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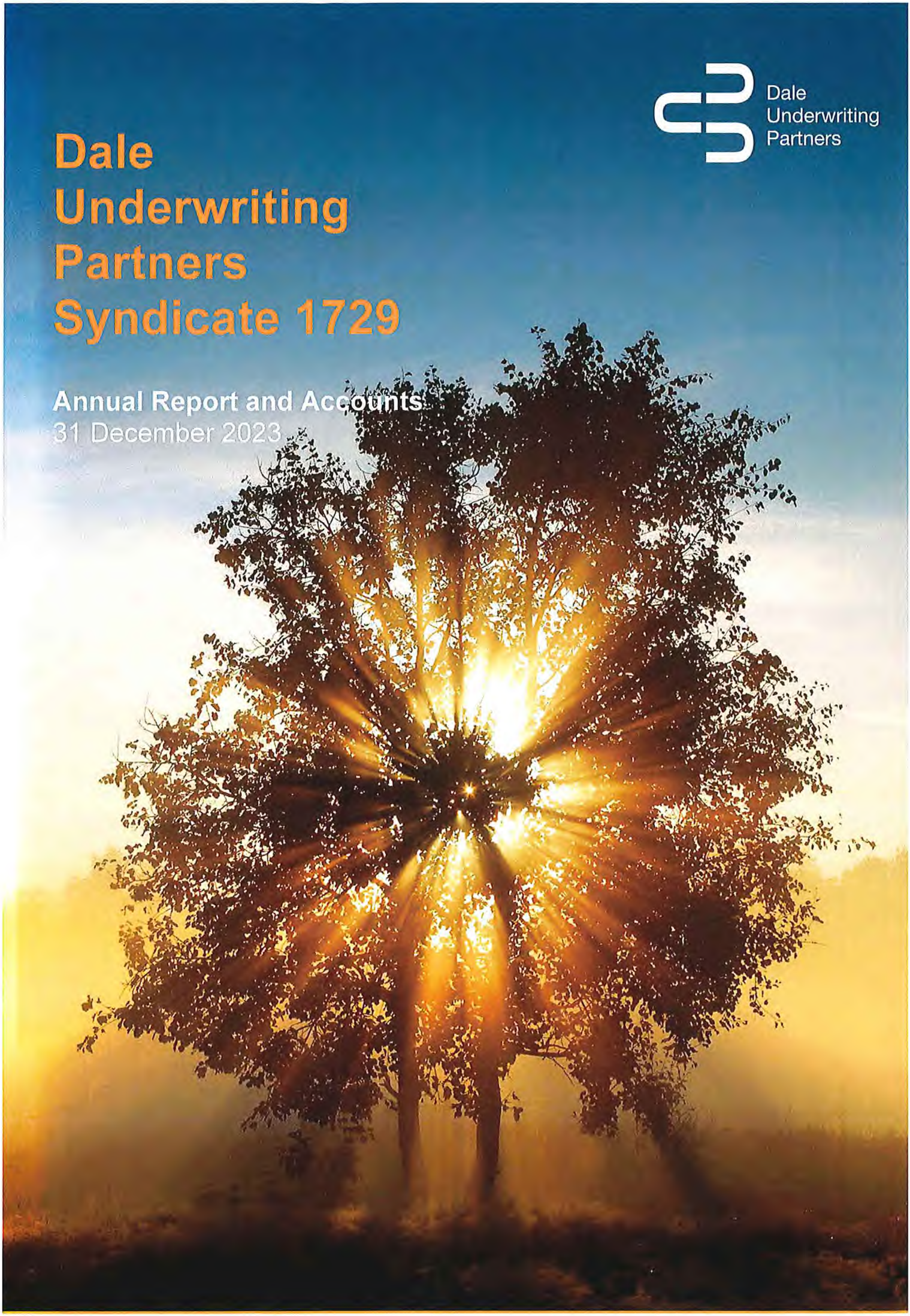
Dale Underwriting Partners

Dale Underwriting Partners Syndicate 1729

Annual Report and Accounts
31 December 2023



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Directors and Administration

