Accounts disclaimer

The disclaimer on the following page is to be included at the front of each set of pdf accounts submitted to Lloyd's.

Syndicate 2012

Annual Report and Accounts
For the year ended 31 December 2023

Contents

Report of the Managing Agent

The Directors of Arch Managing Agency Limited ("AMAL" or "the Managing Agent") present their annual report and audited financial statements of managed Syndicate 2012 (the "Syndicate") for the year ended 31 December 2023.

The Syndicate is a wholly aligned Syndicate, with underwriting capacity being provided by sole participant Arch Syndicate Investments Ltd ("ASIL").

Principal Activities

The Syndicate currently underwrites Casualty, Directors and Officers Liability, Marine, Onshore and Offshore Energy, Professional Lines, Property, Personal Accident and Private Medical Insurance, Reinsurance, Terrorism, Fire & Other Damage, Third Party Liability, Cyber, Healthcare, Warranty & Special Affinity, Aviation, Energy Non-Marine and Contingency.

Ownership

As at 31 December 2023, the Syndicate was managed by AMAL and the ultimate parent company is Arch Capital Group Ltd ("ACGL"), a publicly listed Bermuda exempted company. ACGL operates in Bermuda, the United States, the United Kingdom, Europe, Canada, and Australia. ACGL is listed on the NASDAQ Stock Market and its registered address is Waterloo House, Ground Floor, 100 Pitts Bay Road, Pembroke HM 08, Bermuda.

The address of the Managing Agent's registered office is 60 Great Tower Street, London, England, EC3R 5AZ.

Directors

The Directors of the Managing Agent who held office during the year were as follows:

N. Denniston	Independent Non-Executive Director	(resigned 31.08.2023)
K. Felisky	Independent Non-Executive Director	
M. Hammer-Dahinden	Group Non-Executive Director	
J. Hine	Independent Non-Executive Director	
J. Kittinger	Chief Financial Officer	
J. Mentz	Group Non-Executive Director	(resigned 21.03.2023)
P. Storey	Independent Non-Executive Director and Chairman	
H. Sturgess	President and Chief Executive Officer	
K. Valder	Chief Administrative Officer	(appointed 10.03.2023)

The Directors are covered by third party indemnity insurance policies.

Report of the Managing Agent *(continued)*

Review of the Business

Our insurance underwriting strategy is to operate in lines of business in which our underwriting expertise can make a meaningful difference to operating results. Our insurance business focuses on talent-intensive rather than labour-intensive business and seeks to operate profitably across all of the product lines. This means that we underwrite predominantly in the London wholesale insurance markets and also in regional markets, both directly and on a selective delegated underwriting authority basis. To achieve our objectives, our insurance operating principles are to:

- capitalise on profitable underwriting opportunities;
- centralise responsibility for underwriting;
- maintain a disciplined underwriting philosophy;
- focus on providing superior claims management; and
- utilise a brokerage distribution system.

Our underwriting philosophy is to generate an underwriting profit through prudent risk selection and proper pricing across the underwriting cycle. To achieve this, we encourage adherence to uniform underwriting standards across each product line focusing on risk selection; desired attachment point; limits and retention management; due diligence, including financial condition, claims history, management and exposure; underwriting authority and approval limits; and collaborative decision-making.

The rating environment continued to have a positive improvement during 2023, with firmer pricing for many lines of business including Aviation War, Property, Terrorism, Healthcare and Onshore Energy. Reflecting the strengthened rating environment, the Syndicate’s underwriting strategy for 2023 was therefore more offensive, actively seeking out new business and maximising the opportunities for growth in profitable lines of business. Notwithstanding the competitive environment, the Managing Agent has sought to maintain its underwriting discipline and execute its philosophy on superior risk selection. Overall profit is higher this year at £46.7 million (2022: £15.7 million).

Net assets of the Syndicate increased by £26.7 million in 2023 to £58.7 million. The majority of this increase is driven by a £46.7 million profit for the year, partly offset by a £20.0 million profit distribution to ASIL.

Report of the Managing Agent *(continued)*

Review of the Business *(continued)*

The Syndicate recorded an underwriting profit before investment income of £28.2 million (2022: £19.6 million), mainly driven by increase in earned premium and the Syndicate maintaining a consistent claims ratio of 54.9% (2022: 55.5%). A total comprehensive profit of £46.7 million (2022: £15.7 million) including foreign exchange loss of £7.4 million (2022: gain £2.9 million). The components are described below:

Key Performance Information and Metrics

	2023	**2022**
	£m	**£m**
Gross premiums written	556.3	438.3
Net premiums written	424.5	329.4
Earned premiums, net of reinsurance	380.1	290.7
Claims incurred, net of reinsurance	(208.8)	(161.3)
Net operating expense	(143.1)	(109.8)
Allocated investment income / (loss)	25.9	(6.8)
Balance on technical account for general business	54.1	12.8
FX on non-technical account	(7.4)	2.9
Total profit for the year	46.7	15.7
Claims ratio	54.9%	55.5%
Expense ratio	37.6%	37.8%
Combined ratio	92.5%	93.3%

Premiums written

Gross written premium of £556.3 million is 26.9% higher than 2022. During 2023 the Syndicate continued its strategy of capitalising on profitable underwriting opportunities and benefited from improved rate environment. The following lines of business contributed to the business growth: Terrorism £31.3 million, Management Liability £17.2 million, General Liability £16.3 million, Cyber £15.0 million, Offshore Energy £11.5 million, and Healthcare £9.9 million.

The premium growth has been driven by rate change, increased line size, specific new binder, or underwriting initiatives. We have seen positive rate changes across most lines of business, the largest being Aviation War (124.0%), Property (14.6%), Terrorism (12.9%), Healthcare (10.6%) and Onshore Energy (10.5%).

Claims incurred

Total losses and loss adjustment expenses amounted to £208.8 million (2022: £161.3 million) with the loss ratio decreasing from 55.5% in 2022 to 54.9% in 2023. Total losses include a favourable prior year development of £2.1 million (2022: £11.4 million). Please refer to Ukraine War section on page 5 and to Ukraine War risk and Macro-economic risk sections on page 8 for more detail.

Report of the Managing Agent *(continued)*

Review of the Business *(continued)*

Operating Expenses

Net operating expenses, which include acquisition costs and other operating expenses, increased by £33.3 million to £143.1 million (2022: £109.8 million). Administrative expenses saw an increase of £12.5 million in 2023, while the acquisition costs increased by £28.4 million. The overall expense ratio remained consistent year on year due to premium increases, at 37.6% (2022: 37.8%).

Direct costs and Lloyd's charges are incurred directly by the Syndicate. In addition to this, the Syndicate receives a proportion of the corporate level expenses that are incurred by Arch Europe Insurance Services Ltd ("AEIS") that are then recharged to AMAL and passed on to the Syndicate.

Non-Technical Profit

Profit of £54.1 million (2022: profit £12.8 million) was achieved on the technical account in the financial year. The non-technical result saw a loss of £7.4 million (2022: gain £2.9 million).

Corporate and Social Responsibility

Our success is anchored by our culture of ethics and compliance. The Board recognises the pivotal role it plays in promoting ethical standards and integrity in the conduct of our business and is committed to maintaining a reputation for high standards of business conduct.

As part of ACGL, we maintain a Code of Business Conduct (the "Code") which sets expectations and provides guidance to our employees in key areas, including honest and fair dealing, anti-bribery and corruption, potential conflicts of interest, gifts, safety, harassment and discrimination prevention, antitrust and competition and document retention. Our Code applies to everyone, including the Board, and is reviewed regularly to remain current with changing laws, regulations and industry best practices.

To reinforce our commitment to these standards, the Syndicate provides training to all employees on the Code and makes other resources available, including a 24-hour ethics hotline.

The Syndicate is committed to providing equal opportunities to potential and actual staff. Our policy states that all of our employment related decisions must be based on an individual's job qualifications and performance and not based on any characteristic protected by law, such as age, gender assignment, marital status, being pregnant or on maternity leave, disability, race, religions, sex or sexual orientation.

Our success also depends on developing our employees so they can grow with the Syndicate. We provide high calibre learning and engagement programs to foster meaningful career development for all employees and encourage employees to execute a personal development plan with their managers.

The Syndicate operates within agreed business conduct guidelines and is focused on customer led outcomes. This includes ensuring products and services, price and value, consumer understanding and consumer support are at the core of our business strategy.

Report of the Managing Agent *(continued)*

Risk management strategy and risk appetite

The Syndicate has a set of risk appetite statements that are appropriate for its individual business model and strategy. Risk appetite statements setting out clear descriptions detailing appropriate levels of risk are in place for each material area of risk and are regularly reviewed and escalated where appropriate through the governance structure to the Board. Risk appetites are reviewed, at a minimum, annually by the Executive and Board Risk Committees to ensure that the Syndicate retains full coverage over its risks.

The table below sets out our strategic risk objectives and shows, at a high level, examples of corresponding appetite statements:

Strategic risk objective	***Risk appetite statement***
Maintain capital adequacy	Maintain sufficient capital to a defined target
Deliver stable earnings	Return on Capital over a defined year
Ensure fair outcomes for customers	Conduct and customer
Maintain robust and effective operations	Operational resilience
Ensure employees behaviour aligns to Arch's values	Culture

The aim of the risk framework is to provide a robust, proportionate, proactive and forward-looking process for risk management across the Syndicate. A central component of this framework is the Syndicate's policies, which inform the business as to how it is required to conduct its activities and its risk management processes to remain within risk appetite. The policies cover all key risks to which the Syndicate is exposed. The Syndicate employs a number of risk tools to manage and monitor risk. The output of the Syndicate's risk management activities is thoroughly tested and reported upon both internally and externally.

The Syndicate incorporates the identification, assessment, management, control, reporting and mitigation of risk as part of the Syndicate's daily operations. The strengths of our risk framework are:

- Strong culture and risk leadership underpinned by training of our people;
- Engagement with the business;
- Embedded risk management processes;
- Balanced quantitative and qualitative approach to risk analysis through use of robust analytical models and holistic risk assessments;
- Regular risk assessment and management information; and
- Influencing decision-making and shaping behaviours, via the provision of accurate, timely and relevant risk challenge and reporting.

The Syndicate's risk management, internal audit, and compliance processes are coordinated to ensure that their respective activities are effective and complementary.

Ukraine War

The war in Ukraine continues to be closely monitored in line with other large loss events. The Syndicate has exposure to the war in Ukraine, in particular from policies covering political violence and war. This exposure is protected by reinsurance where gross losses are expected to be covered by the reinsurance in place. The current estimate of potential losses included within our net reserves for the war in Ukraine for the year ended 31 December 2023 are £41.0 million (31 December 2022: £24.1 million). The premiums written on a number of classes of business have been impacted in 2023 following the introduction of international sanctions. Overall operations of the Syndicate have not been materially impacted by this event.

Report of the Managing Agent *(continued)*

Principal risks and uncertainties

The Syndicate writes products that are subject to a number of uncertainties and risks. It is a key role of the risk function to ensure that these risks have been identified, measured and considered throughout the business.

Principal risks	Impact	Strategy, management and mitigation
Strategic risk The external climate or issues with execution could put at risk our ability to meet our strategic objectives in the areas of distribution, pricing, claims, costs, and international diversification ultimately causing the Syndicate to fail to meet its business plan.	The value of the Syndicate decreases, resulting in a lack of ACGL Group confidence.	Syndicate's strategic ambitions include management of strategic risk in accordance with the ACGL Group premium and profitability plans and targets. We do this through: • Constant monitoring and management of agreed strategic targets; • Monitoring of cost savings to ensure they remain on track; and • Monitoring and reporting of capital levels.
Underwriting and pricing risk We are subject to risk from the uncertainty inherent in the occurrence and timing of future events that are covered under our policies. This includes, but is not limited to, catastrophe risk arising from losses due to unpredictable natural and man-made events affecting multiple covered risks. We are subject to the risk that inappropriate business could be written (or not specifically excluded) and inappropriate prices charged.	Adverse loss experience impacting current year and future year business performance.	Syndicate's insurance risk strategy is to maintain an acceptable level of underwriting exposure within preferred business lines, across a diverse range of distribution channels, products and geographies. We do this through: • Underwriting guidelines for all business transacted, restricting the types and classes of business that may be accepted; • Exception reports and underwriting monitoring tools; • Internal quality assurance programmes; • Pricing policies by product line; • Analysis of comprehensive data to refine pricing; • Quarterly line of business reviews to monitor performance and adequacy of pricing; • Monthly monitoring and reporting of natural and man-made catastrophe risk against appetite; • Purchase of reinsurance to limit exposures; and • Analysis of all property portfolios to determine expected maximum losses.
Reserving risk Due to the uncertain nature and timing of the risks to which we are exposed, we cannot precisely determine the amounts that we will ultimately pay to meet the liabilities covered by the insurance policies written leading to a risk that reserves may not be adequate for the risks underwritten.	Adverse development in prior year reserves resulting in significant deviations in earnings.	Syndicate’s reserve risk strategy is to book best estimate reserves being adequate compared to the independent actuaries’ best estimate. Technical reserves are estimated by: • A range of actuarial and statistical techniques, with projections of ultimate claims cost involving assumptions across a range of variables, including estimates of trends in claims frequency and average claim amounts based on facts and circumstances at a given point in time; • Making assumptions on other variable factors including; the legal, social, economic and regulatory environments. Other factors considered include business mix, consumer behaviour, market trends, underwriting assumptions, risk pricing models, inflation in medical care costs, future earnings inflation and other relevant forms of inflation, the performance and operation of reinsurance assets and future investment returns; • Stress and scenario testing; and • We assess the expected impact of inflation on the booked reserves using a multi-year cash flow approach. Our approach estimates the impact of economic inflation on the expected claims frequency and severity of the in-force business, recognising that different insurance classes are affected by economic inflation. The expected impact on reserves is compared to an independent actuarial review to ensure our reserve surplus versus said independent actuarial remains within our risk appetite.

