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Trium Syndicate 1322

Syndicate Annual Report and Accounts

31 December 2023

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

P A Jardine (Chairman)*
R P Barke
C V Barley
S Bradbury
E M Catchpole*
K A Green*
L Harfitt
D B Jones
L J M McMaster
S D Redmond*
K Shah

*Non Executive Directors**

Managing Agent's Registered Office

5th Floor
20 Gracechurch Street
London
EC3V 0BG

Managing Agent's Registered Number

1918744

Active Underwriter

J Bores

Bankers

Barclays Bank
Citibank NA
RBC Dexia

Registered Auditor

Deloitte LLP

Signing Actuary

Philip Dixon, Deloitte MCS Ltd

Active Underwriter’s Report

From Trium’s perspective, 2023 was an ideal year to exercise heightened underwriting discipline. After an anomalous 2022 lull in activity, ransomware spiked to an all-time high both in terms of frequency and aggregate loss value, while 3rd party wrongful collection suits and household name business interruption events frequented cyber headlines.

Despite resurgent malicious activity observed from late 2022 forward, rate deterioration was apparent from 1st January 2023 and only accelerated through year end. Defensively postured US Domestic Insurers were able to retain primary and low layer incumbency on large segment US business with only nominal rate reduction, while middle and particularly high excess layers were under constant pricing pressure. As an excess-only Lloyd’s Syndicate targeting large commercial US business, the combination of pricing pressure, increased competition and a challenging threat/loss landscape made achieving growth targets within strategy extremely difficult.

The syndicate remains acutely focused on driving profitable growth for its capital providers. Rather than chase market share in severely depressed conditions in 2023, Trium focused efforts internally; Syndicate 1322 expanded from US-only to Rest-of-World in the 3rd Quarter, established a specialty property unit, and made significant strides toward offering a primary cyber product. Given the loss environment, and absent Insurer growth targets with 30-50% rate increase assumptions (as we saw in 2023), it is likely that the cyber market will moderate or even harden in 2024. Regardless, Trium is well-positioned to achieve budget with an enhanced product set and expanded distribution capabilities.

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2023.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

Results

The result for calendar year 2023 is a profit of $0.1m.

The Syndicate presents its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activity and review of the business

The Syndicate began on the 1st January 2023 and it's principle activity is the underwriting of direct and reinsurance business in the Lloyd's market.

The Syndicate writes Cyber insurance primarily in the United States.

Gross written premium income by class of business for the calendar year was as follows;

	2023
	$'000
Third party liability	7,169
Reinsurance	3,690
	10,859

The Syndicate's key financial performance indicators during the year were as follows;

	2023 **$'000**
Gross written premiums	10,859
Profit for the financial year	111
Combined ratio*	95.8%

**The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. Lower ratios represent better performance.*

	2023 **YOA** **Open**
Capacity ($'000)	42,799
Forecast Profit ($'000)	1,332
Forecast result / return on capacity (%)	3.1%

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Agency as part of the Syndicate’s business planning and Solvency Capital Requirement (‘SCR’) process. The Agency Risk and Solvency Committee meets at least quarterly to oversee the risk management framework. The Syndicate Board, a sub-committee of the Agency Board, reviews the risk profile as reflected in the risk register, and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate Board and Underwriting Committee manages insurance risk through challenge and oversight of the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate Board then monitors performance against the business plan and the aggregation of risk through exposure management reporting through the year. The Syndicate Board considers any proposed underwriting that impacts the syndicate’s ESG profile to ensure consistency with the agreed ESG approach. Reserve adequacy is monitored through quarterly review by the Asta Actuarial team and the Reserving Committee.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate’s reinsurers and intermediaries. The Syndicate policy is to only use approved reinsurers, supported by collateralisation where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy. The syndicate may also be exposed to broker credit risk, in particular where risk transfer arrangements are in place. Aged debt reporting for premiums is reviewed in the Syndicate Boards.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates and inflation. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency’s policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Syndicate Board.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk the Syndicate Board reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from Capital providers.

The Syndicate has in place a $3.0m working capital facility with Barclays of which $nil was utilised at 2023 year end.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through a robust operational risk and control framework including detailed procedure manuals and a thorough training programmes. This is underpinned by a structured programme of testing of processes and systems by internal audit, who serve as an independent line of assurance, reporting directly to the Chair of the Agency Audit Committee. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators. The Agency has a Head of Regulatory Affairs who manages a function that monitor business activity and regulatory developments to assess any effects on both the Agency and the Syndicate.