Managing Agent

Dale Managing Agency Limited

Directors

J P Hastings-Bass (Chairman)*
D H Dale
A Grant*
C N Griffiths
J W Hume*
C A McCarthy
H R McKinlay*
D G Peters

Non Executive Directors*

Company Secretary

C Chow

Managing Agent's Registered Office

6 Bevis Marks
London
EC3A 7BA

Managing Agent's Registered Number

13526063

Active Underwriter

D G Peters

Bankers

Barclays Plc
Citibank NA
RBC Dexia

Investment Manager

Conning Asset Management Ltd

Registered Auditors and Signing Actuary

Ernst & Young LLP

Active Underwriter's Report

2023 at a glance

2023 has been a significant year for Dale Underwriting Partners with the strategic alliance of CVC who became majority shareholder at the end of 2023. This followed the 2022 milestone approval for Dale Managing Agency Limited with effect from 1st October 2022.

With these major developments our team have continued to make huge efforts to deliver positive momentum in our operating results. Revenues remained strong and market conditions continued to improve in our focused classes of business and the market and environment has fundamentally shifted due to a number of factors which will be explained in more detail in the report.

We have recorded a healthy profit for the financial year of $49.9m. The vast majority of our business is written in US Dollars and we set our functional currency accordingly and during 2023 we also amended our presentation currency to US Dollars (from GBP). Under Accounting Standard FRS102, all income statement transactions are booked using transactional rates of exchange and revalued at the closing rate of exchange. In the past, reporting in GBP led to large currency translation movements which were excluded from the combined ratio calculation. Moving to reporting these accounts in US dollars has removed such movements.

Key metrics:

2023 result:	**$49.9m Profit**
2023 combined ratio*:	**88.8%**
2021 YOA closing result:	**$1.5m Profit**
2022 YOA forecast:	**$6.7m Profit**
S1729 Capacity	**$445m (£350m) for 2024 YOA**

*The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned.

Calendar Yr GWP by class

Stamp Capacity

The Stamp capacity for 2024 is $445m as we continue to build the business in positive market conditions. We are very grateful for the support we have received from all involved in the lifetime of the syndicate and look forward to providing healthy returns over the long term.

Our philosophy has always been to focus on profit rather than top line growth. We did not grow aggressively during the downward part of the cycle and have maintained strong underwriting discipline throughout. With market conditions now more attractive we are very well placed to deliver a highly profitable plan.

We underwrite across eight key lines of business, Property Open Market, Property Facilities, Casualty, Healthcare, Property Reinsurance, Marine Reinsurance, Specialty Insurance, and Upstream Energy & Liability. Within our sector we have seen compounded rate increases, a continued tightening of terms and conditions, a growing demand for reinsurance, premium growth from volume and pricing, and commensurate opportunities. We have exceeded our predicted rate increases across areas and for the 2023 year of account are ahead of plan with a whole account risk adjusted rate change of 12.8% compared to original SBF of 4%. There have been accumulative rate increases of 8.1% in 2019, 10.8% in 2020, 10.1% in 2021 and 8.6% in 2022.

Dale has a strong brand within the Lloyd's market, and we are extremely well supported by our brokers and clients. Our plan is to remain focussed on classes we know well and where we have established franchise value in the market. We are a recognised lead underwriting presence in Casualty, Property Open Market and Specialty Insurance. For the 2023 year we embedded an experienced Marine Treaty leadership team who have exceeded plan and established themselves strongly into the business.

The current RARC assumptions in the 2024 plans are 4.4% rate increases with environment being the best encountered during the life of the syndicate.

Industry Themes

Major industry themes over the last few years continue in our segment of the industry, including multiple headwinds including but not limited to, natural catastrophe loss activity, high inflation, economic downturn, climate change, geopolitical tensions, and rising loss costs.

Inflation

Inflation remained a key topic of focus in 2023. In 2020 the Syndicate set up an Emerging Trends Working Group to help consider impact, claims mitigations and strategies, particularly relating to reserving and the topic of inflation including impact to pricing approach.