Report of the Managing Agent *(continued)*

Principal risks and uncertainties *(continued)*

Principal risks	Impact	Strategy, management and mitigation
Ceded reinsurance risk The risk to the Syndicate arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated.	Adverse impact on the financial results.	The Syndicate's reinsurance programmes are determined from the underwriting team business plans and seek to protect Syndicate capital from an adverse volume or volatility of claims on both a per risk and per event basis. • The Syndicate aims to establish appropriate retention levels, limits of protection with clear policy wordings that are consistent with risk tolerances and achieving the target rates of return; • Provide stable, sustainable core capacity for each product line with non-core reinsurance purchased when market conditions allow; • Comply with the guidance from the ACGL Security Committee after review by Syndicate management; and • The Syndicate also benefits from an internal quota share with Arch Reinsurance Ltd., the level of which is set at 15%.
Operational risk The risks of direct or indirect losses resulting from inadequate or failed internal processes, fraudulent claims or from systems and people, or from external events including changes in the competitor, regulatory or legislative environments.	Adverse events with potential financial, reputational, legal and customer impacts.	Syndicate recognises that certain operational risks are unavoidable and seeks to limit exposure to operational risks through ensuring that an effective infrastructure, robust systems and controls and appropriately experienced and qualified individuals are in place throughout the organisation. • We have enhanced many of our operational processes. This includes enhancing our Risk Management framework to integrate risk, business and capital strategies; • We maintain a robust internal control system; • We maintain a robust risk capture, management and reporting system; and • We recognise the value of our human resources and have appropriate Human Resources ("HR") policies to develop and retain our staff.
Investment risk *Market risk* – the risk of adverse financial impact due to changes in fair values of future cash flows of instruments held in the investment portfolio as a result of changes in interest rates, credit spread and foreign exchange rates. *Credit risk* – the risk of exposure if another party fails to perform its financial obligations, including failing to perform them in a timely manner. *Liquidity risk* – the risk of maintaining insufficient financial resources to meet business obligations as and when they fall due.	Adverse movements due to asset value reduction, mismatch in assets and liabilities, and default of third parties. Inability to meet cash flow s under stress.	Syndicate's investment strategy is to protect the value of capital, focusing on assets that we consider are capable of producing a consistent and recurring flow of income over time. Syndicate's liquidity management ensures that a minimum percentage of consolidated investments are held in liquid, short-term money market securities, to ensure that there are sufficient liquid funds available to meet obligations to policyholders and other creditors as they fall due. Our investment portfolio is managed and controlled through: • The Investment Committee receives advice from Arch Investment Managers as well as external Investment Advisers; • Investment strategy and guidelines are proposed to the Board by the Investment Committee and monitored by the Investment Committee; • Diverse holding of types of assets including geographies, sectors and credit ratings; and • Stress testing and scenario analysis.

Report of the Managing Agent *(continued)*

Principal risks and uncertainties *(continued)*

Principal risks	Impact	Strategy, management and mitigation
Counterparty credit risk We partner with many suppliers and the failure of any of these to perform their financial obligations or perform them in a timely manner could result in a financial loss. The principal area of counterparty risk is our use of inter-company quota share reinsurance as a capital management tool.	Loss due to default of banks, reinsurers, brokers or other third parties.	Syndicate's strategy is to avoid risk of large losses from counterparty failures through prudent counterparty selection and review of credit exposures; • Credit limits are set for counterparties, particularly reinsurers; • Requirement for minimum credit ratings for reinsurers; • Broker credit exposures are monitored by the business; and • The credit risk arising out of the inter-company quota share is managed through use of a trust fund arrangement.
Regulatory risk Changes in law and regulations are not identified, understood, or are inappropriately and incorrectly interpreted, or adopted, or business practices are not efficiently modified. Further, there is a risk that current legal or regulatory requirements are not complied with.	Customer impact, financial loss and regulatory censure. Regulatory sanction, legal action or revenue loss.	Syndicate's regulatory risk strategy is to comply with all laws and regulations. • Robust compliance framework and internal compliance function; • Continued focus on key regulatory issues, including pricing and reserving adequacy during both soft and hard market conditions; • We have a constructive and open relationship with our regulators; and • We continue to monitor all regulatory changes as and when they are required by our regulators.
Conduct risk The risk of failing to deliver the appropriate treatment for our customers throughout all stages of the customer journey and that our people fail to behave with integrity.	Potential customer detriment, financial loss and regulatory censure and sanction.	Syndicate's conduct risk strategy is to ensure good customer outcomes: • Our organisational culture prioritises a consistent approach towards customers and the interests of customers are at the heart of how we operate; and • We have developed a robust customer conduct risk management framework to minimise our exposure to conduct risk.
Group and reputational risk We are dependent on the strength of ACGL Group, our reputation with customers and distributors in the sale of products and services. We have entered into various strategic partnerships that are important to the marketing, sale and distribution of our products.	Loss of ACGL Group value negatively impacts our ability to retain and write new business.	Syndicate derives benefits from being part of the ACGL Group. Group risk is primarily managed at the executive level, through building strong relationships with all parties. Syndicate's reputational risk strategy is to protect our brand and reputation. We do this through: • Our brand and reputation risk are regularly reviewed by various governance committees; and • We seek to offer a superior service to customers.
Ukraine War risk On 24 February 2022, the Ukraine war commenced. In particular the following areas are exposed to increased risk as a result of the conflict. • Loss exposure and reserve adequacy. • International Sanctions.	The Syndicate's capital may be negatively impacted.	The Syndicate has evaluated / addressed these risks as follows: • Continuous review of Ukraine war loss development and subsequent relevant developments; • Consideration of any impact from sanctions and policy review completed.
Macro-economic risk The volatility experienced within inflation, interest rates and foreign exchange rates during 2022 and 2023 exposed the Syndicate to increased risk as follows. • Increased future claims costs • Increased operational costs • Impact to financial performance	The Syndicate's capital may be negatively impacted.	The Syndicate has evaluated and assessed the impact of inflation across all areas of the operation. • Review of all future claims' inflation exposure. • Assessment of future operational costs included in revised forecasts. • Investment portfolio and strategy reviewed amid financial market developments and volatility. • Review of currency and duration matching of the investment portfolio to the Syndicate technical provisions.

Report of the Managing Agent *(continued)*

Outlook and Future Developments

The Syndicate had a successful financial year, with total profits of £46.7 million (2022: profit £15.7 million). The Syndicate grew in existing lines of business in 2023 due to increased rates and new business initiatives.

Looking to 2024, we look to capitalise on the increase in rates observed across the market with the aim of improving the combined ratio to achieve a greater return on capital to the Member of the Syndicate.

The Syndicate is not anticipating to write any new lines of business in 2024 but growth is expected across most lines of business which include Terrorism, Property, General Liability, Directors and Officers, and Contingency. Whilst growth continues to be a focus, the Syndicate's governance and underwriting controls continue to place strong emphasis on risk selection and price adequacy, contributing to overall underwriting discipline with the aim of placing profitable business.

Environmental, Social, and Governance ("ESG")

ACGL introduced its group wide ESG strategic framework in 2019, detailing important goals for integrating ESG considerations into its businesses, including the Syndicate. The framework is a key component of Arch's ambition to take a lead role amongst peer insurers in achieving net zero targets, promoting new products and services, and reaching best practices.

The Syndicate developed an ESG framework and associated policies in 2022 to accomplish the following goals: 1) to incorporate the ESG framework into its existing management and committee structure; 2) to embed decision making, with consistent application and appropriate reporting mechanisms; and 3) to ensure alignment to the ACGL ESG programme.

Among other things, the Syndicate's ESG programme includes efforts to manage our impact on the environment. We support our clients with insurance products and investment solutions to help address climate change, and we provide a range of customer-oriented solutions. We seek to encompass Arch's collaborative ESG successes and sustainability progress across our operations and to engage with stakeholders and help them plan, build and grow into a sustainable future.

In 2022, the Syndicate established an ESG Committee, which is chaired by the CEO, who has responsibility for coordinating and managing the oversight of the Syndicate's ESG programme. The management of the Syndicate and the Board regularly review the output of the ESG Committee.

In addition, the directors have made an assessment of the specific risk of climate change to the Syndicate and have identified potential risks relating to underwriting and investment risks, each of which has been set out in further detail below. The Syndicate has embedded management of climate change risks into its standard approach for risk management. In line with the PRA's expectations in SS3/19 and PS11/19, a framework has been put in place considering governance, risk management, scenario analysis and disclosure of financial risks arising from climate change. This is a fast-changing area and both the Syndicate, and the wider insurance market will continue to develop approaches to better understand and manage potential risks from climate change.

The Syndicate manages the financial risks from climate change under the following categories, which are described further below:

1. Underwriting Risks (including Physical risks and Liability risks)
2. Investment risks (including transition risks)

Underwriting risks

The Syndicate has a well-established exposure management framework, used to measure and manage catastrophe loss probability. The exposed policies are modelled by country and peril to estimate loss probabilities from natural catastrophe events, such as cyclones, windstorms, earthquakes, floods, bushfires and other hazards.

Report of the Managing Agent *(continued)*

Outlook and Future Developments *(continued)*
Underwriting risks *(continued)*

The whole portfolio is reassessed on a quarterly basis and the assessment includes modelling of historic events and probabilistic extremes of events across relevant geographic regions. Climate change signals, such as warming of sea surface temperatures are incorporated into the parameterisation of the model used.

The Syndicate's models are tested for sensitivity and stress tested against the Syndicate's historic claims experience. The key metric used is the 1 in 250-year stress test performed on a gross and net basis, which are tracked quarterly.

A number of investigative scenarios have been undertaken based on the Prudential Regulation Authority's ("PRA") 2021 Climate Biennial Exploratory Scenario (CBES) climate change specifications, which show that there could be a long-term impact to modelled losses relating to US Windstorm exposures and Wildfire exposures, although it is noted that the trends in these loss costs are relatively small year-on-year, and we are constantly able to update our underwriting approach in light of changing risk exposures. Therefore, it is anticipated that we would remain within current risk appetites.

As part of ACGL, The Syndicate benefits from extensive investment into research and validation of climate and hazard models that allows informed risk assessments using the latest scientific views.

Arch recognises the potential for new types of insurance loss to emerge as novel legal challenges are brought against companies, including our insureds (e.g., liability claims relating to the attribution of responsibility for climate change, or D&O claims relating to insured companies' approach to energy transition and new disclosure requirements). The Company includes consideration of these risk factors in its underwriting approach for relevant individual risks and lines of business and is continuing to develop its approaches to examine specific exposures.

The Managing Agency, on behalf of the Syndicate, is looking at all aspects of the potential new underwriting environment that may emerge with the advent of various aspects of climate change. Both first and third-party underwriters are working to continually assess the impact of various climate change scenarios on the existing and future portfolio, including but not limited to changing weather pattern and changing sea levels and their impact on risk selection and aggregation; to novel litigation against various companies or their directors and officers for their alleged fault in enabling such change, which may impact risk selection and policy structure; to the opportunities generated by a changing economy. Arch is a writer of renewable energy business, of companies developing and manufacturing electric vehicles and insurers of various projects and research which both enable and profit from a new economy; this develops as the opportunity itself develops and has in itself challenges around pricing and policy form, in which we invest our own intellectual property.

