically possible, legally permissible and financially feasible.

The best evidence of fair value of a financial instrument at initial recognition is normally the transaction price. If an asset measured at fair value has a bid price, the bid price is considered to best represent fair value.

An analysis of fair values of financial instruments and further details as to how they are measured are provided in Note 5 (v).

k. Financial assets and liabilities

The Company classifies its financial assets and liabilities as i) financial assets/liabilities at fair value through profit or loss, ii) trade and other receivables and iii) trade and other payables. Management has designated on initial recognition, its financial assets held for investment purposes, at fair value through profit or loss (FVTPL). This is in accordance with the Company's documented investment strategy and consistent with the management and reporting of investment performance and risk to the Company's Directors on a fair value basis.

The Company recognises a financial asset or financial liability in its statement of financial position when it becomes party to the contractual provisions of the instrument. A financial asset is derecognised when either the contractual rights to the cash flows from the asset expire, or the asset is transferred and the transfer qualifies for derecognition through an assessment of the contractual rights to receive cash flows and the extent to which the Company retains the risks and rewards of ownership. A financial liability is derecognised when the obligation specified in the contract is discharged, cancelled or expires.

Purchases and sales of financial assets are recognised at the trade date. Financial assets and liabilities are initially recognised at fair value. Subsequent to initial recognition, financial assets and liabilities are measure as described below.

(i) Financial assets at fair value through profit or loss

A financial asset is classified into this category at inception if it is managed and evaluated on a fair value basis in accordance with a documented strategy.

(ii) Trade and other receivables

Receivables are non-derivative financial assets with fixed or determinable payments. Receivables arising from insurance contracts are included in this category and are reviewed for impairment as part of the impairment review of financial assets. Receivables are carried at amortised cost less any provision for impairment.

(iii) Trade and other payables

Trade and other payables are initially recognised at fair value and then subsequently carried at amortised cost.

l. Derivative financial instruments

Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently valued at fair value at each balance sheet date. Fair values are obtained from quoted market values and, if these are not available, valuation techniques including option pricing models are used as appropriate. Fair value changes in derivative financial instruments are recognised immediately in the income statement.

m. Reinsurance liabilities and assets

Reinsurance liabilities include claims reported and the provision for unearned premium (see Note 3(d) for the accounting treatment of reinsurance liabilities). Reinsurance assets consist of amounts recoverable from reinsurers and reinsurers' share of unearned premium.

n. Trade and other receivables

Trade and other receivables comprise of reinsurance premiums payable by Members, pending settlement amounts for the disposal of investment assets, prepayments and accrued income.

o. Cash and cash equivalents

Cash and cash equivalents include cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of three months or less.

p. Trade and other payables

Trade and other payables consist of retrocession payable to HM Government, premium refunds to Members, reinsurance premiums payable, pending settlement amounts for the acquisition of investment assets and accruals.

A creditor is recognised for outward reinsurance payable to HM Government in accordance with the terms of the Retrocession Agreement between the Company and HM Government. The outward reinsurance is payable no later than 31 March in the fourth year after the year to which the gross premium written relates. At the balance sheet date the outward reinsurance presents a contractual obligation as a result of previous premiums received.

q. Impairment of assets

Assets that are subject to amortisation are reviewed for impairment whenever events or changes in circumstances indicate the carrying amount may not be recoverable.

(i) Non-financial assets

Objective factors that are considered when determining whether a non-financial asset (such as property, plant and equipment) may be impaired include, but are not limited to, the following:

- adverse economic, regulatory or environmental conditions that may restrict future cash flows and asset usage and/or recoverability;
- the likelihood of accelerated obsolesce arising from the development of new technologies and products; and
- the disintegration of the active market(s) to which the asset is related.

(ii) Financial assets

Objective factors that are considered when determining whether a financial asset may be impaired include, but are not limited to, the following:

- negative rating agency announcements in respect of investment issuers, reinsurers and debtors;
- significant reported financial difficulties in respect of investment issuers, reinsurers and debtors;
- actual breaches of credit terms, such as persistent late payment or actual default;
- the disintegration of the active market(s) in which a particular asset is traded or deployed;

- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability; and
- the withdrawal of any guarantee from statutory funds or sovereign agencies implicitly supporting the asset.

(iii) Impairment loss

An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use. For financial assets, the amount of the impairment loss is measured as the difference between the asset's carrying amount and the value of the estimated future cash flows discounted at the financial asset's original effective interest rate. Where an impairment loss subsequently reverses, the carrying amount of the asset is increased to the revised estimate of its recoverable amount, but only to the extent that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset in prior periods. A reversal of an impairment loss is recognised as income immediately.

r. Investment return

Investment income is determined on an accruals basis. Realised gains or losses represent the difference between net sales proceeds and the purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and the purchase price or, if previously valued, the fair value at the previous balance sheet date.

Adjustments are made in respect of investments realised during the period where unrealised gains or losses were previously recognised in the Profit and Loss Account.

Dividend income is recognised when the right to receive payment is established.

s. Distributions

Distributions to the Company's Members are calculated in accordance with the terms of the Retrocession Agreement between the Company and HM Government and are recognised in the financial statements for the period in which the distributions are declared and paid.

t. Related party transactions

Where the Company has entered into related party transactions, the nature of the related party relationship as well as information about the transactions, outstanding balances and commitments necessary for an understanding of the potential effect of the relationship on the financial statements are disclosed in the notes to the financial statements.

4. Critical accounting judgements and estimation uncertainty

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Significant judgement is required to categorise financial assets and liabilities under the fair value hierarchy classifications defined in IFRS 13 Fair Value Measurement. The Company exercises judgement in determining whether a market is active and if valuations in these markets reliably reflect the price of an arm's length transaction. The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques utilising observable and unobservable inputs. The risks related to these judgements are set out in Note 5 below.

There are currently no other significant judgements or estimates to disclose in connection with applying the accounting policies.

5. Management of insurance and financial risk

a. Insurance risk

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty of the amount of the resulting claim. By the very nature of an insurance contract, this risk is unpredictable.

The Company's approach to the management of insurance risk is influenced by the commitments contained in the agreements which form the foundations of the Company's scheme. The Company undertakes to accept all risks presented to it which meet the criteria of the scheme and has a Retrocession Agreement with HM Government, which makes funds available where it faces claims beyond the extent of its ability to pay from its own resources. Under the PRA capital regime, the Company has a capital resource requirement set equal to zero. These arrangements are designed to ensure that the Company can accept all exposures presented to it without limit.