The majority of Casualty risks are experienced rated, normally with 10+ years of data (but with a minimum of 5 years) where historic claims are developed to settlement using a minimum inflation factor which was increased in 2022. Alongside this we have reduced our exposure to awards made coverages, which are more vulnerable to social inflation and unpredictable jury verdicts as well as limiting and reducing the number of multi-year contracts we write.

Within our Property Insurance portfolio generally allowances for inflation are implicit in the priced loss ratios as most accounts are exposure rated on insured values which are increased annually to allow for inflation. The implicit assumed rate is less material as claims develop faster and there is less time for inflation to diverge significantly from underwriter view. However, higher factors have been used in the calculation of values for accounts written, to reflect current inflation levels. The review and interrogation of valuation methodology is embedded within the underwriting process to ensure accurate calculation of replacement cost values. This is then benchmarked across accounts of a similar nature and geography, and then compared against industry data for minimum per square foot construction costs. If this analysis highlights serious concerns over the valuation reported the account will either be declined or a clause will be utilised to protect our interests, such as a values limitation clause or an average clause. Most of the declarations written under binding authorities will have a co-insurance clause.

Events and Natural Catastrophe losses

Global economic losses reached $380 billion in 2023. This marks the fourth year in a row that insured losses surpassed $100 billion and highlights a 69% protection gap.

Gallagher Re has estimated 2023 natural catastrophe insured losses at $123bn, again at elevated levels relative to historic averages, driven mainly by an unprecedented impact from severe convective storm activity in the US which exceeded $60bn in damages alone.

Other international losses included events in Italy, windstorm Ciaran in France, flood losses in New Zealand, flood and wildfire losses in Greece. There was a major earthquake in Turkey and Hurricane Otis in Mexico and our sympathies go to all those impacted by these devastating events.

The Property Reinsurance market saw a structural reset in terms and conditions, attachment level and pricing during 2023. There remain nuanced conditions across the market, reflecting continued uncertainty impacted by macroeconomic and geopolitical realities as well as reset loss expectations. The market has remained disciplined given concerns about loss cost inflation, interest rate impacts on balance sheet strength, and other market uncertainty. Trends in Casualty were often cedant dependent and subject to individual loss experience, underlying rate adequacy, and mix of business driven.

Our largest individual loss in 2023 emanated from the Upstream Energy portfolio - a fire broke out at the Nohoch platform, situated in the Cantarell Field, Campeche, Offshore Mexico (known as Pemex). The Space market also had poor experience during 2023 often attaching to 2022 policies.

Other Developments

During 2023 the Underwriting team has been strengthened with hires in our Property Insurance and Specialty Insurance teams alongside our entry into Marine Treaty which has been very well received, and all of whom have had an exceptionally strong start since joining Dale.

There has also been significant progress in broadening our Data and MI function alongside all the significant enhancements across both first line and second line teams following approval of our Managing Agency. The governance and compliance, risk, finance and actuarial functions all continue to provide strong dedicated support to our underwriting teams.

For 2024 we have recruited a Marine Liability specialist who started in January to enhance our Upstream Energy offering, and a new Head of Group Underwriting Operations will be joining us in April as we continue to invest in talent to build our business.

We remain focused on the Lloyd's broker distribution channel and are working hard with our brokers to generate new, profitable business opportunities to the Lloyd's market.

Year of Account Commentary

Closed Years (2014 to 2021)

During 2023 there has been a deterioration on discontinued business of $7.9m, which was largely offset by improvements on other lines and strong investment income, leading to an overall deterioration of $1.3m for the closed years.

Active Underwriter's Report - continued

2022 and 2023 Year of Account

2022 saw a continuation of an improving market across lines in terms of rate and pricing adequacy. The rate change across the syndicate was 8.6%. The headlines for 2023 as highlighted include writing a marine treaty portfolio and we grew all classes within the business except for US Cat Reinsurance where we significantly re-shaped the portfolio and where there has been a much-required fundamental market shift in terms of attachment, structure and rate. Now that there has been credibility of evidence of a fundamental shift, we will be able to develop our broader Property Reinsurance proposition in 2024.

We had a 33% pre-emption for 2023 with stamp growing from $267m (2022) to $356m (2023) and are on track to reach $413m GWP, though with a re-allocation of income across classes from original SBF.