Investment risk

The Syndicate has an investment portfolio worth £474.2 million consisting mainly of holdings in collective investment schemes and debt securities and other fixed income securities. The investment portfolio was managed by Arch investment professionals (Arch Investment Management) ("AIM") until 30th September 2023 and from 1st October 2023 by Payden & Rygel ("P&R") who in turn are overseen by AIM. P&R were appointed due to their broad expertise across different asset classes and regions, particularly in the low duration fixed income sector.

The investment committee, which has been delegated oversight of the Syndicate's investment portfolio by the Board of Directors is aware of the importance of stewardship and sustainability alongside integrating ESG into the overall governance structure, which involves the inclusion of Environmental, Social and Governance factors into wider investment analysis. At the ACGL level, ESG scores are incorporated into the overall portfolio analysis on a regular basis, the outcome of which is made available to the local investment committee.

Report of the Managing Agent *(continued)*

Outlook and Future Developments *(continued)*

Arch has conducted analysis to investigate the potential materiality of investment losses under adverse climate change scenarios and has concluded that the exposures to this risk are not material – reflecting the diversified, low risk and short duration nature of the syndicate's investments.

Arch is fully cognisant of the emerging importance of climate change as a fundamental societal issue and is actively investigating opportunities in underwriting, investments and its operational organisation and supply chains to act responsibly and to support the trend towards a sustainable transition to the post-Carbon society.

Arch has conducted analysis to investigate the potential materiality of investment losses under adverse climate change scenarios and has concluded that the exposures to this risk are not material – reflecting the diversified, low risk and short duration nature of the company's investments.

Donations

The Syndicate made no political or charitable contributions during the year (2022: £nil).

Financial Risk Management

The Syndicate's mission is to generate positive contribution to the growth in the Tangible Book Value of ACGL, our ultimate parent company, by maximising our return on equity within a defined 'risk appetite'. It is essential that we understand the risks the Syndicate is exposed to, namely strategic risk, insurance risk, operational risk, market risk, credit risk, liquidity risk, counterparty risk, regulatory risk, conduct risk, reputation risk, capital risk and currency risk. Note 4 expands on these risks, including the Syndicate's management of these risks.

Independent Auditors

The Managing Agent's independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office and they will be re-appointed by the Directors of the Managing Agent for 2023.

Approved by the Board and signed on behalf of the Board by:

Jason Kittinger
Chief Financial Officer
Arch Managing Agency Limited
27 February 2024

Statement of Managing Agent's Responsibilities

The Directors are responsible for preparing the Syndicate annual report and annual accounts in accordance with applicable law and regulations, including Financial Reporting Standard 102 "*The Financial Reporting Standard Applicable in the UK and Republic of Ireland*" ("FRS 102"), and Financial Reporting Standard 103 "*Insurance Contracts*" ("FRS 103").

In accordance with *The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008*, managing agents are required to prepare Syndicate annual accounts for each financial year which give a true and fair view of the state of affairs of the Syndicate and of its profit or loss for that year.

In preparing the Syndicate annual accounts, the Managing Agent is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards, including FRSs 102 and 103 have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- Prepare the annual accounts on the basis that the Syndicate will continue to write future business, unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent confirms it has complied with the above requirements in preparing the annual accounts.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Statement of Disclosure of Information to Auditors

Each of the persons who are Directors of the Managing Agent at the date of approval of this report confirms that:

- So far as the Directors are aware, there is no information relevant to the audit of the Syndicate's annual accounts for the year ended 31 December 2023 of which the auditors are unaware; and

- Each Director has taken all the steps that they ought to have taken in their duty as a Director of the Managing Agent in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Independent auditors' report to the member of Syndicate 2012

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, Syndicate 2012's syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Annual Report, which comprise: the Balance Sheet as at 31 December 2023; the Profit and Loss Account: Technical Account - General Business, the Profit and Loss Account: Non-Technical Account, the Statement of Cash Flows, and the Statement of Changes in Member's Balance for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the syndicate annual accounts* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note **7**, we have provided no non-audit services to the syndicate in the period under audit.

Conclusions relating to going concern

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 syndicate's ability to continue as a going concern for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

In auditing the syndicate annual accounts, we have concluded that the Managing Agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the syndicate's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Report of the Managing Agent (the "Managing Agent's Report"), we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2023 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts
As explained more fully in the Statement of Managing Agent's Responsibilities the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the Managing Agent is responsible for assessing the syndicate'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 it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the syndicate annual accounts
Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 syndicate annual accounts.

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.

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 . We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to posting of inappropriate journals and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- discussions with the Audit Committee, management and internal audit, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;

- evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;

- reviewing, and challenging where appropriate, the assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the estimation of claims outstanding, with a focus on the incurred but not reported claims, and the estimation of gross premiums written;

- identifying and testing journal entries based on selected fraud risk criteria, in particular journal entries with unusual account combinations;

- evaluating the business rationale for any significant transactions identified outside the normal course of business; and

- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the syndicate annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the syndicate annual accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditors' report.

Use of this report
This report, including the opinions, has been prepared for and only for the syndicate's member in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- certain disclosures of Managing Agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Sean Forster (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2024

Profit and Loss Account: Technical Account – General Business

For the year ended 31 December 2023

	Notes	**2023** **£000**	**2022** **£000**
Gross premiums written	6	556,302	438,306
Outward reinsurance premiums		(131,757)	(108,888)
Premiums written, net of reinsurance		424,545	329,418
Change in the gross provision for unearned premiums		(61,237)	(52,240)
Change in the provision for unearned premiums, reinsurers' share		16,766	13,523
Net change in provision for unearned premiums		(44,471)	(38,717)
Earned premium, net of reinsurance		**380,074**	**290,701**
Investment return		25,862	(6,816)
Total technical income		**405,936**	**283,885**
Claims incurred, net of reinsurance			
Claims paid			
- Gross amount		(153,243)	(109,099)
- Reinsurers' share		44,674	32,176
	14	(108,569)	(76,923)
Change in the provision for claims			
- Gross amount		(138,848)	(141,988)
- Reinsurers' share		38,649	57,564
		(100,199)	(84,424)
Claims incurred, net of reinsurance	14	(208,768)	(161,347)
Net operating expenses	7	(143,108)	(109,780)
Total technical charges		**(351,876)**	**(271,127)**
Balance on the technical account for general business		**54,060**	**12,758**

All Operations are continuing.

The notes on pages 23 to 53 form part of these financial statements.

Profit and Loss Account: Non-Technical Account
For the year ended 31 December 2023

	Notes	2023 £000	2022 £000
Balance on the general business technical account		54,060	12,758
Income from investments		15,000	6,098
Gains on the realisation of investments		1,364	-
Unrealised gains on investments		19,270	562
Losses on the realisation of investments		(9,232)	(7,272)
Unrealised losses on investments		-	(5,924)
Investment management charges		(540)	(280)
Investment income / (expense)	8	**25,862**	**(6,816)**
Allocated investment return transferred (from) / to the general business technical account		(25,862)	6,816
Non-technical account – (loss) / profit on exchange		(7,373)	2,959
Profit for the period		**46,687**	**15,717**

All results are attributable to continuing operations.

There are no other comprehensive income or expense other than those reported in the Income Statement, thus no Statement of Comprehensive Income has been prepared.

There is no material difference between the profit for the financial year as stated above and the historical cost equivalents.

The notes on pages 23 to 53 form part of these financial statements.

Balance Sheet - Assets
As at 31 December 2023

	Notes	2023	2022
ASSETS			**Restated***
		£000	**£000**
Financial Investments			
Shares and other variable-yield securities	*13*	17,349	42,836
Debt securities and other fixed-income securities	*13*	134,893	280,994
Participation in investment pool	*13*	321,928	1,384
		474,170	**325,214**
Reinsurers' share of technical provisions			
Provision for unearned premiums	*14*	70,210	55,224
Claims outstanding		219,709	190,965
	14	**289,919**	**246,189**
Debtors			
Debtors arising out of direct insurance operations		71,554	71,203
Debtors arising out of direct reinsurance operations		74,411	61,408
Other debtors	*10*	2,575	4,914
		148,540	**137,525**
Other assets			
Cash at bank and in hand		3,904	7,664
Overseas deposits	*13*	101,799	91,597
Deposits with ceding undertakings		249	2,704
Other assets	*11*	17,885	16,201
		123,837	**118,166**
Prepayments and accrued income			
Deferred acquisition costs		57,470	46,449
Other prepayments and accrued income		6,516	6,309
TOTAL ASSETS		**1,100,452**	**879,852**

*The 2022 Balance Sheet has been restated. Please refer to note 4 (f) (ii) for detail.

The notes on pages 23 to 53 form part of these financial statements.

Balance Sheet - Liabilities
As at 31 December 2023

LIABILITIES	Notes	2023	2022 Restated*
		£000	**£000**
Capital and reserves			
Member's balance		58,716	31,972
Technical provisions			
Provision for unearned premiums	*14*	254,717	202,472
Claims outstanding		697,927	570,063
	14	**952,644**	**772,535**
Creditors			
Creditors arising out of direct insurance operations		841	-
Creditors arising out of reinsurance operations		46,777	40,916
Other creditors	*10*	23,060	19,913
		70,678	**60,829**
Accruals and deferred income	*12*	**18,414**	**14,516**
TOTAL LIABILITIES (and Members' balance)		**1,100,452**	**879,852**

The notes on pages 23 to 53 form part of these financial statements.

The financial statements on pages 17 to 22 were approved by the Board of Arch Managing Agency Limited on 22 February 2024 and were signed on their behalf by:

Jason Kittinger
Chief Financial Officer
Arch Managing Agency Limited
27 February 2024

Statement of Changes in Member's Balance
For the year ended 31 December 2023

	2023 **£000**	**2022** **£000**
Brought forward at 1 January	31,972	34,742
Profit for the period	46,687	15,717
Distribution of profit – profit release	(19,943)	(18,487)
Member's balance carried forward at 31 December	**58,716**	**31,972**

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Statement of Cash Flows
For the year ended 31 December 2023

Reconciliation of operating profit to net cash inflow from operating activities	**2023 £000**	**2022 £000**
Operating profit	46,687	15,717
Increase in gross technical provisions	222,653	176,462
Increase in reinsurers' share of gross technical provisions	(57,441)	(64,571)
Increase in debtors	(30,761)	(39,230)
Increase in creditors	16,069	27,459
Movement in other assets / liabilities	(14,340)	(10,179)
Investment return	(25,862)	6,816
Other	7,210	4,197
Net cash flows from operating activities	**164,215**	**116,671**
Purchase of equity and debt instruments	(706,157)	(448,331)
Sale of equity and debt instruments	535,768	324,302
Investment income received	1,364	(1,175)
Cash flows from investing activities	**(169,025)**	**(125,204)**
Profit release	21,635	18,487
Distribution of profit	(20,788)	(18,487)
Cash flows from financing activities	**847**	**-**
Foreign exchange on cash and cash equivalents	203	(324)
Net decrease in cash and cash equivalents	(3,963)	(8,533)
Cash and cash equivalents at beginning of year	7,664	16,521
Cash and cash equivalents at end of year	**3,904**	**7,664**

The notes on pages 23 to 53 form part of these financial statements.

Notes to the Financial Statements

1 General Information

The Syndicate transacts in the underwriting of general insurance business at Lloyd's with underwriting capacity being provided by ASIL. The address of the Managing Agent's registered office is 60 Great Tower Street, London, England, EC3R 5AZ.

2 Statement of compliance

The financial statements of the Syndicate have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "*The Financial Reporting Standard applicable in the UK and Republic of Ireland*" ("FRS 102"), Financial Reporting Standard 103, "*Insurance Contracts*" (FRS 103), *The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008* and the Companies Act 2006.

The Syndicate financial statements have been prepared in compliance with the provisions of *The Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations* relating to insurance groups.

3 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) Basis of preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in Note 5.

(b) Going Concern

The Directors of the Managing Agent have assessed the Syndicate's ability to continue as a going concern by considering, amongst other things, the Syndicate's reserve strength, available capital, future business plan and any expected material changes to its operations. Based on the assessment, they continue to adopt the going concern basis in preparing the financial statements.

(c) Foreign Currency

(i) Functional and presentation currency

The Syndicate's functional and reporting currency is pounds sterling.

These financial statements are presented in pounds sterling ("pounds" or "GBP"), which is the functional currency of the Syndicate, and are rounded to the nearest thousand unless otherwise stated.