The Syndicate has no appetite for failing to treat customers fairly The Syndicate manages and monitors consumer duty risk through a suite of risk indicators and reporting metrics as part of its documented consumer duty risk framework. The consumer duty risk framework is consistently applied across all Asta syndicates and is overseen by the Conduct Oversight Group (COG), which is an AMA Board Committee that includes a non-executive director as a member who fulfils the role of Consumer Duty Champion.

Group / strategic risk

Group Risk is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest)

Future developments

The Syndicate will continue to transact the current Cyber class of general direct insurance and reinsurance business. The Syndicate will also write a Property class in 2024 and If opportunities arise to write further new classes of business, these will be investigated at the appropriate time.

The capacity for the 2024 year of account is $127.0m (2023 year of account $42.8m).

Environmental, Social and Governance (ESG)

The syndicate defined several ESG principles with its 2023 SBF submission. These principles are to be developed during 2024 alongside a broader sustainability strategy and supporting management information in response to Lloyd's "Insuring the Transition" Roadmap, in which they set out their proposed approach for the next three years across all areas of sustainability for the market, including underwriting, investments, exposure management, capital and reserving.

Managing the Financial Risk of Climate change

Following the Prudential Regulation Authority's (PRA) Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, Asta have built a climate change framework, applicable to all syndicates, covering physical, transition and liability climate change risks, based on the underlying business written by each syndicate. Asta's managed syndicates accept climate change risk where it is an inherent part of an insurance business model, providing it is understood, managed and controlled and/or compensated. There is no appetite for uncontrolled, unmanaged exposure to the financial risks of climate change.

The framework ensures Board-level engagement and accountability with Lloyd's and PRA's requirements and expectations, assigning clear responsibilities for managing the financial risks associated with climate change. The AMA Risk Financial Officer, who is a Board member, is responsible for the climate change framework, including identifying and managing financial climate related risks.

Asta continue on an ongoing basis to monitor against regulatory guidance and expectations, as it is released, on managing the financial risks of climate change.

Emerging Risks

An emerging risk or opportunity is defined as "a developing issue, triggered externally, with the potential to have a significant business impact but which may not be sufficiently understood or accounted for". The business impact in this case could represent a downside risk or an upside opportunity. Emerging risks and opportunities include:

- Syndicate insurable risks, as areas of potential future losses or new product offerings;
- Those risks that may affect a syndicate's ability to carry out normal business operations and/or lead to unplanned significant costs/income;
- Both new risks and those which are re-emerging in a new context.

The Agency and Syndicate continue to monitor the impact of emerging risks on syndicate business, taking into account their impacts on the strategic direction of the syndicate. Monitoring takes place in various forums, including the Asta Emerging Risks and Opportunities Group ("EROG") which meets quarterly and considers emerging risks and opportunities from both an internal and external lens. Specific areas of focus over the external environment across the year at Syndicate and Asta level include:

Managing Agent's report continued

- The geopolitical landscape from a tension and broader political risk impact, including any exposures stemming from regional conflicts (e.g. Russia - Ukraine conflict).
- The heightened inflationary environment and subsequent volatility surrounding inflation risk. This has also been considered by the Syndicate within their annual business planning process and reserve reviews.

2024 will see a significant proportion of the world go to the polls in elections including both in the UK and US, which may see changes of government on both sides of the Atlantic. Knock-on impacts from worldwide elections in 2024 may impact geopolitical stability in the wider world as well as having more regional social impacts.

Directors and Officers

Details of the Directors of the Managing Agent that were serving at the year end and up to the date of signing of the financial statements are provided on page 1. Changes to directors over the year were as follows:-

E M Catchpole	Appointed 1 January 2023
S P A Norton	Resigned 23 February 2023
D B Jones	Appointed 23 February 2023
C N Griffiths	Resigned 28 February 2023
S Bradbury	Appointed 22 May 2023
A J Hubbard	Resigned 30 June 2023

Disclosure of information to the auditors

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's Auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Independent Auditors

The Managing Agent intends to reappoint Deloitte LLP as the Syndicate's auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members within 21 days of this notice.