ESG

Within the business everyone is increasingly aware of the role that we can play as individuals and collectively as a business to ensure we work in an environmentally and socially responsible way. Our clients, colleagues, investors and regulators expect us to conduct business in a way that reduces our environmental impact, promotes social change and helps us to be responsible corporate citizens.

We have committed to key principles which will help to inform our behaviour, attitude and long-term underwriting strategies. We have an upstream Energy account whose clients are at the forefront of the transition to clean energy and can confirm that we currently have no known exposure to coal, oil sands or new arctic exploration.

We aim to minimise our environmental impact and carbon emissions through energy efficiency in our operations and reducing our need for business travel. Although we will continue to do required travel by air we commit to carbon off-setting our journeys. We are also committed to improving our local communities for young people by providing charitable donations where they are most needed. We also enable our staff to devote time to participate in volunteering and mentoring programmes.

We continue to play an active role in engaging in Lloyd's "Insuring the transition" roadmap amongst engagement on a number of LMA panels including the newly formed LMA Chief Underwriting Officer Committee.

The Dale team would like to record their thanks to all who have supported and helped to develop our business. Our patience and continuous focus on underwriting discipline, together with resolute commitment to generate appropriate returns to our capital providers from areas of business in which we possess deep expertise is beginning to bear fruit, and we hope will continue for many years to come. Although we appreciate the capital structure and support of the business has changed for 2024 we are truly grateful for the support of our business and the outcome of 2023 is looking extremely positive.

Finally on behalf of the Executive team, I would like to thank all Dale colleagues for their hard work, passion and expertise in building our company. The recent CVC closing is a significant step in the future development of the business and is the fruition of building the business in tough market conditions. Our expanded team across underwriting and operations means we are very well-placed to embrace the increased opportunities and achieve our strategic goals.

D G Peters – February 2024

Managing Agent's Report

The Syndicate has been managed by Dale Managing Agency Limited, a company registered in England and Wales, since 1st October 2022. Prior to that date, the Syndicate was managed by Asta Managing Agency Limited.

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").

With effect from 1 January 2021, the presentational currency of the Syndicate changed from Sterling to US dollars. This is to align the presentation of the report and accounts with the functional currency of the Syndicate and to align with the way that the business of the Syndicate is managed.

Results

The result for the calendar year 2023 is a profit of $49.9m (2022 restated: profit $5.3m).

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.

During 2023 we agreed to change our presentational currency to USD, in line with our functional currency. This was agreed due to the fact that the majority of our premium is written in USD and converting to GBP for reporting can lead to profits/losses in respect of currency conversions.

Principal activity and review of the business

The Syndicate's principal activity continues to be the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The Syndicate writes predominately casualty and property insurance, primarily in the United Kingdom. The 2018 year of account saw the introduction of the Specialty Insurance class of business. This class was subject to a 60% quota share reinsurance with the Syndicate's Special Purpose Arrangement 6131 ("SPA 6131") up until, and including, the 2021 year of account. It is the intention, at the closure of this last year of account for the SPA, to RITC into this Syndicate.

A full review is included in the Active Underwriter's Report.

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

	2023	Restated 2022
	$'000	$'000
Casualty	104,345	111,079
Property Open Market	124,666	96,352
Property Reinsurance	54,370	47,959
Marine Reinsurance	17,893	-
Specialty Insurance	25,490	30,292
Property Facilities	36,319	28,343
Property Insurance *	-	172
Energy	15,451	9,607
	378,534	323,804

* The Property Insurance class has now been split into Property Open Market and Property Facilities classes.

Managing Agent's Report continued

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

	2023 $'000	Restated 2022 $'000	Change %
Gross written premiums	378,534	323,804	16.9%
Profit for the financial year	49,947	5,263	849.0%
Combined ratio	88.8%	95.7%	6.9%

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

The return on capacity for the 2021 closed year of account at 31 December 2023 is shown below together with forecasts for the two open years of account.