(ii) Foreign currency

The results and financial positions of the non-functional currencies are retranslated into the functional currency as follows:

- monetary assets and liabilities are retranslated at the closing rate at the balance sheet date;
- income and expenses are retranslated at the average rate of exchange during the year; and
- all resulting exchange differences are recognised through the non-technical account.

Notes to the Financial Statements *(continued)*

3 Significant Accounting Policies *(continued)*

(d) Insurance Contracts

(i) Classification

Contracts under which the Syndicate accepts significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholder are classified as insurance contracts.

(ii) Recognition and measurement

Revenue

Premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued and include estimates of premiums incepted but not yet received or notified to the Syndicate. Premium bordereau statements are reviewed on a quarterly basis and accruals are booked for statements that are overdue. Premiums written are shown gross of commission payable to intermediaries, and exclude taxes and duties levied on premiums.

The earned proportion of premiums is recognised as revenue. Premiums are earned from the date of inception of risk mostly on a time apportionment basis. In the opinion of the Directors of the managing agent the resulting earned portion is not materially different from one based on the pattern of incidence of risk. For lines of business where the earned proportion would be materially different a pattern based on incidence of risk is applied.

Outwards Reinsurance

Outward reinsurance premiums are accounted for in the same accounting year as the premiums for the related direct insurance or inwards reinsurance business. Reinsurance contracts that operate on a ‘losses occurring’ basis are accounted for in full over the year of coverage, whilst ‘risk attaching’ policies are expensed using the same earnings year as the underlying premiums on a daily pro rata basis. The reinstatement premium is contingent on the claim amount. If no insured event occurs, no reinstatement premium is charged.

Reinsurance commission income

Commissions on reinsurance premiums are earned in a manner consistent with the recognition of the costs of the reinsurance, generally on a pro-rata basis over the terms of the policies reinsured.

Unearned premium provision

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date calculated on a time apportionment basis. In the opinion of the Directors of the managing agent the resulting provision is not materially different from one based on the pattern of incidence of risk. For lines of business where the earned proportion would be materially different a pattern based on incidence of risk is applied.

Claims

Claims incurred comprise notified claims and related expenses in the year together with changes in the estimates of what we ultimately expect to pay on claims based on facts and circumstances known at the balance sheet date. The insurance reserves include the Syndicate’s total cost of claims incurred but not reported (“IBNR”). Claims outstanding comprise provisions for the Syndicate’s best estimate of the ultimate cost of settling all claims incurred but unpaid at the reporting date whether reported or not, and related internal and external claims handling expenses. Claims outstanding are assessed by reviewing individual reported claims and making allowance for claims incurred but not yet reported, the effect of both internal and external foreseeable events, such as changes in claims handling procedures, inflation, judicial trends, legislative changes and past experience and trends. Provisions for claims outstanding are not discounted. Adjustments to claims provisions established in prior

Notes to the Financial Statements *(continued)*

3 Significant Accounting Policies *(continued)*

(d) Insurance Contracts *(continued)*

(ii) Recognition and measurement (continued)

Claims (continued)

periods are reflected in the financial statements of the period in which the adjustments are made and are disclosed separately if material. The methods used, and the estimates made, are reviewed regularly.

The Syndicate's reserving policy is to use recognised actuarial techniques appropriate to the loss experience that exists. Where there is limited loss experience our choice of method has primarily been the expected loss method.

We select the initial expected loss and loss adjustment expense ratios based on information derived from our underwriters and actuaries during the initial pricing of the business, supplemented by industry data where appropriate. These ratios consider, amongst other things, rate changes and changes in terms and conditions that have been observed in the market.

For a given underwriting year, additional weight is given to the historic paid and incurred loss development methods in the reserving process, assuming that case reserving practices are consistently applied over time. This reserving process makes some key assumptions that historical paid and reported development patterns are stable.

For catastrophe-exposed business, our reserving process also includes the use of catastrophe models for known events, a heavy reliance on analysis of individual catastrophic events and management judgement. The development of property losses can be unstable, especially for policies characterised by high severity, low frequency losses.

Reinsurance recoveries in respect of estimated claims incurred but not reported are booked in line with the underlying programme, adjusted to reflect changes in the nature and extent of the Syndicate's reinsurance programme over time. An assessment is also made of the recoverability of reinsurance recoveries having regard to market data on the financial strength of each of the reinsurance companies. Reinsurance liabilities are primarily premiums payable for reinsurance.

Unexpired risk provision

Provision is made for unexpired risks arising from contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies (after the deduction of any deferred acquisition costs). The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provisions.

(iii) Reinsurance assets and liabilities

The Syndicate cedes reinsurance in the normal course of business for the purpose of limiting its net loss potential through the diversification of its risks. Assets, liabilities and income and expense arising from ceded reinsurance contracts are presented separately from the assets, liabilities, income and expense from the related insurance contracts because the reinsurance arrangements do not relieve the Syndicate of its direct obligations to its policyholders.

Amounts due to and from reinsurers are accounted for in a manner consistent with the insured policies and in accordance with the relevant reinsurance contract. For general insurance business, reinsurance premiums are expensed over the period that the reinsurance cover is provided based on the expected pattern of the reinsured risks. The unexpensed portion of ceded reinsurance premiums is included in reinsurance assets.

Notes to the Financial Statements *(continued)*

3 Significant Accounting Policies *(continued)*

(d) Insurance Contracts *(continued)*

(iii) Reinsurance assets and liabilities (continued)

Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the

Syndicate will receive from the reinsurer. Impairment losses on reinsurance assets are recognised in the comprehensive income for the period.

(iv) Deferred acquisition costs

Acquisition costs which represent commission and other related underwriting expenses are deferred over the year in which the related premiums are earned. The deferred expenses relate to underwriter salaries, office costs, and marketing which are deferred based on a ratio between bound and quoted policies by line of business. To the extent that acquisition costs are deferred and considered irrecoverable against the related unearned premiums, they are written off to net operating expenses as incurred.

The deferred acquisition cost represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date. The acquisition costs are expensed from the date of inception of risk on mostly a time apportionment basis. For lines of business where using a time apportionment basis would lead to a materially different result to applying a pattern based on incident of risk, the risk-based earning pattern is applied.

(e) Financial Instruments

The Syndicate has accounted for financial instruments using Sections 11 and 12 of FRS 102.

(i) Financial assets

Basic financial assets, including loans, trade receivables and cash and cash equivalents, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at market rate of interest.

Loans and receivables and cash and cash equivalents are initially recognised on the date that they are originated. All other basic financial assets are recognised initially on the trade date at which the Syndicate becomes a party to the contractual provisions of the instrument.

Basic financial assets are recognised initially at cost and subsequently measured at amortised cost.

At the end of each reporting period the Syndicate's basic financial assets are assessed for objective evidence of impairment. If an asset is impaired the impairment loss is the difference between the carrying amount and the present value of the estimated cash flows discounted at the assets' original effective interest rate. The impairment loss is recognised in profit or loss.

If there is a decrease in the impairment loss arising from an event occurring after the impairment was recognised, the impairment is reversed and the reversal recognised in the profit or loss.

The Syndicate's investments in debt securities are classified as fair value through profit and loss financial assets. These are initially recognised at fair value, which is normally the transaction price. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in the profit and loss account.

Notes to the Financial Statements *(continued)*

3 Significant Accounting Policies *(continued)*

(e) Financial Instruments *(continued)*

(i) Financial assets (continued)

The fair value is determined based on the fair value hierarchy, which defined by the standard are as follows:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

The Syndicate derecognises a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Any interest in transferred financial assets that is created or retained by the Syndicate is recognised as a separate asset or liability.

(ii) Financial liabilities

Financial liabilities, including trade and other payables, bank loans, and loans from fellow group companies are recognised initially at transaction price on the trade date at which the Syndicate becomes a party to the contractual provisions of the instrument.

Subsequent measurement is at amortised cost, using the effective interest rate method.

The Syndicate derecognises a financial liability when its contractual obligations are discharged or cancelled or expire.

(iii) Offsetting

Financial assets and liabilities are offset and the net amount presented in the statement of financial position when, and only when, the Syndicate has a legal right to offset the amounts and intends to either settle on a net basis or to realise the asset and settle the liability simultaneously.

(f) Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less. Bank overdrafts that are repayable on demand and form an integral part of the Syndicate’s cash management are included as a component of cash and cash equivalents.

(g) Taxation

Under Schedule 19 of the Finance Act 1993, managing agents at Lloyd’s are not required to deduct basic-rate income tax from trading income. In addition, all UK basic-rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to member or its member’s agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading “Other Debtors”.

No provision has been made for any other overseas tax payable by the Corporate Member on underwriting results.

Notes to the Financial Statements *(continued)*

(h) Deposits with Ceding Undertakings

Deposits with Ceding Undertakings are measured at cost.

4 Management of Risk

The Syndicate's core business is to take risk and our mission is to generate a positive contribution to the growth in the Tangible Book Value (TBV) of our ultimate parent company, ACGL. We do this through our objective of maximising return on equity within a defined 'risk appetite'. It is therefore essential that we understand the significant exposures we face to manage the business well. It is also important that our knowledge of those risks underpins every important decision we make across the Syndicate. The risks from our core business of insurance represent our most significant exposures.

(a) Strategic Risk

This is the risk that the Syndicate's strategy is inappropriate or that the Syndicate is unable to implement its strategy. Where events supersede the Syndicate's strategic plan this is escalated at the earliest opportunity through the Syndicate's monitoring tools and governance structure.

On a day-to-day basis, the Syndicate's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. Staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm our low risk tolerance by aligning interests of all stakeholders.

(b) Insurance Risk

(i) Underwriting Risk

The process of selecting and pricing insurance risks is addressed through a framework of policies, procedures and internal controls. Risk selection is our business and our procedures are designed to ensure that the evaluation of risk is transparent and logical. We have a clearly defined appetite for underwriting risk, which dictates our business plan.

To ensure that our risk appetite is not exceeded, we maintain disciplined underwriting, which is reviewed through quarterly underwriting meetings, regularly monitor closely our exposures to and aggregations of risk in particular places and buy reinsurance to limit our losses from disasters. We adapt our business plan, target products and reinsurance programme to ensure our book of business is well diversified. The Syndicate's long-term underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit volatility. This is achieved by accepting a spread of business over time, segmented between different classes of business and geography.

The quality of our underwriting models and our capability to accurately measure our aggregate exposure are key to managing this risk. Our underwriters are given incentives to make sound decisions that are aligned with the Syndicate's overall strategic objectives and risk appetite. Clear limits are also placed on their authority. We regularly review our policy wordings in the light of legal developments to ensure the Syndicate's exposure is restricted, as far as possible, to those risks identified in the policy at the time it was issued.

The Syndicate has aggregate exposures to natural and man-made catastrophic events. These risks are inherently uncertain as it is difficult to predict the timing of such events with statistical certainty or estimate the amount of loss which any given occurrence will generate. The Syndicate regularly monitors its exposure to catastrophic events, including earthquake, wind and terrorism, using catastrophe modelling tools. Additionally, the Syndicate regularly monitors its exposure to man-made realistic disaster scenarios.

The Syndicate seeks to limit its loss exposure by purchasing reinsurance to limit exposure to certain extreme events. The Syndicate monitors concentration risk through limiting its loss exposure by geographical and line of business diversification.

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(b) Insurance Risk *(continued)*

(i) Underwriting Risk (continued)

The Syndicate's largest exposures to natural catastrophe 1 in 250-year stress events, gross and net basis at 31 December 2023 are:

Territory	Peril	Gross £m	Net £m
Caribbean	Tropical Cyclone	111.9	74.7
Australia	Earthquake	41.4	32.1
USA & Canada	Earthquake	51.3	30.7
Australia	Severe Thunderstorm	35.5	30.1
North America	Tropical Cyclone	41.7	22.0
Caribbean	Earthquake	18.2	14.1
West Asia	Earthquake	19.9	9.3
USA	Severe Thunderstorm	11.2	9.0
Australia	Tropical Cyclone	9.7	8.2
Europe	Earthquake	17.4	7.8

In common with all insurers, the Syndicate is exposed to price volatility. However, the Syndicate is firm in its resolve to exit business that is unlikely to generate underwriting profit. Additionally, the Syndicate alters its appetite for the lines of business and the layers it writes within them in response to market conditions.

The Syndicate writes a significant amount of premium income through coverholder arrangements to whom binding authority is given to accept risks on behalf of the Syndicate. This delegation is strictly controlled through tight underwriting guidelines and limits, and extensive monitoring, review and audits.