In turn, these arrangements ensure that the Company can provide primary insurers with the reinsurance protection they need to enable them to provide terrorism cover to all clients upon request to the full extent of their policy programme. Hence it is not an objective to limit the assumption of insurance risk but to ensure that:

- risks accepted fall within the criteria set by the scheme and fall within the scope of the Retrocession Agreement;
- pricing is fair between the Members of the scheme; and
- administration arrangements are in place in the event of a major claim.

The Company's appetite for insurance risk is therefore unlimited, provided that losses will ultimately be met by its funds and its retrocessional cover.

The Company reduces its sensitivity to insurance risk through the purchase of commercial retrocessional reinsurance, placed across two programmes. The first is a three-year contract incepting 1 March 2022 covering terrorism losses which are triggered by damage, which is annually cancellable at the Company's option, or at the reinsurers' option if they are in deficit. Covered loss in the reinsurance agreement means all losses arising under any of the Heads of Cover as a result of damage to or destruction of property, the proximate cause of which is an act of terrorism. The cover is placed across three layers totalling £2,400 million attaching at £400 million. Cover is placed at 100%. The price paid for the period 1 March 2022 to 28 February 2023 of £38.9 million includes broker commission and equates to a signed rate on line of 1.62%. The reinsurance cover is fully back-to-back with the cover the Company provides to Members. The minimum credit rating for reinsurers accepted is A- and the contract incorporates a downgrade clause allowing the Company to remove a reinsurer if its rating is downgraded. The Company elected not to cancel and replace this cover at 1 March 2023.

The second programme was first incepted in 2019 to reflect the extension of Pool Re's cover to include non-damage business interruption. This is separate to the main retrocessional placement and only covers terrorism losses caused by non-damage business interruption. The placement is a single layer of cover for £15 million attaching at £10 million. The price paid for the period 1 March 2022 to 28 February 2023 of £300k includes broker commission and equates to a signed rate on line of 2.00%. The Company renewed this programme at the same terms for a further 12 months at 1 March 2023.

On 8 March 2022, the Company placed a three-year insurance linked security (ILS) bond with a principal amount of £100 million, issued through a special purpose vehicle (SPV), Baltic PCC Limited. The bond (Baltic PCC Series 2022-1 Class A Principal At-Risk Variable Rate Notes 07/03/2025) had an initial interest spread of 5.50%, with an updated interest spread of 5.51% as of 28 February 2023 and a maturity date of 7 March 2025, with the loss period commencing on 1 March 2022. The issue has an initial attachment level of £500 million, with the ILS and commercial retrocession participants sharing losses at a ratio of 50/50 respectively up to an exhaustion level of £700 million. The cover is fully back-to-back with the cover the Company provides to Members.

The table below shows claims outstanding at the end of the reporting year. Significant controls are in place to ensure, to the extent possible, that liquid funds are available to meet claims or a series of claims as and when necessary.

Claim Development table

Reporting year	2019 £000	2020 £000	2021 £000	2022 £000	**2023 £000**
Estimate of ultimate claims costs:					
• At end of reporting year	-	-	-	-	-
• One year later	-	-	-	-	
• Two years later	-	-	-		
• Three years later	-	-			
• Four years later					

Reporting year	2019 £000	2020 £000	2021 £000	2022 £000	**2023 £000**	**Total £000**
Current position:						
Current estimate of cumulative claims	-	-	-	-	**-**	**-**
Cumulative payments to date	-	-	-	-	**-**	**-**
Liability recognised in the balance sheet	-	-	-	-	**-**	**-**

There are no claims outstanding at 31 March 2023.

b. Financial risk management objectives

The overall financial risk management objective is to invest the Company's assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with recognition that they may not be called upon for long periods.

The Company has adopted risk policies to address the management of its financial risks and there are procedures in place to identify, assess and manage the risks faced by the Company.

The Board has set an investment strategy and has employed a number of independent investment managers under specific mandates to administer the Company's investments. In addition, the Company has an Investment Committee which considers all aspects of the Company's investment activity and, where appropriate, makes recommendations to the Board.

The investment strategy rests on the two main objectives for the fund of stability and liquidity, with the asset allocation aligned to these. Two stability risk measures and one liquidity risk measure have been adopted and risk budgets have been agreed in respect of each measure.

The investment portfolio is diversified, and the investment policy sets limits on the Company's exposure to various types of investment. There is a formal process to review regularly and, where appropriate, rebalance the asset allocation towards the target allocation.

Reports on investment performance are considered at the quarterly Investment Committee meetings and as a standing item in the Company's quarterly Board meetings. The Company meets regularly with the investment managers and the custodians and there is a process for considering and resolving any operational issues which arise. The Company also reviews the investment manager and custodian System and Organisation Controls (SOC) reports on an annual basis where applicable.

Derivative contracts are used by the Company only for the purposes of efficient portfolio management. Hence, derivatives are used to reduce risk, to reduce cost or to generate additional capital or income at a risk level consistent with the risk profile of the Company.

The Company is exposed to a range of financial risks through its financial assets, financial liabilities and policyholder liabilities, the most important of which are market (equity price, commodity price, interest rate and currency), credit and liquidity risk.

(i) Market risk

Equity price risk

The Company is exposed to equity price risk as a result of changes in the value of its holdings in direct equity and equity derivative instruments which are included within financial assets at fair value.

In order to mitigate its exposure to the risk of changes in the prices of individual equities, the Company has a broadly diversified portfolio of global equities which are managed on a passive basis against well-established market indices.

The table below shows the profit/loss impact should equity market indices increase/decrease by 30%, with all other market variables held constant.

	31-Mar-23	31-Dec-21
	£000	£000
Notional exposure to equity markets	**682,374**	864,029
Sensitivity to 30% movement in value of equities	**204,712**	259,209
Total equity market exposure	**10.4%**	12.6%

Commodity price risk

The Company is exposed to commodity price risk as a result of changes in the value of its holdings in commodity funds and commodity derivative instruments which are included within financial assets at fair value.

The table below shows the profit/loss impact should commodity market indices increase/decrease by 30%, with all other market variables held constant.

	31-Mar-23	31-Dec-21
	£000	£000
Notional exposure to commodity markets	**81,868**	209,345
Sensitivity to 30% movement in value of commodities	**24,560**	62,803
Total commodity market exposure	**1.3%**	3.1%

Interest rate risk

The Company is exposed to interest rate risk which arises primarily from investments in fixed interest securities.