On behalf of the Board

CBarley

C V Barley
Director
26 February 2024

Statement of Managing Agent's responsibilities

The Managing Agent is responsible for preparing the Syndicate annual report and accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. The Financial statements are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the financial statements, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- prepare the Syndicate 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 is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. 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.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Syndicate 1322

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 1322 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31st December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 financial statements which comprise:

- the income statement;
- the statement of changes in members' balance;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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 in operations for a period of at least twelve months from when the syndicate financial statements are authorised for issue.

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

Independent auditors’ report continued

Other information

The other information comprises the information included in the syndicate annual report and accounts, other than the syndicate annual financial statements and our auditor’s report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of managing agent

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

In preparing the syndicate annual financial statements, the managing agent is responsible for assessing the syndicate’s ability to continue in operation, disclosing, as applicable, matters related to the syndicate’s ability to continue in operation and to use the going concern basis of accounting unless the managing agent intends to cease the syndicate’s operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the syndicate annual financial statements

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

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

Extent to which the audit was considered capable of detecting irregularities, including fraud

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

Independent auditors' report continued

We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud in the following areas, and our procedures performed to address them are described below:

- Technical provisions, and in particular IBNR, are a key area of a management judgement, contain inherent uncertainty and are material to Syndicate 1322. We pinpointed the significant risk within technical provisions to the methodology and assumptions utilised to derive the valuation of liabilities. We have understood the key controls over the reserving, including over the data used within the reserving, and have tested the design and implementation of those controls. We have engaged our actuarial specialist team to support us to test and challenge the key assumptions and methodology used by management in setting the IBNR; and
- There is a high proportion of premium that has been written but has not been signed through to the syndicate or collected by the Managing General Agent and transferred to the Market Broker for signing through to the syndicate (the "unsigned premium"). This creates a higher than normal risk that the written premium will not turn into signed premium and presents a risk of fraud in revenue recognition. In response to this risk, we have performed 100% testing over the unsigned portion of premium revenue by matching them back to underlying policy documents.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and internal audit concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and

- reading minutes of meetings of those charged with governance and reviewing correspondence with Lloyd’s.

Report on other legal and regulatory requirements

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008

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 financial year for which the financial statements are prepared is consistent with the financial statements; and
- the managing agent’s report has been prepared in accordance with applicable legal requirements.

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified any material misstatements in the managing agent’s report.

Matters on which we are required to report by exception

- Under The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 we are required to report in respect of the following matters if, in our opinion:
- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate’s members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Kirstie Hanley, FCA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
26 February 2024

Income statement

Technical account - General business

For the year ended 31 December 2023

	Notes	2023 $'000
Gross premiums written	3	10,859
Outward reinsurance premiums		(4,369)
Net written premiums		6,490
Change in the provision for unearned premiums		
Gross amount		(6,728)
Reinsurers' share		2,714
	4	(4,014)
Earned premiums, net of reinsurance		2,476
Allocated investment return transferred from the non-technical account		4
Claims paid		
Gross amount		-
Reinsurers' share		-
		-
Changes in the provision for claims outstanding		
Gross amount		(2,151)
Reinsurers' share		861
	4	(1,290)
Claims incurred, net of reinsurance		(1,290)
Net operating expenses	5	(1,081)
Balance on technical account – general business		109

All the amounts above are in respect of continuing operations.

The notes on pages 19 to 40 form part of these financial statements.

Income statement continued

Non-technical account - General business

For the year ended 31 December 2023

	2023
	$'000
Balance on technical account – general business	109
Investment income	4
Allocated investment return transferred to the general business technical account	(4)
Exchange gains	2
Profit for the financial year	111

There were no recognised gains and losses in the year other than those reported in the Income Statement and hence no Statement of Other Comprehensive Income has been presented.

All the amounts above are in respect of continuing operations.

The notes on pages 19 to 40 form part of these financial statements.

Statement of changes in members' balance

For the year ended 31 December 2023

	2023
	$'000
Members' balance brought forward at 1 January	-
Profit for the financial year	111
Members' balance carried forward at 31 December	111

The notes on pages 19 to 40 form part of these financial statements.