(ii) Reserving and Claims Risk

The Syndicate's claims teams are focused upon delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment, and the Syndicate's broader interests. Our objective is to set prompt and accurate estimated amounts for claims reported ("case reserves") for all known claims liabilities, including provisions for expenses.

The Syndicate operates to a prudent best estimate reserving philosophy. Reserve estimates are derived by the internal actuary after consultation with individual underwriters, claims team, actuarial analysis of the loss reserve development and comparison with market benchmarks. The objective is to produce reliable and appropriate estimates that are consistent over time and across classes of business. The internal actuary's loss assessments are peer reviewed by internal and external actuaries. Where legal disputes are reflected in the book's history, reserves are established taking these into account. Larger disputes are reviewed individually in conjunction with the claims team and legal advice received. Reserves are not discounted for the time value of money.

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(b) Insurance Risk *(continued)*

(ii) Reserving and Claims Risk (continued)

The following table shows the impact of an increase or reduction in cost of claims, claims handling and of number IBNR claims, on the profit or loss account based on the existing balances held.

	Claims £000		**Claims handling £000**		**IBNR claims £000**	
	+10% increase	**-5% reduction**	**+10% increase**	**-10% reduction**	**+10% increase**	**-5% reduction**
2023 Impact on profit after tax and equity						
Gross of Reinsurance	(69,793)	34,896	(507)	507	(48,121)	24,061
Net of Reinsurance	(47,822)	23,911	(507)	507	(33,098)	16,549
2022 Impact on profit after tax and equity						
Gross of Reinsurance	(58,318)	29,159	(545)	545	(37,808)	18,904
Net of Reinsurance	(39,220)	19,610	(545)	545	(24,958)	12,479

(iii) Ceded Reinsurance Risk

Reinsurance risk to the Syndicate arises where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, resulting in coverage disputes or prove inadequate in terms of the vertical or horizontal limits purchased. The Syndicate's reinsurance programmes are determined from the underwriting team business plans and seek to protect Syndicate capital from an adverse volume or volatility of claims on both a per risk and per event basis. In 2023, the Syndicate bought a combination of proportional and non-proportional reinsurance treaties and facultative reinsurance to reduce the maximum net exposure. The Syndicate aims to establish appropriate retention levels and limits of protection that are consistent with keeping within the Board's risk tolerance and achieving the target rates of return. The efficacy of protection sought is assessed against the cost of reinsurance, taking into consideration current and expected market conditions.

The Syndicate's reinsurance philosophy is to:

- Provide stable, sustainable core capacity for each product line with non-core reinsurance purchased when market conditions allow;
- Reduce volatility;
- Achieve a broad spread of well rated security;
- Purchase reinsurance to limit exposure from maximum line sizes and accumulations with Catastrophe limits purchased up to our risk appetite;
- Utilise AIR as the standard model throughout ACGL;
- Comply with the guidance from the ACGL Security Committees;
- Apply common standards throughout ACGL;
- Consider hard and soft factors such as ability to pay and willingness to pay;
- Set cession limits by reinsurer and by lines of business; and
- Strive for 100% of security rated A- or higher.

The Syndicate also benefits from an internal quota share with Arch Reinsurance Ltd., the level of which is set at 15.0% of premiums and claims.

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(c) Operational Risk

Management continually reviews potential operational risk factors and has enacted controls to meet these. They have been classified as follows:

Operational Risk Classification	Description
People	Loss of staff (underwriting and key non-underwriting) or inability to recruit; issues concerning integrity and competence of staff, including training; succession; manual inputting error; lack of management supervision; inadequate performance and or failure of escalation to management; and data protection breach or loss.
Processes	Inappropriate underwriting; inappropriate claims and reserve handling; inappropriate reinsurance purchasing; inadequate performance or failure of a third-party supplier; inadequate segregation of duties; inadequate management information; weak processing controls; and failure of corporate governance.
Systems (including Cyber Attack)	Hardware/software failure; network telecommunications software; IT third-party provider inadequate performance or failure; inadequate virus protection; inadequate system or security information; insufficient or untested business continuity processes; insufficient processing capacity; system breach defects; and systems error.
External events, including physical security and business continuity	Natural or man-made disasters leading to business continuity threat; external financial crime, including theft or fraud; changes to the regulatory environment; external security breach; and power outage.
Outsourcing, including delegated underwriting	Inadequate performance or failure of an outsourced service provider, including breach of agreement.
Financial crime, including Anti-Money Laundering	Internal or external fraud; electronic crime; money laundering; terrorist financing; bribery and corruption; market abuse; and insider dealing.
Legal	Risk of loss resulting from failure to comply with laws as well as prudent ethical standards and contractual obligations. It also includes the exposure to litigation from all aspects of the Syndicate's activities.

The operational risk profile is reviewed by the Executive Risk Committee and the Operations Committee and the controls to mitigate the risks are included in the Risk Register. Risk owners are required to report to the Risk Committee and review the relevant risks and are responsible for identifying new, emerging or changing risks and any subsequent control changes required to realign the risks with the risk appetite. When measuring operational risk, both quantitative factors, in the form of the probable loss, and qualitative factors, in the form of an assessment of the likely reputational impact or the ability of the Syndicate to deliver its service, are taken into account and contribute to determining the risk tolerance.

In respect of one of our largest operational risks, failure of an outsourced service provider, we have formal Service Level Agreements and monitoring processes in place for all key outsourced providers including IT service providers and coverholders. We also have a formal disaster recovery plan in place that deals with both workspace recovery and the retrieval of communications, IT systems and data if a major problem occurred. These procedures would enable us to move the affected operations to alternative facilities very quickly. The disaster recovery plan is tested regularly.

Identifying, planning for and controlling emerging risks is an important part of our risk management activity across all aspects of our business, including underwriting, operations and strategy. We make a significant effort to try to identify material emerging threats to the Syndicate. It is a core responsibility of each of our committees and we believe we take all reasonable steps to minimise the likelihood and impact of emerging risks and to prepare for them in case they occur.

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(d) Market Risks

Our investment results are subject to a variety of risks, including changes in the business, financial condition or results of operations of the entities in which we invest, as well as changes in general economic conditions and overall market conditions. Valuations of investments are also exposed to potential loss from various market risks, including changes in equity prices, interest rates, and exchange rates.

The Syndicate's primary investment objective is to preserve capital and to ensure adequate liquidity for settling policyholder claims, while also providing a return that meets or exceeds the total return of the assigned benchmark for each portfolio. Technical funds, those funds held for reserves, are invested primarily in high quality bonds and cash. The high quality and short duration of these funds allows the Syndicate to meet its aim of paying valid claims quickly. These funds, as far as possible, are maintained in the currency of the original premiums for which they are set aside to reduce foreign exchange risk.

Market risk also encompasses the risk of default of counterparties, which is primarily with issuers of bonds in which we invest. Our third-party investment managers are issued guidelines as to the type and nature of bonds in which to invest.

The value of the Syndicate's fixed-income securities is inversely correlated to movements in market interest rates. If market interest rates fall, the fair value of the fixed-income investments would tend to rise and vice versa, assuming that credit spreads remain constant.

The sensitivity of the price of a bond is also closely correlated to its duration. The longer the duration of a security, the greater its price volatility.

(i) Interest Rate shift in basis Points

Interest rate risk	**2023**	**2022**
	£000	**£000**
Impact of 50 basis point increase on result	(2,058)	(3,497)
Impact of 50 basis point decrease on result	1,917	3,355
Impact of 50 basis point increase on net assets	(2,058)	(3,497)
Impact of 50 basis point decrease on net assets	1,917	3,355

Interest rate risk	**2023**	**2022**
	£000	**£000**
Impact of 100 basis point increase on result	(4,115)	(6,994)
Impact of 100 basis point decrease on result	3,675	6,564
Impact of 100 basis point increase on net assets	(4,115)	(6,994)
Impact of 100 basis point decrease on net assets	3,675	6,564

(e) Currency Risk

The Syndicate is exposed to currency risk in respect of liabilities under insurance policies and reinsurance recoverable debtors under reinsurance policies, denominated in currencies other than sterling. The most significant currencies to which the Syndicate is exposed are the USD, the AUD, the CAD and the EUR.

The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. Assets and liabilities are appropriately matched and as such, the impact to the net result of the Syndicate through movements in the exchange rates between GBP, USD, CAD, AUD, JPY and EUR are mitigated. (See note 4 (g) for asset liability matching table).

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(f) Credit Risk

Exposure to credit risk arises from financial transactions with counterparties including debtors, borrowers, brokers, policyholders, reinsurers and guarantors. The Syndicate uses the credit ratings assigned to particular counterparties to measure credit risk.

To lessen the risk of the Syndicate's exposure to any particular reinsurer, exposure limits are approved. On behalf of the Syndicate, ACGL has developed processes to formally examine all reinsurers before entering into new business arrangements.

The Syndicate has established guidelines for its investment managers regarding the type, duration and quality of investments within the Syndicate guidelines. The performance of investment managers is regularly reviewed to confirm adherence to these guidelines.

(i) Credit distribution of invested assets and cash

	2023	2023	2022	2022
Standard & Poor's	**£000**	**%**	**£000**	**%**
AAA	125,021	21.6	211,784	49.9
AA	35,372	6.0	97,773	23.0
A	134,843	23.3	89,695	21.1
BBB	245,794	42.4	6,885	1.6
BBB or less	24,375	4.2	8,059	2.0
Not rated	14,468	2.5	10,279	2.4
Total	**579,873**	**100.0**	**424,475**	**100.0**

Credit distribution of reinsurance receivables

	2023	2023	2022	2022
A.M. Best	**£000**	**%**	**£000**	**%**
A++	9,523	4.1	12,728	6.2
A+	181,553	77.6	172,619	83.9
A	40,419	17.3	19,435	9.4
A-	2,347	1.0	1,097	0.5
Total	**233,842**	**100.0**	**205,879**	**100.0**

All recoverable amounts are gross of any internally modelled impairment provision.

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(f) Credit Risk *(continued)*

(ii) Credit Risk – Ageing and Impairment

Financial assets that are past due but not impaired

2023	Neither due nor impaired £000	Financial assets that are past due but not impaired: Up to three months £000	Three to six months £000	Six months to one year £000	Greater than one year £000	Financial assets that have been impaired £000	Total £000
Shares and other variable-yield securities and unit trusts	17,349	-	-	-	-	-	17,349
Debt securities	134,893	-	-	-	-	-	134,893
Participation in investment pools	321,928	-	-	-	-	-	321,928
Overseas deposits as investments	101,799	-	-	-	-	-	101,799
Deposits with ceding undertakings	249	-	-	-	-	-	249
Reinsurers' share of claims outstanding	219,709	-	-	-	-	-	219,709
Reinsurance debtors	14,132	-	-	-	-	-	14,132
Insurance debtors	37,739	18,273	6,746	2,752	6,044	-	71,554
Other debtors	157,587	42,742	9,540	1,613	3,453	-	214,935
Cash at bank and in hand	3,904	-	-	-	-	-	3,904
Total credit risk	1,009,289	61,015	16,286	4,365	9,497	-	1,100,452

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(f) Credit Risk *(continued)*

(ii) Credit Risk – Ageing and Impairment (continued)

Financial assets that are past due but not impaired (continued)

		Financial assets that are past due but not impaired					
	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Financial assets that have been impaired	Total
2022 - *Restated	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable-yield securities and unit trusts	42,836	-	-	-	-	-	42,836
Debt securities	280,994	-	-	-	-	-	280,994
Participation in investment pools	1,384	-	-	-	-	-	1,384
Overseas deposits as investments	91,597	-	-	-	-	-	91,597
Deposits with ceding undertakings	2,704	-	-	-	-	-	2,704
Reinsurers' share of claims outstanding	190,965	-	-	-	-	-	190,965
Reinsurance debtors	14,913	-	-	-	-	-	14,913
Insurance debtors	38,846	19,716	7,106	2,685	2,850	-	71,203
Other debtors	158,452	10,631	3,364	1,258	1,887	-	175,592
Cash at bank and in hand	7,664	-	-	-	-	-	7,664
Total credit risk	830,355	30,347	10,470	3,943	4,737	-	879,852

* The restatement outlined above is relevant to the Syndicate, and the users of the financial statements, to facilitate better decision-making process. Information is reliable and is sourced from the Syndicate's financial systems. Interpretation of treatment relating to Facultative Inwards Reinsurance, from direct to assumed business, resulted from an accounting policy interpretation change between Insurance Debtors and Other Debtors. Prior year's split between Direct Insurance and Reinsurance has been restated accordingly with no impact on the total Debtors numbers reported in the balance sheet. In the balance sheet, this restatement is viewed as a reclassification between Debtors arising out of direct insurance operations line and Debtors arising out of direct reinsurance operations line (reclassification amounted to £46.5m).