	Restated 2021 YOA Closed	Restated 2022 YOA Open	2023 YOA Open
Capacity* ($'000)	234,874	266,557	355,128
Result/Forecast** ($'000)	1,530	6,717	57,717
Return on capacity (%)	0.7%	2.5%	16.3%

* For the purpose of calculating return on capacity, the GBP capacity figures have been converted to USD at the year-end rate of exchange
** 2022 & 2023 YOA forecasts are unaudited

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Managing Agency as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Managing Agency Risk & Compliance Committee meets at least quarterly to oversee the risk management framework. The Risk & Compliance Committee, 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 (pricing risk) 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 Managing Agency Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Managing Agency Board then monitors performance against the business plan through the year. Reserve adequacy, including adequate provision for inflation, is monitored through quarterly review by the Reserving Committee and Dale Actuarial team.

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 Managing Agency Board's policy is that the Syndicate will only reinsure with 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.

Managing Agent's Report continued

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. 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 Board.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

In addition, an Investment Committee which reports to the Managing Agency Audit Committee and the Managing Agency Board ensures that the Syndicate's investment portfolio is managed by the external investment manager in accordance with the Syndicate's risk appetite and to guidelines as approved by the Board. Our investment managers attend these committee meetings to give us their insight on current and expected market conditions, giving their suggestions for managing our portfolio through volatility.

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 Managing Agency Risk & Compliance Committee and Managing Agency Board reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place. The Syndicate also has the option of a cash call from Capital providers.

The Syndicate has in place an overdraft facility and also has in place a line of credit with Barclays Bank.

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 the use of an operational risk and control framework, detailed procedures manual, thorough training programmes and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk

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, particularly in respect of US situs business. The Agency has a Compliance Officer who manages a function that monitor business activity and regulatory developments to assess any effects on the Agency. The impact of current heightened sanctions around the Ukraine/ Russia situation are being monitored, the effect to the Syndicate at this stage is minimal.

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its customer risk through a suite of risk indicators and reporting metrics as part of its documented customer risk framework. Dale Managing Agency Ltd is committed to protecting the best interests of customers at all times. Conduct management measures are employed to provide assurance that products and services provide good customer outcomes. The Board oversee a suite of risk indicators and reporting metrics while the Underwriting Committee provides customer challenge. A non-executive Director fulfils the role of Consumer Duty Champion.

Group / strategic risk

This 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).
These risks are mitigated through diversification of our capital base and key stakeholders.

Future developments

The Syndicate will continue to transact the current classes of general direct insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

The capacity for the 2024 year of account is $445m (2023 year of account $355m) – capacity figures have been converted from GBP to USD at year end rates of exchange.

The Directors of the Managing Agent have assessed the Syndicate's ability to continue as a going concern by considering the available capital 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.

Environmental, Social and Governance (ESG)

The Managing Agency has had an ESG Forum in place since 2021. The Forum includes representation from all functions and works to identify ESG priorities and connect ESG considerations across the business. During 2023 the Dale Risk Management team (in collaboration with the business) produced an ESG strategy document. This document is constantly under review but will be fully reviewed and refreshed annually. The Syndicate has been offsetting all corporate air travel since 2021 and are currently completing an audit to ascertain our complete carbon footprint. We are working with Alectro who will help us to understand our business footprint. They partner with UNFCCC's Climate Neutral Now initiative, and it is hoped that we will achieve net zero certification through them during 2024.

Climate change

The Managing Agency has built a climate change framework, covering the physical, transition and liability climate change risks, based on the underlying business written by the syndicate. We 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.

A measure for climate change exposure within insurance risk appetites has been implemented to highlight where time and resource is most required in order to manage the potential exposure and successfully steer portfolios through global changes. The Syndicate has identified the level of climate change exposure in its business plans and will manage this accordingly, with the ability to change the level of risk being taken in future and thereby amend the oversight and monitoring framework.

The framework ensures Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing the agency's financial risks associated with climate change. The Syndicate Active Underwriter, who is a Board member, is responsible for the climate change framework, including identifying and managing financial climate related risks.

Managing Agent's Report continued

Coronavirus

The total expected loss for this event has deteriorated slightly during 2023. The gross position has increased whilst the recoveries have remained broadly unchanged. The losses from this event continue to sit within our initial ranges.