Modified duration has been used as the measure of sensitivity of the Company's fixed interest portfolio to changes in interest rates. Modified duration is the weighted average of the duration of each holding in the portfolio, taking into account the key characteristics of the coupon, maturity and cash flows.

The Company uses certain derivatives to mitigate this interest rate risk. Investments in derivatives are governed by specific provisions within the investment mandates and can only be made for the purposes of efficient portfolio management.

The table below shows the value of the Company's holdings of financial assets and liabilities reported within other financial investments exposed to interest rate risk at the year end and shows the profit/loss impact of a 50-basis point, parallel decrease/increase in interest rates assuming all other assumptions remain unchanged.

	31-Mar-23	31-Dec-21
	£000	£000
Notional exposure of assets to interest rate risk	**5,811,266**	5,703,158
Sensitivity to 0.5% movement in interest rates	**69,968**	49,964

	Years	Years
Average modified duration	**2.41**	1.65

The Company is also exposed to interest rate risk on financial liabilities relating to reinsurance operations. The value of financial liabilities relating to reinsurance operations exposed to interest rate risk at year end was £434,491k (2021: £650,315k). This exposure relates to outward retrocession premium payable to HM Government falling due within one year of £226,997k (2021: £255,229k) and outward retrocession premium payable to HM Government falling due after more than one year of £207,494k (2021: £395,086k).

Currency risk

The Company is exposed to currency risk in respect of investments denominated in a currency other than pound sterling. The Company's policy is to manage its exposure to non-sterling currencies through the use of forward contracts.

The table below shows the value of assets denominated in currencies other than sterling not covered by foreign exchange contracts at the year end. The table also shows the profit/loss if sterling had weakened/strengthened by 25% against the mix of currencies within the uncovered portion of the Company's investment fund, with all other variables held constant.

	31-Mar-23	31-Dec-21
	£000	£000
Unhedged investments	**421,009**	513,348
Sensitivity to 25% weakening in value of sterling on unhedged investments	**138,486**	171,877
Sensitivity to 25% strengthening in value of sterling on unhedged investments	**(85,312)**	(102,213)

The table below shows the increase/decrease in profit from a 25% weakening/strengthening of sterling against the Company's top five unhedged foreign currency exposures.

	31-Mar-23			31-Dec-21		
	Fair value of asset	**Increase in profit**	**Decrease in profit**	Fair value of asset	Increase in profit	Decrease in profit
	£000	**£000**	**£000**	£000	£000	£000
EUR	**34,271**	**12,418**	**(6,258)**	49,147	16,610	(9,693)
CAD	**17,182**	**5,727**	**(3,436)**	19,502	6,501	(3,900)
HKD	**31,442**	**10,481**	**(6,288)**	28,871	9,623	(5,775)
JPY	**48,249**	**16,065**	**(9,660)**	52,076	17,359	(10,415)
USD	**76,110**	**23,016**	**(16,634)**	231,577	77,668	(46,030)
	207,254	**67,708**	**(42,277)**	381,173	127,761	(75,813)

(ii) Credit risk

Credit risk arises from the failure of a counterparty to perform its financial obligations, including a failure to perform those obligations in a timely manner. The Company's investment policies are designed to restrict the level of credit risk in the fund by setting limits on individual investments or groups of investments.

Such limits are set by reference to the credit ratings determined by established credit rating agencies and individual issuer limits. The Company also mitigates counterparty credit risk by concentrating debt and fixed income investments in a portfolio of high quality, investment grade, corporate and government bonds, which are considered to have low credit risk.

The Company assesses the condition and creditworthiness of financial depositories by reviewing credit grades provided by rating agencies and other publicly available information. The Company also places limits on the level of counterparty exposure to financial depositories.

The Company receives reports from its investment managers detailing any breaches of mandates including those resulting from defaults and past due items. No financial assets of material value were past due or impaired at the year end.

The total exposure of the investment fund to credit risk at the year end was £6,047,683k (2021: £5,811,976k), representing the total value of bonds, loans, derivative financial instruments, short-term deposits and cash at bank and in hand. Of this total, 59% (2021: 68%) was invested in UK Government Gilts and other AAA/AA rated securities. A full analysis is set out below:

	31-Mar-23	31-Dec-21
	£000	£000
Equities and investment funds	**81,868**	43,680
Debt and fixed income holdings	**5,642,105**	5,629,330
Derivative financial instruments	**52,518**	22,060
Short-term deposits	**143,425**	69,546
Cash at bank and in hand	**25,801**	32,240
Other debtors	**101,967**	15,120
Total assets bearing credit risk	**6,047,683**	5,811,976

	31-Mar-23		31-Dec-21	
	£000	**%**	£000	%
AAA	**1,153,690**	**19**	605,066	10
AA	**2,395,139**	**40**	3,346,047	58
A	**1,307,799**	**22**	1,258,072	22
BBB	**681,972**	**11**	249,773	4
BB	**70,262**	**1**	101,783	2
B	**29,654**	**-**	67,223	1
CCC and below	**3,590**	**-**	16,773	-
Not rated	**405,578**	**7**	167,239	3
Total assets bearing credit risk	**6,047,683**	**100**	5,811,976	100

At the balance sheet date, excluding UK Government Gilts and US Government Securities, the maximum credit risk exposure to a single counterparty amounted to 1.5% of the Net Asset Value (2021: 1.2%).

The table below details the margin requirements, margin positions and collateral posted or held in respect of derivative contracts at year end.

	31-Mar-23	31-Dec-21
	£000	£000
Initial margin requirements	**1,469**	1,520
Securities on deposit	**3,867**	16,217
FX Collateral posted	**6,923**	14,822
FX Collateral held	**36,075**	12,220

Securities on deposit at 31 March 2023 of £3,867k (2021: £16,217k) are disclosed within financial assets carried at fair value, specifically within debt and fixed income holdings, and consist solely of US Treasury Notes. The Company retains all the risks and rewards of the pledged securities, therefore the assets do not qualify for derecognition and remain disclosed on the Company's Balance Sheet.

The Company considers the probability of default upon initial recognition of an asset and whether there has been a significant increase in credit risk on an ongoing basis throughout each reporting period. To assess whether there is a significant increase in credit risk, the Company compares the risk of default occurring on the asset as at the reporting date, with the risk of default as at the date of initial recognition. It considers available reasonable and supportive forward-looking information in its assessment.

Regardless of the above, a significant increase in credit risk is presumed if a debtor is more than 30 days past due in making a contractual payment. Furthermore, the Company considers that a financial asset is in default when the counterparty fails to make contractual payments within 90 days of when they fall due.