Statement of financial position

As at 31 December 2023

	Notes	2023 $'000
Assets		
Investments		
Other financial investments	9	420
Deposits with ceding undertakings		-
Reinsurers' share of technical provisions		
Provision for unearned premiums	4	2,714
Claims outstanding	4	861
		3,575
Debtors		
Debtors arising out of direct insurance operations	10	2,127
Debtors arising out of reinsurance operations	11	1,957
Other debtors		2,687
		6,771
Cash and other assets		
Cash at bank and in hand	14	857
Other assets	15	-
		857
Prepayments and accrued income		
Prepayments		-
Deferred acquisition costs	4	1,634
		1,634
Total assets		13,257

The notes on pages 19 to 40 form part of these financial statements.

Statement of financial position continued

As at 31 December 2023

	Notes	2023 $'000
Members' balance and liabilities		
Capital and reserves		
Members' balance		111
Liabilities		
Technical provisions		
Provision for unearned premiums	4	6,784
Claims outstanding	4	2,151
		8,935
Creditors		
Creditors arising out of direct insurance operations	12	-
Creditors arising out of reinsurance operations	13	3,102
Other creditors		23
		3,125
Accruals and deferred income		1,086
Total liabilities		13,146
Total members' balances and liabilities		13,257

The notes on pages 19 to 40 form part of these financial statements.

The financial statements on pages 13 to 40 were approved by board of directors on 22 February 2024 and were signed on its behalf by:

R P Barke
Director
26 February 2024

Statement of cash flows

For the year ended 31 December 2023

	2023 $'000
Cash flows from operating activities	
Profit for the financial year	111
Increase in gross technical provisions	8,935
Decrease in reinsurers' share of gross technical provisions	(3,575)
(Increase) in debtors	(6,771)
Increase in creditors	3,125
Movement in other asset/liabilities	(548)
Changes to market value and currency	-
Investment Return	(4)
Net cash inflow from operating activities	1,273
Cash flows from investing activities	
Investment income received	4
Deposits with ceding undertakings	-
Net cash inflow from investing activities	4
Cash flows from financing activities	
Loss collections from members' personal reserve fund	-
Net cash inflow from financing activities	-
Net increase in cash and cash equivalents	1,277
Cash and cash equivalents at beginning of year	-
Changes to market value and currency	-
Cash and cash equivalents at end of year	1,277

Notes to the financial statements

For the year ended 31 December 2023

1. Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared on a going concern basis, under the historical cost convention except for certain financial instruments which are measured at fair value. The financial statements are prepared in USD which is the functional and presentational currency of the Syndicate and rounded to the nearest $'000.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

2. Accounting policies

Critical Accounting Estimates and Judgements

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Due to 2023 being the Syndicates first underwriting year of account it has primarily used LMA benchmark data to generate its significant estimates around claims reserves and development patterns. This increases the uncertainty in the estimates held.

Accounting policies continued

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Significant accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period. They are recognised on the date on which the policy incepts. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into during the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts.

Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

The IBNR provision also includes an explicit margin, a liability for a reasonable and prudent level of conservatism to cover adverse claim deviation.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

Accounting policies continued

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

A provision for unexpired risks is made where claims and related expenses are likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

At the 31 December 2023 the Syndicate had $nil of net unexpired risk provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the administrative expenses connected with the processing of proposals and the issuing of policies.

Accounting policies continued

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2023.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are not recognised when the de-recognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Accounting policies continued

Foreign currencies

The Syndicate's functional currency and presentational currency is USD.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account.

The following balance sheet rates of exchange have been used in the preparation of these accounts:

	2023
	Year End
GBP	0.79
EUR	0.91

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

Accounting policies continued

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate‘s contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through the profit and loss are measured at fair value with fair value changes recognised immediately in the profit and loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Accounting policies continued

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

Fair value measurement of investments

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using quoted prices in an active market.
- Money Market Funds are valued on a stable net asset value (NAV) basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Investments in regulated collective investment schemes are valued based on the valuations of each of the individual funds as published publicly by the managers.
- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued based on the valuations supplied by the investment manager (Lloyd's).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data.

Accounting policies continued

Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members or their members' 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 other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Syndicate operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed Syndicates, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicates are apportioned between the Managing Agent and the Syndicates depending on the amount of work performed, resources used and volume of business transacted.

3. Segmental analysis

An analysis of the underwriting result before investment return is set out below:

2023	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Third-party liability	7,169	2,863	(1,490)	(748)	(551)	74
Reinsurance	3,690	1,268	(661)	(333)	(243)	31
Total	10,859	4,131	(2,151)	(1,081)	(794)	105

Commissions on direct insurance gross premiums written during 2023 were $1,720,556.