Ukraine/ Russia Invasion

We reported this event within our accounts last year. At the time, the event was still developing, but was noted by the directors as an event that would increase risk and uncertainty globally in the foreseeable future.

At the time of completing these accounts, the situation is sadly still ongoing, and the Directors are continuing to monitor developments. Losses arising from this event are not expected to be material to the Syndicate, and our reserves have not changed during the year.

The wider subject of sanctions and potential loss of business arising from this situation are being monitored but are not currently having a material impact to the Syndicate.

Inflation

This has been a particular area of focus for the Directors during 2023. This topic has been growing in importance, driven by the prolonged heightened inflationary environment. Concerns have been raised regarding the impact of inflation on reserve strength across the market.

Inflation is defined as a sustained increase in the general price levels of goods and services in an economy over a period of time. In the context of insurance, claims inflation is the change in the expected claims cost level (indemnity and fees) of a like for like policy in an economy over time.

Throughout 2023 we have been reviewing the impact of inflation on our current reserves. We have reviewed actual and forecast inflation by territory based on data from the OECD. For the Managing Agency specifically the majority of our business is exposed to the US, where inflation levels did not reach the same levels as the UK, and where inflation has started to fall.

Back in 2020 the Syndicate set up an Emerging Trends Working Group to help consider impact claims mitigations and strategies, particularly relating to Reserving. The topic of inflation has been a key agenda item for this Group since its inception.

Managing Agent's Report continued

Directors

Details of the Directors of the Managing Agent that were serving at the year end and up to the date of signing of the Syndicate's annual accounts are provided on page 1. Changes to directors from the last report were as follows:-

C N Griffiths	Appointed 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.

Auditors

The Managing Agent intends to reappoint Ernst & Young 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 before 28 April 2024.

On behalf of the Board

D H Dale
Director
27 February 2024

Statement of Managing Agent's responsibilities

The managing agent is responsible for preparing the Syndicate annual 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 Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate annual accounts 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 Syndicate annual accounts, 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 annual accounts may differ from legislation in other jurisdictions.

Independent auditor's report

Independent auditor's report to the members of Dale Underwriting Partners Syndicate 1729

Opinion

We have audited the syndicate annual accounts of syndicate 1729 ('the syndicate') for the year ended 31 December 2023 which comprise the Income Statement, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 accounts 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 accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, 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 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.

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 12 months from when the syndicate annual accounts 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Independent auditor's report continued

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this 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 accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion 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 in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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 material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 12, the managing agent is responsible for the preparation of the syndicate annual accounts 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 the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

Independent auditor's report continued

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing, as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's 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 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 accounts.

Explanation as to what extent 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 irregularities, including fraud. 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP). Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk & Compliance Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

Independent auditor's report continued

- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with 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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27 February 2024

Income statement

Technical account - General business

For the year ended 31 December 2023

	Notes	2023 $'000	Restated 2022 $'000
Gross premiums written	3	378,534	323,804
Outward reinsurance premiums		(45,477)	(48,774)
Net written premiums		333,057	275,030
Change in the provision for unearned premiums			
Gross amount		(29,077)	(29,024)
Reinsurers' share		952	(4,591)
Change in the net provision for unearned premiums	4	(28,125)	(33,615)
Earned premiums, net of reinsurance		304,932	241,415
Allocated investment return transferred from the non-technical account		14,579	(2,828)
Claims paid			
Gross amount		(168,437)	(121,252)
Reinsurers' share		36,504	40,804
		(131,933)	(80,448)
Changes in claims outstanding			
Gross amount		(25,133)	(83,775)
Reinsurers' share		(21,269)	7,507
Change in the net provision for claims	4	(46,402)	(76,268)
Claims incurred, net of reinsurance		(178,335)	(156,716)
Net operating expenses	5	(92,320)	(74,242)
Balance on technical account – general business		48,856	7,629

All the 2022 comparatives have been restated to align with the updated presentational currency of US Dollars. See note 1 (Basis of preparation).