To measure the expected credit losses, receivables have been grouped based on shared characteristics, including instrument type and the number of days past due. These receivable balances have substantially the same risk characteristics and the Company has therefore concluded that the same expected loss rates are applicable to all balances. The groupings are reviewed on a regular basis to ensure that each group is comprised of homogenous exposures.

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of the financial asset have occurred. Credit-impaired financial assets are referred to as Stage 3 assets. Evidence of credit-impairment includes observable data from events as described in Note 3 (q. ii).

Receivables are written off when there is no reasonable expectation of recovery. Indicators that there is no reasonable expectation of recovery include, amongst others, the failure of the debtor to engage in a repayment plan with the group, and a failure to make contractual payments for a period of greater than 120 days past due.

Impairment losses on receivables are presented as net impairment losses within operating profit. Subsequent recoveries of amounts previously written off are credited against the same line item.

The expected loss rates are based on payment profiles of short-term receivables balances over a period of 12 months prior to the end of the reporting period and the historical credit losses experienced within this period. The historical loss rates are adjusted to reflect current and forward looking information on macro-economic factors affecting the ability of counterparties to settle the receivables. The Company has identified counterparty credit ratings to be the most relevant factors, and accordingly adjusts the historical loss rates based on expected changes in these factors.

With regard to the credit risk associated with receivables, all material balances outstanding at the year end were fully paid by the end of April 2023, therefore no adjustment for expected credit losses was required.

(iii) Liquidity risk

As stated above, the Company's overall financial risk management objective is to invest the assets against the contingency that they may be required in the short term to deal with a claim or series of claims, but with recognition that they may not be called upon for long periods. In respect of short-term liquidity, the benchmark investment portfolio provides for 33% of the Company's total investment assets to be self-liquidating within 18 months. At 31 March 2023, 34% (2021: 48%) of the Company's investment assets were held in bonds with maturities of less than 18 months.

The contractual maturity profile of the fair value of these securities is as follows:

Fair values at balance sheet date analysed by contractual maturity as at 31 March 2023

	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	31-Mar-23
	£000	£000	£000	£000	£000
Debt and fixed income holdings	**1,021,461**	**1,813,700**	**2,204,530**	**573,076**	**5,612,766**
Short-term deposits	**143,425**				**143,425**
Cash at bank and in hand	**25,801**				**25,801**
	1,190,687	**1,813,700**	**2,204,530**	**573,076**	**5,781,992**

Fair values at balance sheet date analysed by contractual maturity as at 31 December 2021

	Within 1 year	Between 1 year and 2 years	Between 2 years and 5 years	Over 5 years	31-Mar-23
	£000	£000	£000	£000	£000
Debt and fixed income holdings	1,881,628	1,997,341	1,090,345	636,922	5,606,236
Short-term deposits	69,546				69,546
Cash at bank and in hand	32,240				32,240
	1,983,414	1,997,341	1,090,345	636,922	5,708,022

Cash and cash equivalents reported within the Statement of Cash Flows include cash collateral positions in respect of foreign exchange derivative contracts at year end. Cash collateral received is included in cash at bank and in hand and is regarded as encumbered. The value of cash collateral held at 31 March 2023 was £36,075k (2021: £12,220k).

The Company has financial liabilities shown on the face of the Balance Sheet in respect of creditors, foreign exchange derivatives, equity derivatives, bond futures, interest rate derivatives and credit default swaps. The table below is a maturity analysis of the Company's financial liabilities. Cash flows in respect of derivative liabilities are shown on an undiscounted basis.

Financial liabilities and outstanding claims as at 31 March 2023

	Within 1 year £000	**Between 1 year and 2 years £000**	**Between 2 years and 5 years £000**	**Over 5 years £000**	**Total £000**
Derivatives	**6,854**	**-**	**950**	**-**	**7,804**
	6,854	**-**	**950**	**-**	**7,804**
Claims outstanding	**-**	**-**	**-**	**-**	**-**
Deferred tax	**-**	**10,534**	**-**	**-**	**10,534**
Creditors arising from reinsurance operations	**264,034**	**148,658**	**58,836**	**-**	**471,528**
Other creditors, including investment and lease creditors	**164,003**	**428**	**941**	**-**	**165,372**
	434,891	**159,620**	**60,727**	**-**	**655,238**

Financial liabilities and outstanding claims as at 31 December 2021 *Restated

	Within 1 year £000	Between 1 year and 2 years £000	Between 2 years and 5 years £000	Over 5 years £000	Total £000
Derivatives	11,597	-	-	-	11,597
	11,597	-	-	-	11,597
Claims outstanding	-	-	-	-	-
Deferred tax	-	39,826	-	-	39,826
Creditors arising from reinsurance operations	256,281	181,396	213,690	-	651,366
Other creditors, including investment and lease creditors	39,853	426	1,370	-	41,649
	307,731	221,648	215,060	-	744,439

* See Note 3.

The carrying values of the above liabilities are assumed to approximate their fair values due to the nature of the liabilities.

(iv) Capital management

The Company falls within the exclusion in Article 11 of EU Directive 2009/138/EC (Solvency II Directive). Following applications by the Company, in November 2020 the PRA extended certain waivers previously granted to the Company under section 138A of the Financial Services and Markets Act 2000, such that those waivers continue until 1 January 2026. The principal effects of those waivers are that the Company is not regulated as if subject to Solvency II and the Company's Capital Resources Requirement is zero. The Company also benefits from a waiver of certain reporting requirements, which are in force until 31 March 2027.

Notwithstanding these waivers, the Company maintains an efficient capital structure consistent with its risk profile and the requirements of its business.

The Company's objectives in managing its capital are:

- to consider the profile of its assets in the context of its liabilities, taking account of the risks inherent in the business;
- to maintain financial strength to support business growth;
- to satisfy the requirements of its regulators, its Members and its ultimate policyholders;
- to retain financial flexibility by maintaining strong liquidity and access to a range of capital markets; and
- to manage exposures to movement in exchange rates.

As detailed in Note 5 (a) the Company considers not only traditional sources of capital funding, but also reinsurance as an alternative source of capital.

(v) Fair value estimation

The Company classifies financial instruments held at fair value in the Balance Sheet into the following levels in accordance with IFRS 13 Fair Value Measurement. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement.