All premiums were concluded in the UK.

4. Technical provisions

	Gross provisions $'000	2023 Reinsurance assets $'000	Net $'000
Claims outstanding			
Balance at 1 January	**-**	**-**	**-**
Change in claims outstanding	2,151	(861)	1,290
Effect of movements in exchange rates	-	-	-
Balance at 31 December	2,151	(861)	1,290
Claims notified	-	-	-
Claims incurred but not reported	2,151	(861)	1,290
Balance at 31 December	2,151	(861)	1,290
Unearned premiums			
Balance at 1 January	**-**	**-**	**-**
Change in unearned premiums	6,728	(2,714)	4,014
Effect of movements in exchange rates	56	-	56
Balance at 31 December	6,784	(2,714)	4,070
Deferred acquisition costs			
Balance at 1 January	**-**	**-**	**-**
Change in deferred acquisition costs	1,620	(787)	833
Effect of movements in exchange rates	14	-	14
Balance at 31 December	1,634	(787)	847

5. Net operating expenses

	2023 $'000
Acquisition costs	(2,635)
Change in deferred acquisition costs	1,620
RI Acquisition costs	1,267
Change in RI deferred acquisition costs	(787)
Administration expenses	(3,201)
Credit against expenses	2,655
Net operating expenses	(1,081)

Members' standard personal expenses amounting to $786,945 are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, new Central Fund contributions, and Managing Agent's fees.

Syndicate 1322 has an agreement with Trium Cyber U.S. Services Inc that caps administrative expenses at 5% of ultimate gross written premium. Syndicate 1322 settles the initial cost and holds a debtor balance for the element in excess of the 5% threshold. As at 31 December 2023 an amount of $2,654,898 was owed to Syndicate 1322.

6. Staff costs

Staff costs incurred by the Managing Agent, Asta Managing Agency Ltd form part of the Time and Materials fee, see Note 16. Asta Staff work across numerous Syndicates and therefore it is not possible to disclose the average employee information.

7. Auditors' remuneration

	2023
	$'000
Audit of the financial statements	(110)
Other services pursuant to Regulations and Lloyd's Byelaws	(81)
Other services relating to actuarial review	(41)
	(232)

Auditors' remuneration is included as part of the administrative expenses in note 5 to the financial statements.

8. Emoluments of the directors of Asta Managing Agency Ltd

The aggregate emoluments of the Directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of S.P.A. Norton, L Harfitt and R.P. Barke. S.P.A Norton's and L Harfitt's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of R.P. Barke is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

No other compensation was payable to key management personnel.

The Active Underwriter's salary was not recharged to the Syndicate during 2023. The cost is borne by Trium Cyber U.S. Services Inc.

9. Other Financial investments

	2023	
	Carrying value	Purchase price
	$'000	$'000
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	420	420
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	-	-
	420	420

Amounts included within Shares and other variable securities include CIS (Collective Investment Scheme) where funds are invested in a single vehicle which invests in investments.

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 December 2023				
Shares and other variable yield securities and units in unit trusts	420	-	-	420
Debt securities and other fixed income securities	-	-	-	-
Total	420	-	-	420

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

10. Debtors arising out of direct insurance operations

	2023
	$'000
Due from intermediaries (within one year)	2,127
	2,127

11. Debtors arising out of reinsurance operations

	2023
	$'000
Due from ceding insurers (within one year)	1,957
	1,957

12. Creditors arising out of direct insurance operations

	2023
	$'000
Direct Business - Intermediaries (within one year)	0
	0

13. Creditors arising out of reinsurance operations

	2023
	$'000
Reinsurance ceded (within one year)	3,102
	3,102

14. Cash and cash equivalents

	2023
	$'000
Cash at bank and in hand	857
Shares and other variable yield securities and units in unit trusts	420
	1,277

15. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

16. Related parties

The ultimate parent company of Asta Managing Agency Ltd is Tennessee Topco Limited following the acquisition of Asta Capital Ltd by the Davies Group Limited on the 13th July 2022.

Asta provides services and support to Syndicate 1322 in its capacity as Managing Agent. During the year, managing agency fees of $423,346 were charged to the Syndicate. Asta also recharged $1,860,982 worth of service charges in the year and as at 31 December 2023 an amount of $213,745 was owed to Asta in respect of this service.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on an arms length basis.

