

Committee: Finance	Dated: 16 September 2025
Subject: City Re Limited – Performance Monitoring	Public
Which outcomes in the City Corporation’s Corporate Plan does this proposal aim to impact directly?	All
Does this proposal require extra revenue and/or capital spending?	N/A
If so, how much?	£N/A
What is the source of Funding?	N/A
Has this Funding Source been agreed with the Chamberlain’s Department?	N/A
Report of: The Chamberlain	For Information
Report author: Kate Limna	

Summary

The City Corporation established a Captive Reinsurance Company (the Captive), City Re Limited, on 24 December 2010, as a separate legal structure to allow the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure.

This report provides information on the underwriting experience for the accounting period from 1 April 2024 to 31 March 2025 which produced a retained profit for the year of £339,459 (2023/24: £1,055,174), after declaring a dividend of £100,000.

At its meeting on 11 July 2025, the Board of City Re Limited agreed not to declare a dividend yet for 2024/25 but review the position again in December.

Included in this report is information on the governance arrangements for the Captive and of various matters discussed at the Board meeting on 11 July, including the adoption of the accounts, and the receipt of the auditors’ Management and Governance Letter, which states there were no material issues arising during the course of their audit.

The auditors’ Management and Governance Letter and the signed, audited Directors’ Report and Financial Statements are attached to this report.

Recommendation

Members are asked to note this report.

Main Report

Background

1. The Finance Committee, at its meeting on 26 October 2010, approved the principle of establishing a Captive Reinsurance Company (the City Captive). On 24 December 2010, such an entity, City Re Limited, was created, based in Guernsey, where the optimum managerial and administrative expertise is located to operate such a company. The City provided initial share capital of £500,000.
2. The Captive provides a separate legal structure which allows the City to share in the risks and benefits of insuring its property portfolio, whilst controlling the financial exposure. Effectively, the City is able to participate in its own insurance placement, benefit from underwriting profits but cap downside financial risk.
3. The Captive has received an annual reinsurance premium increasing from £1.664 million in 2010 up to £2.63 million in 2024. That retained figure currently represents 30.18% of total premium paid.

Main Characteristics of the Captive

4. The main elements of the Captive are set out below:
 - The Captive covers the first £250,000 of each and every property claim, effectively ceding liability for greater exposures to the main insurers, RSA and Aviva.
 - For 2024/25 the City Captive received an initial reinsurance premium of approximately £2.63m (2023/24: £2.58m), against which payments are drawn down.
 - The maximum aggregate retention of the Captive is limited to £250,000 per annum above the reinsurance premium received from RSA and Aviva. That currently totals £2.88m (£2.63m plus £0.25m) for the 2024/25 insurance period.
 - No terrorism exposure is accepted; instead terrorism risk is insured directly by RSA and Aviva and re-insured with Pool Re.

Financial Performance for period 1 April 2024 to 31 March 2025

5. The audited Financial Statements for the 2024/25 trading period of the City Captive were submitted for approval and signing to a meeting of the Board of Directors held in Guernsey on 11 July 2025. They are attached to this report. The City of London Corporation's Directors on the City Re Board, (the Chairman of the Finance Committee and the Chamberlain) attended the meeting in person.
6. The accounts also include an 'Incurred But Not Reported' (IBNR) loss reserve of £253,962 which was increased from £53,9620 in 2023/24. The IBNR is reviewed on an annual basis. In March 2025 Directors discussed in detail the level of the IBNR and decided to allocate it across more recent years to allow better for the likely pattern of deterioration rather than at the level of a single maximum loss. It was agreed to set the IBNR in diminishing percentages of 30%, 20% and 10% for the three most recent periods. Historic performance of the Captive has shown that at the fourth year of any one accounting period the reserve for outstanding losses has largely proved more than sufficient to cover further run off.

7. For the accounting period, City Re Limited made a profit of £339,459 (2023/24: £1,055,174). Under the Companies (Guernsey) Law 2008 and the Guernsey Insurance Business (Solvency) Rules 2015, and in order for any Captive to be able to carry out its business there are two solvency ratios that must be met - the Prescribed Capital Requirement (PCR) and the Minimum Capital Requirement (MCR). Both ratios were met comfortably.
8. After due consideration of the finances and solvency position of City Re, the Board agreed not to declare a dividend but review the position at the next meeting, depending on subsequent underwriting performance.
9. When the Captive was set up the City Corporation provided share capital of £500,000. In 2018/19 a further £250,000 was injected increasing total share capital to £750,000. To date, the City Corporation has received dividends totalling some £6.03m which demonstrates the benefit of the structure. Without a captive the net premium costs may have been higher, and the City would not have received any dividend. The table below sets out the dividends received in each financial year since inception.

Year	Dividend
2024/25	£100,000
2023/24	£500,000
2022/23	£500,000
2021/22	£500,000
2020/21	£1,000,000
2019/20	£500,000
2018/19	£0
2017/18	£0
2016/17	£161,341
2015/16	£140,984
2014/15	£830,013
2013/14	£92,569
2012/13	£810,883
15 months to 31/03/12	£1,097,747
	£6,033,537

Auditor's Management and Governance Letter and Company Compliance

10. Moore Stephens are the auditors for City Re Limited. Their Management and Governance Letter states that no material issues arose during the course of their audit that required being brought to the attention of the Board.
11. As in previous years, the audited Directors' Report and Financial Statements will be made available as a distinct item on the City of London Corporation's website following this Finance Committee Meeting.

Conclusion

12. At their Board meeting on 11 July 2025, the Directors of City Re Limited
 - confirmed that the IBNR should be set on a reducing formula applicable to the 3 most recent accounting periods;

- noted that City Re continued to meet the solvency test; and
- agreed to declare no dividend but review the position in December 2025.

Appendices

- Appendix – Auditors' Management and Governance Letter and Financial Statements to 31 March 2025

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