Level 1: Fair values measured using quoted prices (unadjusted) in active markets for identical instruments;

Level 2: Fair values measured using directly or indirectly observable inputs or other similar valuation techniques for which all significant inputs are based on market observable data;

Level 3: Fair values measured using valuation techniques for which significant inputs are not based on market observable data.

The following tables show the Company's financial assets and financial liabilities measured at fair value:

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
FINANCIAL ASSETS AS AT 31 MARCH 2023				
Equities and investment funds	**500,542**	**327,471**	**60,655**	**888,669**
Debt and fixed income holdings	**2,659,593**	**2,952,588**	**584**	**5,612,766**
Derivative financial instruments	**122**	**52,364**	**-**	**52,487**
	3,160,258	**3,332,424**	**61,239**	**6,553,921**
FINANCIAL LIABILITIES AS AT 31 MARCH 2023				
Derivative financial instruments	**1,374**	**6,430**	**-**	**7,804**
	1,374	**6,430**	**-**	**7,804**
FINANCIAL ASSETS AS AT 31 DECEMBER 2021				
Equities and investment funds	776,359	340,386	40,891	1,157,636
Debt and fixed income holdings	3,025,545	2,579,689	1,002	5,606,236
Derivative financial instruments	106	32,212	-	32,318
	3,802,010	2,952,287	41,893	6,796,190
FINANCIAL LIABILITIES AS AT 31 DECEMBER 2021				
Derivative financial instruments	927	10,670	-	11,597
	927	10,670	-	11,597

The fair value of assets included in Level 1 are determined by the unadjusted quoted bid price in an active market at the balance sheet date. At the year-end these assets comprised mainly developed market government bonds (including index-linked government bonds), listed equities and exchange traded derivatives.

If quoted prices in active markets are not available as defined in Level 1, the fair value of the asset can be determined using a valuation technique with inputs that are observable (i.e. using market data), either directly or indirectly. Assets valued using such valuation techniques are categorised in Level 2. The Company has classified corporate bonds, emerging market government and semi-government bonds, asset-backed securities, loans, mutual funds and over the counter (OTC) derivatives within Level 2. The Company closely monitors the valuation of assets in markets that have become less liquid. Determining whether a market is active requires the exercise of judgement and is determined based upon the f acts and circumstances of the market for the instrument being measured.

Where it is determined that there is no active market, fair value is established using a valuation technique. The techniques applied incorporate relevant information and reflect appropriate adjustment for the risks of the instrument. These valuation techniques maximise the use of observable market data where available and rely as little as possible on entity specific estimates. The Company's Level 3 financial instruments consist of unlisted equity and debt securities issued by a single counterparty and investments in limited partnership structures. There were no transfers in or out of Level 1, 2 or 3 of the fair value hierarchy in the period.

The unlisted equity and debt securities issued by a single counterparty are valued by the investment manager utilising trading multiples of comparable public companies based on industry, size, developmental stage and strategy. Trading multiples for each comparable company have been calculated as the enterprise multiple (enterprise value divided by earnings before interest, taxes, depreciation and amortisation). The enterprise multiple is adjusted for risk factors such as liquidity, credit and market risk, as well as instrument specific factors. The valuation is approved by a committee of the investment manager and reviewed on a regular basis.

Investments in limited partnership structures are valued utilising a variety of techniques dependent on the nature of the underlying portfolio companies within the partnership. Valuation techniques employed include relative valuation methodologies such as discounted public company and private merger and acquisition comparables, discounted cash flow models including enterprise value to trailing 12-month revenue and transactional valuations based on pre- and post-money valuations. Cost, plus or minus the net income advised as attributable to the Company at the reporting date, is taken as a reliable measurement of fair value where investments have not been revalued since initial recognition.

The Company's investment policy allows for an allocation of 3% of the total investment fund value to these limited partnership structures; as at 31 March 2023 the capital commitment allowance was £200 million (2021: £69 million). Total capital committed to limited partnerships is £78,419k (2021: £46,779k), with capital called to date at 31 March 2023 of £44,841k (2021: £27,024k). The fair value of limited partnerships reported in Level 3 is £60,978k (2021: £40,856k).

In certain cases, the inputs used to measure the fair value of a financial instrument may fall into more than one level within the fair value hierarchy. In this instance, the fair value of the instrument in its entirety is classified based on the lowest level of input that is significant to the fair value measurement.

The Company's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the end of the relevant reporting period during which the transfers are deemed to have occurred.

The Company has a robust review process in place to ensure appropriate inputs and prices are used by the investment managers. This includes analysing significant valuation movements and undertaking periodic service reviews to discuss any changes in pricing methodology. Management has assessed the use of fair value measurement on financial instruments classified as Level 3 and determined that the valuations have no material impact on the presentation of the financial statements.

	Level 3 £000
As at 31 December 2021	41,893
Acquisitions	20,178
Disposals	(3,186)
Transfers into Level 3	-
Net losses recognised at fair value through profit or loss	2,354
As at 31 March 2023	61,239

6. Gross premiums written and outward reinsurance premiums

Gross premiums written by the Company in 2022/23 totalled £341,391k (2021: £279,377k). This all relates to the Company's principal activity which is reinsurance business conducted on a mutual basis from risks located in England, Wales and Scotland.

Under the Company's Retrocession Agreement with HM Government, 50% (2021: 50%) of the value of gross premiums written incepting during the period is payable as outward reinsurance premiums to HM Government. In 2022/23 this amounted to £170,696k (2021: £139,688k).

In addition, Further Premium is payable to HM Government in accordance with the Retrocession Agreement. This is calculated as 25% (2021: 25%) of the Surplus reported by the Company. Surplus, for these purposes, is calculated as profit for the period before the 25% Further Premium payable to HM Government. In 2022/23 this amounted to £33,091k (2021: £72,018k).

Commercial retrocession has also been purchased, as described further in note 5 (a) insurance risk. In 2022/23 this amount was £89,697k (2021: £45,309k).

7. Operational expenses

a. Net operational expenses

	31-Mar-23 £000	31-Dec-21 £000 *Restated
Wages and salaries	**7,419**	5,218
Social security costs	**1,094**	738
Pension costs	**474**	359
Director fees	**636**	453
Other staff costs	**1,391**	872
Travel and entertainment	**136**	65
Property and office costs	**1,104**	819
IT costs	**865**	719
Depreciation	**672**	822
Professional and legal fees	**6,940**	6,292
Other costs	**826**	676
Total net operational expenses (including auditor's remuneration)	**21,555**	17,033

* See Note 3.

b. Auditor's remuneration

	31-Mar-23 £000	31-Dec-21 £000
Fees payable to the Company's auditors for the audit of the Company's financial statements	**162**	107
Fees payable to the Company's auditors for other services: Other assurance services	**25**	25
The auditor's remuneration figures above are stated excluding VAT.	**187**	132

* See Note 3.