17. Disclosure of interests

Managing Agent's interest

During 2023 Asta was the Managing Agent for twelve Syndicates, one Special Purpose Arrangements and five Syndicates in a Box. Syndicates 1322, 1609, 1699, 1892, 1985, 1988, 2288, 2525, 2689, 2786, 4242 and 4747 as well as Special Purpose Arrangements 1416 and Syndicates in a Box 1796, 1902, 2880, 3456 and 5183 were managed on behalf of third party capital providers.

On 1 January 2024, Asta took on the management of Syndicate in a box 1922

On 1 January 2024, Asta reinsured to close Syndicate 2288 into Renaissance Re Syndicate 1458

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking several ancillary roles for other clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

18. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' 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 has regard to 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 is 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 members' FAL to meet liquidity requirements or to settle losses.

19. Off-balance sheet items

The Syndicate has not been party to an arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

20. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members' capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Syndicate Board, its committees and sub-committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta Managing Agency Ltd board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

The Syndicate board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. The Syndicate board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

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

Risk management continued

Although 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 only respectively, not at Syndicate level. Accordingly the capital requirement in respect of 1322 is not disclosed in these financial statements.

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 are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the members' share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the members' capital requirement, known as 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. The capital uplift applied for 2023 was 35% of the members' SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the members' share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members' balances reported on the statement of financial position on page 16, represent future distributions required from members at the reporting date.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Risk management continued

The Syndicate purchases reinsurance as part of its risk mitigation programme. The Syndicate's reinsurance program is predominantly covered by a whole account, non-proportional risk attaching during policy which covers the calendar year. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Sub-committees of the Syndicate board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk. The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate board.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an un-modelled event are greater than those arising from a modelled event.

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Risk management continued

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

5% move in loss ratio would be a $0.1m impact on P&L.

	2023
Gross	**$'000**
Five percent increase in claim liabilities	108
Five percent decrease in claim liabilities	(108)
Net	
Five percent increase in claim liabilities	65
Five percent decrease in claim liabilities	(65)

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

Underwriting year	**2023**
	$'000
Estimate of cumulative gross claims incurred:	
At end of first underwriting year	2,151
Less cumulative gross paid	0
Liability for gross outstanding claims	2,151
Total gross outstanding claims (all years)	2,151

Risk management continued

Underwriting year	2023
	$'000
Estimate of cumulative net claims incurred:	
At end of first underwriting year	1,290
Less cumulative net paid	0
Liability for net outstanding claims	1,290
Total net outstanding claims (all years)	1,290

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee, a sub-committee of the Syndicate Board.

Risk management continued

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross.

2023	**$'000**			
	Neither past due nor impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	420	-	-	420
Reinsurers share of claims outstanding	861	-	-	861
Debtors arising out of direct insurance operations	2,127	-	-	2,127
Other debtors	8,992	-	-	8,992
Cash and cash equivalents	857	-	-	857
Total	13,257	-	-	13,257

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2023 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

2023				**$'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	420	-	-	-	420
Reinsurers share of claims outstanding	-	-	861	-	-	-	861
Cash and cash equivalents	-	-	857	-	-	-	857
Total	-	-	2,138	-	-	-	2,138

Risk management continued

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

2) Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations.

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities**.** Repayments which are subject to notice are treated as if notice were to be given immediately.

2023			**$'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Creditors	-	3,102	23	0	0	3,125
Claims Outstanding	-	527	778	374	472	2,151
Total	-	3,629	801	374	472	5,276

3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

Risk management continued

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Syndicate's functional currency is USD and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro and GBP. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

2023

	GBP	**USD**	**EUR**	**Total**
Total Assets	515	12,496	246	13,257
Total Liabilities	(469)	(12,433)	(244)	(13,146)
Net Assets	46	63	2	111

The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates.

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar, and Euro simultaneously. The analysis is based on the information as at 31st December 2023.

Impact on profit and members' balance

	2023 **$'000**
Sterling weakens	
10% against other currencies	7
20% against other currencies	13
Sterling strengthens	
10% against other currencies	(7)
20% against other currencies	(13)

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Risk management continued

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

21. Post balance sheet events

There are no post balance sheet events to disclose.