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(g) Liquidity Risk

The Syndicate's whole account quota share reinsurance contract is denominated in the underlying settlement currencies of the Syndicate: Pounds Sterling ("GBP"), Euros ("EUR"), U.S. Dollars ("USD"), Australian Dollars ("AUD"), Canadian Dollars ("CAD") and Japanese Yen ("JPY"). The reinsured liabilities are matched by the currency assets held in a reinsurance trust fund and this provides currency risk mitigation. The reinsurance trust fund is also available to cash calls by the Syndicate and thereby supports its liquidity risk exposure.

The Syndicate is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. Liquidity risk arises where cash may not be available to pay obligations when due and maintain a liquidity position. The Syndicate's approach is to manage its cash flows so that it can reasonably survive a significant loss event. This means that the Syndicate maintains sufficient liquid assets, or assets that can be translated into liquid assets at short notice and without capital loss, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. Regular cash flow monitoring ensures that maturing deposits are sufficient to meet cash calls. Additionally, intra-group reinsurance obligations are secured by funds deposited into a trust account to fund an amount equal to at least 100% of the obligations to the Syndicate.

We run stress tests to estimate the impact of a major catastrophe on our cash position in order to identify any potential issues. We also run scenario analyses that consider the impact on our liquidity should a number of adverse events occur simultaneously, such as an economic downturn and declining investment returns combined with unusually high insurance losses.

Our investment policy recognises the demands created by our underwriting strategy, so that some investments may need to be realised before maturity or at short notice. Hence a high proportion of our investments are in liquid assets, which reduces our risk of making losses because we may have to sell assets quickly.

The Syndicate has maintained and continues to maintain excellent liquidity. Liquidity projections are performed on a weekly basis, taking into account any large-loss notifications received. Where a large loss would lead to a strain on the Syndicate's liquidity, the Syndicate has the ability to cash call on the Intercompany Quota Share with ARL ahead of settlement of the claim, supporting the liquidity needs of the Syndicate.

Asset Liability Matching

The Syndicate reviews currency asset and liability positions on a regular basis. The currency net assets / (liabilities) positions denote the Syndicate's foreign exchange risk as a result of the translation of subordinated currency positions that are different to the reporting currency of the Syndicate. The main subordinate trading currencies are AUD, CAD, EUR, USD and JPY. The following table describes the net assets / (liabilities) positions at the year end.

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(g) Liquidity Risk *(continued)*

	GBP	USD	EUR	CAD	AUD	JPY	OTH	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2023								
Financial investments	51,416	269,130	39,209	77,166	36,543	343	363	474,170
Overseas Deposits	-	492	-	12,382	69,868	-	19,057	101,799
Insurance and reinsurance receivables	12,931	52,852	15,819	29,883	33,107	1,373	-	145,965
Reinsurers' share of technical provisions	21,737	167,215	30,982	24,086	41,319	153	4,427	289,919
Cash at bank and in hand	534	104	475	8	2,321	462	-	3,904
Other assets	26,246	29,225	11,806	4,207	13,141	70	-	84,695
Total assets	**112,864**	**519,018**	**98,291**	**147,732**	**196,299**	**2,401**	**23,847**	**1,100,452**
Technical provisions	(64,120)	(429,185)	(154,137)	(107,553)	(181,985)	(1,106)	(14,558)	(952,644)
Insurance and reinsurance payables	(29,845)	(12,185)	(3,425)	68	(2,168)	(63)	-	(47,618)
Other creditors	(16,091)	(17,739)	(1,859)	(1,105)	(4,649)	(31)	-	(41,474)
Total liabilities	**(110,056)**	**(459,109)**	**(159,421)**	**(108,590)**	**(188,802)**	**(1,200)**	**(14,558)**	**(1,041,736)**

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(g) Liquidity Risk *(continued)*

	GBP	USD	EUR	CAD	AUD	JPY	OTH	Total
	£000	£000	£000	£000	£000	£000	£000	£000
2022								
Financial investments	53,343	175,510	28,285	62,825	4,471	383	397	325,214
Overseas Deposits	-	519	-	7,608	68,540	-	14,930	91,597
Insurance and reinsurance receivables	28,293	19,732	24,138	24,786	28,405	828	6,429	132,611
Reinsurers' share of technical provisions	18,866	130,197	29,027	26,213	39,397	287	2,202	246,189
Cash at bank and in hand	1,287	435	1,713	-	3,954	275	-	7,664
Other assets	35,793	5,932	21,412	2,953	10,448	39	-	76,577
Total assets	**137,582**	**332,325**	**104,575**	**124,385**	**155,215**	**1,812**	**23,958**	**879,852**
Technical provisions	(36,537)	(319,259)	(151,347)	(99,363)	(157,873)	(1,243)	(6,913)	(772,535)
Insurance and reinsurance payables	(11,467)	(15,646)	(2,391)	(5,480)	(2,940)	(537)	(2,455)	(40,916)
Other creditors	(19,749)	(5,588)	(1,475)	(1,032)	(6,569)	(16)	-	(34,429)
Total liabilities	**(67,753)**	**(340,493)**	**(155,213)**	**(105,875)**	**(167,382)**	**(1,796)**	**(9,368)**	**(847,880)**

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(g) Liquidity Risk *(continued)*

The Syndicate manages the impact of currency fluctuations by attempting to ensure currency matching is maintained where feasible. In addition, as part of this process, currency trades may be made to maintain the desired currency net asset allocations. The Syndicate has established foreign exchange facilities with a number of banks to cater for these transactions.

Exchange Sensitivity Analysis

The following table describes the sensitivity to currency change on net assets.

	EUR Net Assets in GBP			USD Net Assets in GBP			AUD Net Assets in GBP			CAD Net Assets in GBP		
	£000	+10% increase	-10% decrease	£000	+10% increase	-10% decrease	£000	+10% increase	-10% decrease	£000	+10% increase	-10% decrease
Net assets / (liabilities) at 31 December 2023	(61,130)	(6,113)	6,113	59,909	5,991	(5,991)	7,497	750	(750)	39,155	3,916	(3,916)
Net assets / (liabilities) at 31 December 2022	(50,638)	(5,064)	5,064	(8,168)	(817)	817	(12,167)	(1,217)	1,217	18,510	1,851	(1,851)

The above sensitivity analysis is based on the way the Syndicate manages the currencies exposure. The increase shown in the table above reflects the weakening of the currency shown against sterling and a decrease reflects the strengthening of the currency against sterling.

JPY has been excluded from the table above due to immateriality.

(h) Counterparty Credit Risk

With regards to premium debtor risk, the Syndicate ensures that all brokers are subject to a due diligence protocol and that they have terms of business agreements in place. An approval system also exists for new brokers, and broker performance is regularly reviewed. System exception reports highlight trading with non-approved brokers, and the Syndicate's credit control team regularly monitors the ageing and collectability of debtor balances. Bank credit ratings and concentrations are also monitored at the Investment Committee.

The largest single reinsurer counterparty is Arch Reinsurance Ltd. in respect of the internal quota share reinsurance. The internal reinsured claims outstanding in the Credit distribution of reinsurance receivables table above (Page 33) are included within the balance that has a credit rating of 'A+'. The balances due from Arch Reinsurance Ltd. have further security in the form of a segregated trust to secure the liabilities. The value of the trust fund is required at all times to be greater than the reinsured liabilities, and the assets in trust are required to be invested to meet PRA admissibility rules. Bank credit ratings are monitored by the Investment Committee.

In addition, the Company monitors all key counterparties, including exposures to banking counterparties, on an ongoing basis.

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(i) Regulatory Risk

This risk is affected by changes in law and regulations which are not identified, understood, or are inappropriately and incorrectly interpreted, or adopted, or business practices are not efficiently modified. Further, there is a risk that current legal or regulatory requirements are not complied with. Arch runs a robust Compliance function to ensure that the Syndicate has appropriate systems and controls in place to comply with all applicable regulations. The Syndicate has a constructive and open relationship with its regulators.

(j) Conduct Risk

The Syndicate aims to provide appropriate products to the right group of consumers that achieve fair outcomes. The Syndicate approach starts with our strong culture which means we consider and understand the needs of our customers and form an important cultural base to getting this right. From a risk management perspective, we facilitated the development of the conduct objective, the conduct risk appetite and the standards required to remain within this risk appetite. We are able to extract conduct-related controls from the risk register to provide the Board with assurance that the expected behaviours towards customers are being demonstrated.

(k) Reputational Risk

Reputational risk is the risk of negative publicity as a result of the Syndicate's contractual arrangements, customers, products, services and other activities. Key sources of reputational risk include operation of a Lloyd's franchise and reliance upon the Arch brand in the United States, Europe and Australia. The Syndicate's preference is to minimise reputational risks, but where it is not possible or beneficial to avoid them, we seek to minimise their frequency and severity by management through public relations and communication channels.

(l) Capital Risk

The Syndicate uses an Internal Capital Model for setting economic capital along with a number of other uses. The Syndicate follows a risk-based approach to determine the amount of capital required to support its activities. Recognised stochastic modelling techniques are used to measure risk exposures, and capital to support business activities is allocated according to risk profile. Stress and scenario analysis is regularly performed, and the results are documented and reconciled to the Board's risk appetite where necessary.

Capital framework at Lloyd's

Lloyd's is a regulated undertaking and subject to supervision by the PRA under the Financial Services and Markets Act 2000 and in accordance with the Solvency II Directive.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level, not at syndicate level. Accordingly, the capital requirement in respect of the Syndicate is not disclosed in these annual accounts.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement ("SCR") for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200-year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one-year time horizon (one-year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate

Notes to the Financial Statements *(continued)*

4 Management of Risk *(continued)*

(l) Capital Risk *(continued)*

Lloyd's capital setting process (continued)

are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. Over and above this, Lloyd's applies a capital uplift to the Member's capital requirement, to derive the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

Provision of capital by the member

The member may provide capital to meet its ECA through any mixture of (i) assets held in trust by Lloyd's specifically for that member (FAL), (ii) assets held in and managed within a syndicate (FIS), or (iii) undistributed member's balances.

Historically, ASIL was the sole member of the Syndicate and previously deposited capital at circa 50% Funds in Syndicate ("FIS") and 50% Funds at Lloyd's ("FAL"). Following Arch Group's acquisition of the Barbican Group, ASIL became the Arch capital provider for both the Syndicate and Syndicate 1955 for the 2021, 2022 and 2023 underwriting years and all capital is held as FAL.

Capital Management

The Board of AMAL has in place policies and procedures for managing compliance with regulatory capital requirements and its own capital management objective. This objective is to balance risk and return while maintaining economic and regulatory capital in accordance with risk appetite. The Board of AMAL has no appetite for the Syndicate failing to maintain sufficient capital. To this end, AMAL recalculates its ECA routinely at different points during the annual business cycle, and may also recalculate the ECA on an ad hoc basis if the risk management framework identifies significant changes to the risk profile, or as required by the Board.

(m) Emerging Risks

Identifying, planning for and controlling emerging risks is an important part of our risk management activity across all aspects of our business, including underwriting, operations and strategy. We make a significant effort to try to identify material emerging threats to the Syndicate. It is a core responsibility of each of our committees and we believe we take all reasonable steps to minimise the likelihood and impact of emerging risks and to prepare for them in case they occur.

5 Critical accounting judgements and estimation uncertainty

The preparation of the financial statements in conformity with the Generally Accepted Accounting Practice in the UK ("UK GAAP"), requires management to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates and judgements.
Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected. These disclosures supplement the commentary on insurance and financial risk management in the Outlook and Future Developments section.

Notes to the Financial Statements *(continued)*

5 Critical accounting judgements and estimation uncertainty *(continued)*

(i) Key sources of estimation uncertainty

The areas of the Syndicate's business containing key sources of estimation uncertainty include the measurement of insurance and reinsurance assets and liabilities at the balance sheet date. The most significant of these involves the valuation of outstanding claims and, in particular, the provision for claims incurred but not reported.

The processes used to determine the assumptions on which the measurement of insurance contract provisions is based, actual assumptions used, the effects of changes in assumptions, and an analysis of sensitivity to changes in assumptions are described below.

(ii) Process used to determine the assumptions for measuring insurance contracts

Claims Outstanding, i.e. loss reserves for the Syndicate are comprised of (1) case reserves and (2) IBNR losses. Claims personnel determine whether to establish a case reserve for the estimated amount of the ultimate settlement of individual claims. The estimate reflects the judgement of claims personnel based on general corporate reserving practices, the experience and knowledge of such personnel regarding the nature and value of the specific type of claim and, where appropriate, advice of counsel. The Syndicate also contracts with a number of outside third-party administrators in the claims process who, in certain cases, have limited authority to establish case reserves. The work of such administrators is reviewed and monitored by internal claims personnel.