The auditor's remuneration figures above are stated excluding VAT.

8. Employees and Directors

The monthly average number of persons employed on a full-time equivalent basis by the Company during the 15-month period was 34 (2021: 29).

	31-Mar-23	31-Dec-21
	£000	£000
EMPLOYEES		
Staff costs for these persons were:		
Wages and salaries	**7,419**	5,218
Social security costs	**1,094**	738
Other pension costs	**474**	359
	8,986	6,315

Directors

As at 31 March 2023, there were 11 Non-Executive Directors (2021: 9) and one Executive Director, the Chief Executive (2021: nil). The Directors of the Company who were in office during the period can be found within the Directors' Report. Total remuneration paid to Directors is as follows:

	31-Mar-23	31-Dec-21
	£000	£000
The Directors' emoluments were as follows:		
Aggregate emoluments	**1,525**	453
	1,525	453

Details of Directors' remuneration are included within the Remuneration and staff report on page 79.

Key management compensation

Key management comprises the Pool Re Executive Management Team detailed on page 81. The compensation paid or payable to key management for their services is shown below:

	31-Mar-23	31-Dec-21
	£000	£000
Salaries and other short-term benefits	**3,721**	2,368
Long-term incentive plans	**-**	842
	3,721	3,210

9. Investment result

	31-Mar-23	31-Dec-21
	£000	£000
Investment income including interest receivable	**157,761**	130,294
Net realised losses on financial investments at fair value through profit or loss	**(128,534)**	(1,755)
Net unrealised gains on financial investments at fair value through profit or loss	**11,470**	141,836
Investment income	**40,697**	270,375
INVESTMENT EXPENSES		
Investment management and other expenses	**(11,254)**	(10,481)
Interest payable on outwards reinsurance to HM Government		
Less than one year	**(11,131)**	(3,521)
Greater than one year	**(6,597)**	(5,878)
Interest payable on outwards reinsurance – Further Premium to HM Government		
Less than one year	**(1,008)**	(1,686)
Greater than one year	**(3,860)**	(2,142)
	(33,850)	(23,708)
Total investment result	**6,847**	246,667

10. Tax on profit on ordinary activities

	31-Mar-23	31-Dec-21
	£000	£000
TAX ON PROFIT ON ORDINARY ACTIVITIES COMPRISED		
United Kingdom Corporation Tax		
Current tax on income for the period at 19.00% (2021: 19.00%)	**-**	243
Withholding tax deducted from investment income	**(2,976)**	(1,782)
Adjustments in respect of prior years	**(808)**	(517)
Total current tax	**(3,784)**	(2,056)
Deferred tax liability – origination and reversal of timing differences at 19.00% (2021: 19.00%) – Note 20	**29,292**	(35,816)
Tax on profit on ordinary activities	**25,508**	(37,872)

Factors affecting the tax charge for the period

The tax assessed for the period is different from the standard rate of UK Corporation Tax: 19.00% (2021: 19.00%). The differences are explained below:

	31-Mar-23	31-Dec-21
	£000	£000
		*Restated
Profit on ordinary activities before tax	**73,770**	254,074
Corporation Tax at the standard UK rate of 19.00% (2021: 19.00%) on profit on ordinary activities	**(14,016)**	(48,274)
ADJUSTMENTS FOR NON-TAXABLE ITEMS		
Tax at 19.00% (2021: 19.00%) on:		
Insurance income	**13,605**	1,961
Dividend income	**6,552**	5,048
Other investment expenses, capital allowances and bank charges	**(331)**	-
Investment gains on equities	**-**	2,132
Investment gains on index-linked government bonds	**19,799**	9,667
Foreign taxes	**(2,892)**	(1,769)
Adjustments in respect of prior year	**(803)**	(517)
Deferred tax charge	**3,594**	(6,120)
Tax on profit on ordinary activities	**25,508**	(37,872)

* See Note 3.

11. Financial assets and liabilities

Financial assets designated at fair value through profit or loss are measured at fair value, with all changes from one accounting period to the next being recorded through profit or loss.

	31-Mar-23 £000	31-Dec-21 £000
FINANCIAL ASSETS		
Debt and fixed income holdings	**5,612,766**	5,606,235
Equities and investment funds	**888,669**	1,157,636
Total investments	**6,501,435**	6,763,871
Derivative financial instruments	**52,487**	32,318
Total financial assets carried at fair value	**6,553,921**	6,796,189

* The 2021 figures have been re-presented for the reclassification of certain loans to debt and fixed income holdings, and money market funds to cash and cash equivalents.

The effective maturity of the debt and fixed income holdings due within one year and after one year are as follows:

	31-Mar-23 £000	31-Dec-21 £000
Within one year	**1,021,461**	1,881,627
After one year	**4,591,305**	3,724,608
	5,612,766	5,606,235

An analysis of the credit risk and contractual maturity profiles of the Company's financial instruments is given in Note 5.

	31-Mar-23 £000	31-Dec-21 £000
FINANCIAL LIABILITIES		
Within one year	**6,854**	11,597
After one year	**950**	-
	7,804	11,597

As at 31 March 2023 the purchase cost of equities and investment funds was £750,756k (2021: £976,985k), the purchase cost of debt and fixed income holdings was £5,659,484k (2021: £5,619,676k) and the purchase cost of derivatives was -£138k (2021: -£281k).

The tables below show fair values of derivative financial instruments outstanding at the year end:

	31-Mar-23	**31-Mar-23**	31-Dec-21	31-Dec-21
	£000	**£000**	£000	£000
	Fair value	**Notional**	Fair value	Notional
ASSETS				
Foreign exchange contracts	**51,857**	**4,101,685**	32,077	2,238,838
Futures contracts	**122**	**4,553**	106	5,190
Option contracts	**374**	**36,091**	23	1,193
Swap contracts	**134**	**12,573**	112	4,634
	52,487	**4,154,902**	32,318	2,249,855
LIABILITIES				
Foreign exchange contracts	**5,480**	**557,969**	10,249	774,367
Futures contracts	**1,374**	**53,217**	927	95,272
Option contracts	**-**	**-**	6	1,269
Swap contracts	**950**	**50,586**	415	7,459
	7,804	**661,772**	11,597	878,367

The movement through the Profit or Loss Statement for derivatives was as follows: foreign exchange contracts produced a loss of £284,655k (2021: gain of £4,231k); futures contracts produced a gain of £6,262k (2021: gain of £976k); option contracts produced a gain of £88k (2021: gain of £8k) and swap contracts produced a loss of £117k (2021: loss of £3k).