Loss Reserves are also established to provide for loss adjustment expenses and represent the estimated expense of settling claims, including legal and other fees and the general expenses of administering the claims adjustment process. Periodically, adjustments to the reported or case reserves may be made as additional information regarding the claims is reported or payments are made. IBNR reserves are established to provide for incurred claims which have not yet been reported to an insurer or reinsurer at the balance sheet date, as well as to adjust for any projected variance in case reserving. IBNR reserves are derived by subtracting paid losses and loss adjustment expenses and case reserves from estimates of ultimate losses and loss adjustment expenses. Actuaries estimate ultimate losses and loss adjustment expenses using various generally accepted actuarial methods applied to known losses and other relevant information. Like case reserves, IBNR reserves are adjusted as additional information becomes known or payments are made. The process of estimating reserves involves a considerable degree of judgement by management and, as of any given date, is inherently uncertain.

Ultimate losses and loss adjustment expenses are generally determined by extrapolation of claim emergence and settlement patterns observed in the past that can reasonably be expected to persist into the future. The Syndicate uses several methods for determining its reserves. These methods generally fall into one of the following categories or are hybrids of one or more of the following categories:

Expected loss methods – these methods are based on the assumption that ultimate losses vary proportionately with premiums. Expected loss and loss adjustment expense ratios are typically developed based upon the information derived by underwriters and actuaries during the initial pricing of the business, supplemented by industry data available from organisations, such as statistical bureau and consulting firms, where appropriate. These ratios consider, among other things, rate increases and changes in terms and conditions that have been observed in the market. Expected loss methods are useful for estimating ultimate losses and loss adjustment expenses in the early years of long-tailed lines of business, when little or no paid or incurred loss information is available, and is commonly applied when limited loss experience exists for a syndicate.

Historical incurred loss development methods – these methods assume that the ratio of losses in one period to losses in an earlier period will remain constant in the future. These methods use incurred losses (i.e. the sum of cumulative historical loss payments plus outstanding case reserves) over discrete periods of time to estimate future losses. Historical incurred loss development methods may be preferable to historical paid loss development methods because they explicitly take into account open cases and the claims adjusters' evaluations of the cost to settle all known claims. However, historical incurred loss development methods necessarily assume that case reserving practices are consistently applied over time. Therefore, when there have been significant changes in how case reserves are established, using incurred loss data to project ultimate losses may be less reliable than other methods.

Notes to the Financial Statements *(continued)*

5 Critical accounting judgements and estimation uncertainty *(continued)*

Bornhuetter-Ferguson ("B-F") paid and incurred loss methods – these methods utilise actual paid and incurred losses and expected patterns of paid and incurred losses, taking the initial expected ultimate losses into account to determine an estimate of expected ultimate losses. The B-F paid and incurred loss methods are useful when there are few reported claims and a relatively less stable pattern of reported losses.

Additional analyses – other methodologies are often used in the reserving process for specific types of claims or events, such as catastrophic or other specific major events. These include vendor catastrophe models, which are typically used in the estimation of Loss Reserves at the early stage of known catastrophic events before information has been reported to an insurer or reinsurer, and analyses of specific industry events, such as large lawsuits or claims.

The selection of a method to determine the Syndicate's reserves is driven by not only the characteristics of the lines of business, but also by the development stage of the years of account and the availability, credibility and relevance (for future projection) of in-house or benchmark data. For short-tail lines of business, such as Property and Offshore Operating, reserves will mostly be calculated using the expected loss ratio method for the most recent year of account, unless early loss experience necessitates an upward deviation, before moving to the more data-driven methods for more mature years. For long-tail lines of business, typically the Casualty and D&O classes, reflecting slower loss emergence and settlement, the expected loss ratio method is usually applied for longer than 1 year, unless early loss experience necessitates an upward deviation, before allowing for benign claims experience using more data-driven methods.

Ukraine War **-** The war in Ukraine continues to be closely monitored in line with other large loss events. The Syndicate has exposure to the war in Ukraine, in particular from policies covering political violence and war. This exposure is protected by reinsurance where gross losses are expected to be covered by the reinsurance in place. As at the current estimate of potential losses included within our net reserves for the war in Ukraine for the year ended 31 December 2023 are £41.0 million. The premiums written on a number of classes of business have been impacted in 2023 following the introduction of international sanctions. Overall operations of the Syndicate have not been materially impacted by this event.

Inflation risk – We assess the expected impact of inflation on the booked reserves using a multi-year cash flow approach. Our approach estimates the impact of economic inflation on the expected claims frequency and severity of the in-force business, recognising that different insurance classes are affected differently by economic inflation. The expected impact on reserves is compared to an independent actuarial review to ensure our reserve surplus versus said independent actuarial remains within our risk appetite.

(iii) Premium Accruals

Where bordereaux for binders are not received on a timely basis, premium accruals are created by the underwriting teams on a quarterly basis. The accruals are based on a combination of assessment of previous premium bookings and consultation with the delegated underwriting authorities. Accruals are monitored on an ongoing basis by the underwriting teams and finance.

Notes to the Financial Statements *(continued)*

6 Segmental Information

Segmental information required by *The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008* is as follows:

	Gross Premiums Written	Gross Premiums Earned	Gross Claims Incurred	Gross Operating Expenses	Ceded Balance	Total
	2023	2023	2023	2023	2023	2023
	£000	£000	£000	£000	£000	£000
Direct Insurance						
Accident and Health	18,049	17,549	(8,181)	(10,927)	(432)	(1,991)
Motor	1,590	1,301	(669)	(946)	(17)	(331)
Marine	17,180	18,473	(15,683)	(8,390)	3,388	(2,212)
Transport	14,584	11,752	(3,892)	(4,358)	(690)	2,812
Fire and other damage to property	113,494	100,360	(42,079)	(38,000)	(16,351)	3,930
Third party liability	148,462	128,512	(88,925)	(48,678)	(4,783)	(13,874)
Energy non marine	13,082	9,044	(1,817)	(3,133)	(692)	3,402
Energy - Marine	7,213	4,986	(1,002)	(986)	10,093	13,091
Pecuniary Loss	41,204	34,070	(16,016)	(13,862)	4,592	8,784
Aviation	7,053	13,536	(8,445)	(3,507)	3,107	4,691
Direct Total	**381,911**	**339,583**	**(186,709)**	**(132,787)**	**(1,785)**	**18,302**
Reinsurance						
Casualty	53,932	46,437	(32,981)	(13,022)	(201)	233
Property	74,351	65,059	(19,430)	(18,205)	(15,068)	12,356
Marine	31,584	32,262	(14,687)	(8,857)	768	9,486
Energy	9,387	6,180	(7,469)	(1,123)	(1,006)	(3,418)
Aviation	5,137	5,544	(30,815)	(1,354)	17,864	(8,761)
Reinsurance Total	**174,391**	**155,482**	**(105,382)**	**(42,561)**	**2,357**	**9,896**
Total	**556,302**	**495,065**	**(292,091)**	**(175,348)**	**572**	**28,198**

Notes to the Financial Statements *(continued)*

6 Segmental Information *(continued)*

	Gross Premiums Written 2022 *Restated £000	Gross Premiums Earned 2022 *Restated £000	Gross Claims Incurred 2022 *Restated £000	Gross Operating Expenses 2022 *Restated £000	Ceded Balance 2022 *Restated £000	Total 2022 *Restated £000
Direct Insurance						
Accident and Health	14,268	13,172	(3,494)	(7,816)	(472)	1,390
Motor	1,978	790	(445)	(95)	(4)	246
Marine	14,743	15,274	(12,303)	(7,553)	-	(4,582)
Transport	9,076	6,475	(2,329)	(2,446)	(314)	1,386
Fire and other damage to property	85,007	79,017	(68,984)	(29,849)	9,853	(9,963)
Third party liability	115,790	100,012	(61,841)	(34,502)	(6,641)	(2,972)
Energy non marine	6,331	5,433	(7,385)	(1,663)	(333)	(3,948)
Energy - Marine	1,668	1,431	(1,945)	(265)	11,112	10,333
Pecuniary Loss	33,531	26,449	(12,971)	(8,499)	4,460	9,439
Aviation	15,078	9,210	(21,223)	(5,377)	14,056	(3,334)
Direct Total	**297,470**	**257,263**	**(192,920)**	**(98,065)**	**31,717**	**(2,005)**
Reinsurance						
Casualty	51,102	50,420	(26,353)	(15,311)	(2,098)	6,658
Property	51,764	40,993	(20,736)	(11,933)	(2,468)	5,856
Marine	32,292	32,422	(9,891)	(8,705)	(5,412)	8,414
Energy	2,726	2,631	(128)	(820)	(1,513)	170
Aviation	2,952	2,337	(1,059)	(885)	88	481
Reinsurance Total	**140,836**	**128,803**	**(58,167)**	**(37,654)**	**(11,403)**	**21,579**
Total	**438,306**	**386,066**	**(251,087)**	**(135,719)**	**20,314**	**19,574**

* The restatement outlined above is relevant to the Syndicate, and the users of the financial statements, to facilitate better decision-making process. Information is reliable and is sourced from the Syndicate's financial systems. Interpretation of treatment relating to Facultative Inwards Reinsurance, from direct to assumed business, resulted from an accounting policy interpretation change. Prior year's split between Direct Insurance and Reinsurance has been restated accordingly and a more granular line of business analysis was included in the note with no impact to the total numbers reported in the profit & loss account.

The ceded balance represents the charge or benefit to the technical account from the aggregate of all items relating to outwards reinsurance. Part VII transfer of business to Lloyd's Brussels impacted the segmental information presented above. Current year underwriting results for the transferred policies have been reported in line with Society of Lloyd's under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.

Notes to the Financial Statements *(continued)*

7 Net Operating Expenses

Gross operating expenses include direct insurance commissions of £81.8 million in 2023 (2022: £70.5 million).

	2023 £000	2022 £000
Acquisition costs	(140,996)	(112,604)
Change in deferred acquisition costs	12,668	11,372
Administrative expenses	(47,020)	(34,487)
Reinsurance commissions	32,240	25,939
	(143,108)	**(109,780)**

Administrative expenses include:

	2023 £000	2022 £000
Fees payable to the Syndicate's auditors and their associates for the audit of the Syndicate's annual accounts	(283)	(188)
Audit services pursuant to regulation	(121)	(205)
Other Services	-	-
Total	**(404)**	**(393)**

8 Investment Income/(Expense)

	2023 £000	2022 £000
Interest and similar income		
From financial instruments designated as at fair value through profit or loss	14,460	5,818
From investments designated as at fair value through profit or loss		
Net loss on realisation of investments	(7,868)	(7,272)
Unrealised gain / (loss) on investments	19,270	(5,362)
Total Investment income/(loss)	**25,862**	**(6,816)**

9 Directors' Remuneration and Employee Costs

(a) Directors' remuneration

The Directors of AMAL and the Active Underwriter received the following aggregate remuneration charged to the Syndicate during the year:

Notes to the Financial Statements *(continued)*

9 Directors' Remuneration and Employee Costs *(continued)*

(a) Directors' remuneration (continued)

	2023 £000	2022 £000
Directors of the Managing Agent	2,315	2,586
Active Underwriter	153	129
	2,468	**2,715**

Further information in respect of the Directors of AMAL is provided in that Managing Agent's financial statements.

(b) Employee Costs

The average number of staff employed by AEIS, but working for the Syndicate during the year, analysed by category is as follows:

	2023 £000	2022 £000
Underwriting	52	45
Administration and finance	118	92
Claims	12	11
	182	**148**

The Managing Agent has a service and secondment agreement with AEIS, whereby staff employed by AEIS are provided to the Managing Agent.

	2023 £000	2022 £000
Salaries	25,607	16,651
Social security costs	3,063	2,115
Other pension costs	1,960	1,315
	30,630	**20,081**

10 Other Debtors and Creditors

	2023 £000	2022 £000
Amounts owed by group undertakings	1,831	3,428
Other debtors	744	1,486
	2,575	**4,914**
Amounts owed to group undertakings	(13,572)	(11,747)
Other creditors	(1,927)	(394)
Trade creditors	(7,561)	(7,772)
	(23,060)	**(19,913)**

Amounts owed by group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

Notes to the Financial Statements *(continued)*

11 Other Assets

	2023 £000	2022 £000
Claims Funds	17,885	16,201
	17,885	**16,201**

12 Accruals and Deferred Income

	2023 £000	2022 £000
Deferred ceding commissions	18,414	14,516
	18,414	**14,516**

13 Financial Investments

	Fair Value 2023 £000	Cost 2023 £000	Fair Value 2022 £000	Cost 2022 £000
Shares and other variable-yield securities				
Short term & cash equivalents	17,349	17,571	42,056	39,442
Other investments	-	-	780	780
	17,349	**17,571**	**42,836**	**40,222**
Debt securities and other fixed-income securities				
Sovereign & government agency	65,997	67,049	200,259	205,976
Corporate bonds	68,896	67,934	59,991	59,802
Collateral securities	-	-	20,744	20,837
	134,893	**134,983**	**280,994**	**286,615**
Participation in investment pools				
Participation in investment pool	321,928	318,131	1,384	1,383
	321,928	**318,131**	**1,384**	**1,383**

The Managing Agent believes that the carrying value of the investments is supported by their underlying net assets. The financial investments shown above are all listed investments.

Collateralised letters of credit totalling £361.0 million (2022: £274.3 million) are provided by Arch Reinsurance Ltd. on behalf of ASIL, supporting the capital requirement of the Syndicate and 2021, 2022 & 2023 underwriting years of Syndicate 1955, and hence do not form part of these financial statements.

The fair values above were determined using the fair value hierarchy as defined in Note 3 (e) (i). The split by level is:

As at 31 December 2023

	Level 1 £000	Level 2 £000	Level 3 £000
Other variable-yield securities	-	14,240	3,109
Debt securities and other fixed-income securities	21,654	113,239	-
Participation in investment pools	1,549	320,379	-
Overseas Deposits	8,877	92,922	-
	32,080	**540,780**	**3,109**

Notes to the Financial Statements *(continued)*

13 Financial Investments *(continued)*

As at 31 December 2022

	Level 1 £000	Level 2 £000	Level 3 £000
Other variable-yield securities	-	39,863	2,973
Debt securities and other fixed-income securities	48,212	232,782	-
Participation in investment pools	1,384	-	-
Overseas Deposits	5,765	85,832	-
	55,361	**358,477**	**2,973**

14 Technical Provisions

(a) Summary of net technical provisions:

	Gross 2023 £000	Ceded 2023 £000	Net 2023 £000	Gross 2022 £000	Ceded 2022 £000	Net 2022 £000
Notified claims	216,716	(69,478)	147,238	191,992	(62,473)	129,519
IBNR (incl. ULAE*)	481,211	(150,231)	330,980	378,071	(128,492)	249,579
Unearned Premium	254,717	(70,210)	184,507	202,472	(55,224)	147,248
Total	**952,644**	**(289,919)**	**662,725**	**772,535**	**(246,189)**	**526,346**

* Unallocated Loss Adjustment Expense ("ULAE").

(b) Reconciliation of claims technical provisions:

	2023 £000	2022 Restated* £000
Net claims technical provisions brought forward		
Outstanding claims	129,519	89,674
IBNR claims	249,579	186,962
	379,098	**276,636**
Losses incurred in the year		
Current accident year	210,907	172,741
Prior accident years	(2,139)	(11,394)
	208,768	**161,347**
Paid losses		
Current accident year	(109,683)	(82,355)
Prior accident years	1,114	5,432
	(108,569)	**(76,923)**
Foreign exchange differences	(1,079)	18,038
Net claims technical provisions carried forward		
Outstanding claims	147,238	129,519
IBNR claims	330,980	249,579
	478,218	**379,098**

*The split between prior accident year and current accident year has been restated on paid losses with no impact on the profit and loss account.

Notes to the Financial Statements *(continued)*

14 Technical Provisions *(continued)*

(c) Gross claims development triangles – by underwriting year

Underlying Pure Year	At end of u/w year £000	One year later £000	Two years later £000	Three years later £000	Four years later £000	Five years later £000	Six years later £000	Seven years later £000	Eight years later £000	Nine years later £000	Cumulative payments £000	Outstanding reserves £000
2014	41,892	95,753	108,539	109,010	116,180	113,637	113,946	114,564	114,875	116,434	106,895	9,539
2015	40,738	106,697	118,748	119,054	115,062	113,250	111,265	111,377	110,849	-	94,793	16,056
2016	42,717	118,964	129,201	127,312	135,088	137,543	139,344	147,115	-	-	111,284	35,831
2017	65,182	136,595	150,016	149,746	148,914	151,989	161,139	-	-	-	132,135	29,004
2018	46,716	110,272	113,521	110,876	115,272	126,321	-	-	-	-	87,462	38,859
2019	49,562	119,136	124,380	118,783	126,878	-	-	-	-	-	80,488	46,390
2020	59,617	134,956	124,975	130,809	-	-	-	-	-	-	65,512	65,297
2021	68,887	211,571	239,620	-	-	-	-	-	-	-	82,896	156,724
2022	103,027	211,144	-	-	-	-	-	-	-	-	53,171	157,973
2023	120,994	-	-	-	-	-	-	-	-	-	6,551	114,443
Total	639,332	1,245,088	1,109,000	865,590	757,394	642,740	525,694	373,056	225,724	116,434	821,187	670,116

	Cumulative Payments £000	Outstanding Reserves £000
2012 & Prior	349,096	27,811
Total	**1,170,283**	**697,927**

(d) Net claims development triangles – by underwriting year

Underlying Pure Year	At end of u/w year £000	One year later £000	Two years later £000	Three years later £000	Four years later £000	Five years later £000	Six years later £000	Seven years later £000	Eight years later £000	Nine years later £000	Cumulative payments £000	Outstanding reserves £000
2014	31,124	70,129	80,110	81,739	84,939	84,140	84,740	85,727	86,119	87,479	80,640	6,839
2015	30,194	80,475	90,924	92,074	88,752	88,073	87,134	87,204	86,836	-	74,493	12,343
2016	31,898	92,298	101,441	101,162	103,564	105,920	107,447	112,909	-	-	87,881	25,028
2017	44,078	102,989	115,949	116,118	115,777	116,841	124,139	-	-	-	103,008	21,131
2018	29,949	77,247	82,025	80,640	81,820	82,587	-	-	-	-	61,078	21,509
2019	35,601	82,080	83,050	80,157	85,387	-	-	-	-	-	53,766	31,621
2020	41,932	94,161	87,723	94,285	-	-	-	-	-	-	46,854	47,431
2021	51,770	136,258	146,514	-	-	-	-	-	-	-	60,864	85,650
2022	74,772	162,818	-	-	-	-	-	-	-	-	41,395	121,423
2023	94,976	-	-	-	-	-	-	-	-	-	4,983	89,993
Total	466,294	898,455	787,736	646,175	560,239	477,561	403,460	285,840	172,955	87,479	614,962	462,968

	Cumulative Payments £000	Outstanding Reserves £000
2012 & Prior	262,882	15,250
Total	**877,844**	**478,218**

Notes to the Financial Statements *(continued)*

14 Technical Provisions *(continued)*

The tables below show the movements that occurred in the insurance provisions and related reinsurance assets during the year.

Claims Provisions

	Gross 2023 £000	Ceded 2023 £000	Net 2023 £000	Gross 2022 £000	Ceded 2022 £000	Net 2022 £000
At 1 January	570,063	(190,965)	379,098	399,302	(122,666)	276,636
Movement per technical account	138,848	(38,649)	100,199	141,988	(57,564)	84,424
Exchange rate impact	(10,984)	9,905	(1,079)	28,773	(10,735)	18,038
31 December	**697,927**	**(219,709)**	**478,218**	**570,063**	**(190,965)**	**379,098**

Unearned Premiums

	Gross 2023 £000	Ceded 2023 £000	Net 2023 £000	Gross 2022 £000	Ceded 2022 £000	Net 2022 £000
At 1 January	202,472	(55,224)	147,248	140,687	(39,704)	100,983
Movement per technical account	61,237	(16,766)	44,471	52,240	(13,523)	38,717
Exchange Rate Impact	(8,992)	1,780	(7,212)	9,545	(1,997)	7,548
31 December	**254,717**	**(70,210)**	**184,507**	**202,472**	**(55,224)**	**147,248**

15 Funds at Lloyd's (FAL)

FAL are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating member's underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL have regard of a number of factors, including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL are not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses through a formal process controlled by Lloyd's.

ASIL is the sole Member of the Syndicate and for the 2021, 2022 & 2023 Year of Account is also providing capital on behalf of Syndicate 1955. The FAL for both Syndicates, as set by Lloyd's, have been funded through a combination of collateralised letters of credit, investments and cash.

Collateralised letters of credit totalling £361.0 million (2022: £274.3 million) are provided by Arch Reinsurance Ltd. on behalf of ASIL, supporting the capital requirement of the Syndicate and 2021, 2022 & 2023 underwriting years of Syndicate 1955, and hence do not form part of these financial statements.

Notes to the Financial Statements *(continued)*

16 Related Parties

The Syndicate is managed by AMAL. The Directors of AMAL regard ACGL, a company incorporated in Bermuda, as the ultimate holding company and controlling party. This is the largest company into which the Syndicate's results are consolidated. Copies of the consolidated financial statements of ACGL can be obtained from The Secretary, Arch Capital Group Ltd, Waterloo House, Ground Floor, 100 Pitts Bay Road, Pembroke HM 08, Bermuda. Arch Reinsurance Ltd. is the smallest company into which the Syndicate's results are consolidated.

Arch Reinsurance Ltd.

The Syndicate has a whole account quota share reinsurance contract of 15.0% (2022: 15.0%) with Arch Reinsurance Ltd. The Syndicate ceded £74.9 million (2022: £58.1 million) of net written premiums during the 2023 financial year. The effect of the quota share contract reduced net losses incurred by £3.8 million (2022 reduced by £2.3 million) in the 2023 financial year.

Arch Managing Agency Limited

AMAL is the Managing Agent of the Syndicate as of 31 August 2020. During 2023 the Syndicate paid the Managing Agent £415,000 (2022: £415,000) as a managing agency fee. The Managing Agent entered into a service and secondment agreement with AEIS, whereby AEIS provides services in the form of staff and facilities to the Managing Agent.

Arch Underwriting at Lloyd's (Australia) Pty Ltd ("AUALA")

This service company is wholly owned by the Managing Agent and is authorised to bind business on behalf of the Syndicate. During 2023 AUALA has bound £56.1 million (2022: £56.1 million) of gross written premiums on behalf of the Syndicate. The Syndicate has incurred a net profit of £3.8 million (2022: profit £2.7 million) on the business bound by the service company for the year ended 31 December 2023.

Arch Syndicate Investments Ltd

The Syndicate is supported by ASIL, which provides 100% of its underwriting capacity, see note 15 Funds at Lloyd's.

Arch Underwriting Agency (Australia) Pty. Ltd ("AUAAPL")

This service company is wholly owned by AMAL, the Managing Agent, and is authorised to bind business on behalf of the Syndicate. During 2023 AUAAPL has bound £nil (2022: £nil) of gross written premiums on behalf of the Syndicate. The gross written premiums in 2023 are aggregated within the AUALA bound premiums and therefore form part of the £56.1 million total. (2022: £56.1 million).

Castel Underwriting Agencies Limited ("Castel")

Castel is a Managing General Agent ("MGA") that has been granted underwriting authority to underwrite business on behalf of the Syndicate. During 2023, the MGA wrote £8.7 million of gross written premium (2022: £6.1 million). On 21 December 2023, Arch Financial Holdings (UK) Limited, which owns 88.69% of Castel as at December 2023, entered into a definitive agreement to sell Castel to Ryan Specialty subject to regulatory approvals and customary closing conditions.

Notes to the Financial Statements *(continued)*

16 Related Parties *(continued)*

Ventus Risk Management Inc. ("Ventus")

Ventus is a Managing General Underwriter ("MGU") that has been granted underwriting authority to underwrite business on behalf of the Syndicate. During 2023, the MGU wrote £5.4 million of gross written premium (2022: £7.1 million). Ventus is owned by Arch Insurance Group Inc. and the ultimate parent company is ACGL.

Directors of the Managing Agent and Administration

Directors of the Managing Agent as at 27 February 2024

K. Felisky
M. Hammer-Dahinden
J. Hine
J. Kittinger
P. Storey
H. Sturgess
K. Valder

Syndicate Secretary

S. Charlton

Managing Agent Registered Number

06948515

Managing Agent Registered Office

60 Great Tower Street
London
EC3R 5AZ

Principal Bankers

Bank of America Merrill Lynch
Citibank NA

Independent Auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London, SE1 2RT

Website

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