12. Tangible assets

	Right of use assets	Computer and telephone equipment	Fixtures and fittings	Furniture	Total
	£000	£000	£000	£000	£000
BOOK COST					
At 1 January 2022 *Restated	3,947	199	1,446	356	2,001
Additions		30	16		3,993
Disposals		(40)			(40)
At 31 March 2023	**3,947**	**189**	**1,462**	**356**	**5,954**
ACCUMULATED DEPRECIATION					
At 1 January 2022 *Restated	2,038	158	1,168	286	1,612
Charge for the period	494	43	95	39	671
Disposals		(36)			(36)
At 31 March 2023	**2,532**	**165**	**1,263**	**325**	**4,285**
NET BOOK VALUE					
At 31 March 2023	**1,415**	**24**	**199**	**31**	**1,669**
At 31 December 2021 *Restated	1,910	41	278	70	2,299

* See Note 3.

The charge for depreciation for the 15 months ended 31 March 2023 was £671k (2021: £427k).

Depreciation for right-of-use assets includes £492k (2021 restated: £394k) for office leasing and £2k (2021 restated: £1k) for office equipment leasing.

13. Cash and cash equivalents

	31-Mar-23	31-Dec-21
	£000	£000
Cash at bank and in hand	**25,531**	32,168
Short-term deposits	**142,967**	69,544
Cash and cash equivalents	**168,498**	101,712

Short-term deposits include debt securities with an original maturity date of less than three months and money market funds.

* The 2021 figures have been re-presented for the reclassification of money market funds to cash and cash equivalents from financial assets carried at fair value.

14. Trade and other receivables including reinsurance receivables

	31-Mar-23 £000	31-Dec-21 £000 *Restated
Debtors arising out of reinsurance operations	**58,734**	76,795
Net receivables arising from reinsurance operations	**58,734**	76,795
Prepayments and accrued income	**34,037**	25,645
TRADE AND OTHER RECEIVABLES		
Investment debtors	**101,967**	15,110
Other debtors	**222**	172
Total trade and other receivables including reinsurance receivables	**194,960**	117,722

* See Note 3.

The amounts expected to be recovered before and after one year are estimated as follows:

	31-Mar-23 £000	31-Dec-21 £000 *Restated
Within one year	**194,960**	117,722
After one year	**-**	-
	194,960	117,722

* See Note 3.

There is no significant credit risk within trade and other receivables due to the nature of the Company's reinsurance contract agreements with its Members. The Company recognised a loss of £0k (2021: £0k) for the impairment of receivables during the 15 months ended 31 March 2023. The carrying amounts are reasonably approximate to the fair value at reporting date.

15. Reinsurance liabilities and reinsurance assets

	31-Mar-23	31-Dec-21
	£000	£000
GROSS		
Claims reported and claim adjustment expenses	-	-
Unearned premiums	125,550	139,018
Total insurance liabilities, gross	125,550	139,018
RECOVERABLE FROM REINSURERS		
Claims reported and claim adjustment expenses	-	-
Unearned premiums	103,868	76,833
Total reinsurers' share of insurance liabilities	103,868	76,833
NET		
Claims reported and claim adjustment expenses	-	-
Unearned premiums	21,682	62,185
Total insurance liabilities, net	21,682	62,185

The net amounts expected to be settled before one year and after one year, based on historical experience, is estimated as follows:

	31-Mar-23	31-Dec-21
	£000	£000
Within one year	21,682	62,185
After one year	-	-
	21,682	62,185

A reconciliation of the unearned premiums provision is as follows:

	Gross		Reinsurers' share	
	31-Mar-23	31-Dec-21	31-Mar-23	31-Dec-21
	£000	£000	£000	£000
Balance at beginning of period	139,018	143,100	76,833	78,845
Premiums written	341,391	279,377	293,485	257,015
Premiums earned through the income statement	(354,859)	(283,459)	(266,449)	(259,028)
Balance at beginning of period	125,550	139,018	103,868	76,833

16. Trade and other payables

	31-Mar-23 £000	31-Dec-21 £000 *Restated
Retrocession payable to HM Government	**434,491**	650,315
Reinsurance premiums payable	**37,037**	1,051
	471,528	651,367
Social security and other taxes payable	**229**	-
Investment creditors	**154,936**	38,335
Lease liabilities	**1,795**	2,323
Other creditors	**8,413**	991
	165,372	41,649
Accruals	**3,550**	5,031
Total	**640,450**	698,046

* See Note 3.

The amounts expected to be settled before one year are estimated as follows:

	31-Mar-23 £000	31-Dec-21 £000 *Restated
Retrocession payable to HM Government on 31 March 2024 (2021: 31 March 2022)	**226,997**	255,229
Reinsurance premiums payable	**37,037**	1,051
Other creditors, including investment and lease creditors	**164,003**	39,853
	428,037	296,134

* See Note 3.

Retrocession outstanding at the period end falling due within one year is in respect of 2020 (2021: in respect of 2019) and prior underwriting periods in line with payment terms outlined in the agreement with HM Government.

The amounts expected to be settled after one year are estimated as follows:

	31-Mar-23	31-Dec-21
	£000	£000
		*Restated
Retrocession payable to HM Government on 31 March 2025 (2021: 31 March 2023)	**148,658**	181,396
Retrocession payable to HM Government on 31 March 2026 (2021: 31 March 2024)	**58,836**	213,690
Other creditors, including investment and lease creditors	**1,370**	1,796
	208,864	396,882

* See Note 3.

Retrocession outstanding at the period end falling due after more than one year is in respect of 2022 and 2023 (2021: in respect of 2020 and 2021) in line with payment terms in the agreement with HM Government.

Lease arrangements

The Company has two leases: the first relates to rental of office space and the second relates to lease of office equipment.

	31-Mar-23	31-Dec-21
	£000	£000
		*Restated
Balance at beginning of period	**2,323**	2,734
Lease liability recognised during the period	**-**	6
Lease payments	**(554)**	(446)
Interest payable	**26**	29
Closing balance at 31 March	**1,795**	2,323

* See Note 3.

	31-Mar-23	31-Dec-21
	£000	£000
		*Restated
Maturity analysis of lease liability:		
Within 1 year	**426**	527
Between 1 year and 2 years	**428**	426
Between 2 years and 5 years	**941**	1,370
	1,795	2,323

* See Note 3.

17. Deferred tax

	31-Mar-23	31-Dec-21
	£000	£000
Deferred tax asset	**23,911**	-
Deferred tax liability	**(34,445)**	(39,826)
Net deferred tax liability	**(10,534)**	(39,826)

Deferred tax assets and deferred tax liabilities relating to the same tax authority are presented net in the Company's balance sheet.

	31-Dec-21	Profit and Loss Account (charge)/credit	**31-Mar-23**
	£000	£000	**£000**
Trading losses	-	23,911	**23,911**
Total deferred tax assets	-	23,911	**23,911**
Financial assets	(39,826)	5,381	**(34,445)**
Total deferred tax liabilities	(39,826)	5,381	**(34,445)**
Net total deferred tax liability	(39,826)	29,292	**(10,534)**

Deferred tax assets of £23,911k (2021: £0k) have been recognised on current period tax losses of £95,643k (2021: £0k). Utilisation of the deferred tax asset is dependent on the availability of future taxable profits. Business projections indicate it is probable that sufficient future taxable income will be available against which to offset these recognised deferred tax assets within five years.

A deferred tax liability of £34,445k has been recognised in respect of timing differences on the realisation of equities and investment funds at 31 March 2023 (2021: £39,826k).

In accordance with IAS 1, all deferred tax assets and liabilities are classified as non-current. The amount of deferred tax asset expected to be recovered after more than 12 months is £23,911k (2021: £0k)

An increase in the UK corporate tax rate from 19% to 25% was substantively enacted on 24 May 2021. This will have a consequential effect on the Company's future tax charge, including the utilisation of deferred tax assets and liabilities. The impact of these changes in future periods will be dependent on the level of taxable profits in those periods.

18. Movements in the retained earnings

	31-Mar-23	31-Dec-21
	£000	£000
		*Restated
Retained earnings at beginning of period	**6,214,782**	6,029,645
Profit for the financial period	**99,279**	216,202
Dividend paid	**(72,018)**	(31,067)
Retained earnings at end of period	**6,242,041**	6,214,782

* See Note 3.

19. Distribution to Members

At an Extraordinary General Meeting held on 21 November 2014, amendments to the Retrocession Agreement between Pool Re and HM Government were approved by Members. The new terms, which took effect from 1 January 2015, include the provision for the Company to pay a dividend to Members in the event that it has earned a profit in the period, equal to 25% of the profit after tax, before Further Premium payable to HM Government.

The Board declared such a dividend on 10 June 2022 in respect of its 2021 results. The amount of the dividend paid was £72,018k (2021: £31,067k).

20. Floating charge over the Company's assets

On 7 September 1993 and on 2 February 2017 the Company executed debenture deeds granting HM Government floating charges over the Company's assets. The deeds and associated charges relate respectively to the Retrocession Agreements applicable up to and including 31 December 2014 and from 1 January 2015. The terms of the charges restrict the Company from creating further charges without the consent of HM Government. The floating charges crystallise and take effect as a fixed charge in the event, inter alia, of default by the Company in meeting certain of its obligations to HM Government under the relevant Retrocession Agreement and upon termination of that Agreement.

21. Related party transactions

The Company has been classified as an Arm's Length Body (ALB) of HM Treasury, with the information contained in the Company's Annual Report and Accounts being consolidated into the Annual Report and Accounts of HM Treasury, thereby giving rise to a relationship with HM Treasury, Government departments and Central Government bodies.

Details of the Company's relationship with HM Treasury, including transactions and outstanding balances, are included within Notes 3 (d), 6, 16 and 20. The Company's investment strategy permits it to investment in UK Government debt issued by HM Treasury. As at 31 March 2023 the Company's holdings of UK Government debt was £1.70bn.

The Company's material balances with departments and bodies of Government comprise of amounts owed to or from HMRC and other employment related taxes.

Key management compensation is disclosed in total in Note 8.

22. Subsequent events

There were no subsequent events to declare after the reporting period.

Profile of Membership as at 31 March 2023

	Number of Members	Percentage of Members	Number of Votes	Percentage of Votes
ANALYSIS BY JURISDICTION				
Austria	1	0.7%	1	0.0%
Belgium	2	1.4%	21	0.7%
Bermuda	1	0.7%	3	0.1%
France	2	1.4%	0	0.0%
Germany	3	2.1%	5	0.2%
Gibraltar	2	1.4%	0	0.0%
Guernsey	19	13.0%	81	2.9%
Ireland	13	8.9%	79	2.8%
Isle of Man	9	6.2%	43	1.5%
Italy	1	0.7%	1	0.0%
Liechtenstein	2	1.4%	4	0.1%
Luxembourg	3	2.1%	2	0.1%
Malta	1	0.7%	0	0.0%
United Kingdom	59	40.4%	2,544	89.9%
United States of America	3	2.1%	10	0.4%
	121	82.9%	2,794	98.8%%
Active Underwriters of Lloyd's Syndicates	25	17.1%	35	1.2%
	146	100.0%	2,829	100.0%

	Number of Members	Percentage of Members	Number of Votes	Percentage of Votes
ANALYSIS BY NUMBER OF VOTES				
0	35	24.0%	0	0.0%
1–25	87	59.6%	345	12.2%
26–50	12	8.2%	411	14.5%
51–100	6	4.1%	423	%
101–150	0	0.0%	0	0.0%
151–200	2	1.4%	359	12.7%
201–250	2	1.4%	427	15.1%
251–300	1	0.7%	259	9.2%
301–350	0	0.0%	0	0.0%
351–400	0	0.0%	0	0.0%
401–450	0	0.0%	0	0.0%
451–500	0	0.0%	0	0.0%
501–550	0	0.0%	0	0.0%
551–600	1	0.7%	605	21.4%
601–650	0	0.0%	0	0.0%
651–700	0	0.0%	0	0.0%
	146	100.0%	2,829	100.0%

Note

Under Article 33 of the Articles of Association, any Member who becomes a Member shall have one vote until the end of the calendar year in which they became a Member. Thereafter, under the provisions of Article 31, a Member has one vote for each £100,000 of premium or part thereof for reinsurance placed with the Company in the calendar year prior to the poll. Under Article 32, if data for the prior calendar year is not available when the votes are to be cast, data from the previous prior calendar year may be used.

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