Income statement continued

Non-technical account - General business

For the year ended 31 December 2023

	Notes	2023 $'000	Restated 2022 $'000
Balance on technical account – general business		48,856	7,629
Investment income	9	14,579	(2,828)
Allocated investment return transferred to the general business technical account		(14,579)	2,828
Exchange gains/(loss)		1,091	(2,366)
Profit for the financial year		49,947	5,263

All the amounts above are in respect of continuing operations.

The notes on pages 22 to 47 form part of these financial statements.

There is no other comprehensive income or expense not already reported in the Income Statement, thus no Statement of Comprehensive Income has been prepared.

Statement of changes in Members' balances

For the year ended 31 December 2023

	2023 $'000	Restated 2022 $'000
At 1 January	(8,559)	(8,395)
Total profit for the financial year	49,947	5,263
Members' agent's fees	(551)	(327)
Other non-standard expenses	(2)	3
Disbursement to members' personal reserve funds	(1,331)	(5,103)
At 31 December	39,504	(8,559)

Statement of financial position

As at 31 December 2023

	Notes	2023 $'000	Restated 2022 $'000
Assets			
Investments			
Financial investments	10	323,121	209,903
Deposits with ceding undertakings		285	25
		323,406	209,928
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	20,051	18,960
Claims outstanding	4	64,968	86,188
		85,019	105,148
Debtors			
Debtors arising out of direct insurance operations	11	52,492	66,079
Debtors arising out of reinsurance operations	12	78,396	62,349
Other debtors		3,761	3,095
		134,649	131,523
Cash and other assets			
Cash at bank and in hand	16	7,878	19,005
Other assets	15	15,800	13,247
		23,678	32,252
Prepayments and accrued income			
Deferred acquisition costs	4	43,748	33,559
Other prepayments and accrued income		6,252	4,696
		50,000	38,255
Total assets		616,752	517,106

The notes on pages 22 to 47 form part of these financial statements.

Statement of financial position continued

As at 31 December 2023

	Notes	2023 $'000	Restated 2022 $'000
Members' balance and liabilities			
Capital and reserves			
Members' balances		39,504	(8,559)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	164,133	133,494
Claims outstanding	4	368,826	341,747
		532,959	475,241
Creditors			
Creditors arising out of direct insurance operations	13	2,897	7,452
Creditors arising out of reinsurance operations	14	40,571	42,248
		43,468	49,700
Accruals and deferred income		821	724
Total liabilities		577,248	525,665
Total members' balances and liabilities		616,752	517,106

The notes on pages 22 to 47 form part of these financial statements.

The financial statements on pages 17 to 21 were approved by board of directors on 26 February 2024 and were signed on its behalf by:

C A McCarthy
Finance Director
27 February 2024

Statement of cash flows

For the year ended 31 December 2023

	Notes	2023 $'000	Restated 2022 $'000
Cash flows from operating activities			
Profit on ordinary activities		49,947	5,263
Increase in gross technical provisions		57,718	108,483
Decrease/(Increase) in reinsurers' share of gross technical provisions		20,129	(2,555)
(Increase) in debtors		(3,126)	(10,107)
(Decrease)/Increase in creditors		(6,232)	2,476
Movement in other assets/liabilities		(14,203)	(10,106)
Foreign exchange (loss)/profit		(1,431)	1,587
Investment return		(14,579)	2,828
Net cash inflows from operating activities		88,223	97,869
Cash flows from investing activities			
Purchase of financial investments		(137,639)	(105,858)
Sale of financial instruments		42,677	72,498
Investment income received		11,115	740
(Increase)/Decrease in deposits with ceding undertakings		(259)	351
Net cash (outflows) from investing activities		(84,106)	(32,269)
Cash flows from financing activities			
Collection from members' personal reserve funds		(1,330)	(5,103)
Members' agents fee advances		(551)	(324)
Net cash (outflows) from financing activities		(1,881)	(5,427)
Net Increase in cash and cash equivalents		2,236	60,173
Cash and cash equivalents at beginning of year		75,446	15,756
Exchange differences on opening cash		849	(483)
Cash and cash equivalents at end of year	16	78,531	75,446

Notes to the financial statements

For the year ended 31 December 2023

1. Basis of preparation

Statement of compliance

The Syndicate's annual accounts have been prepared in compliance with regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102, the financial reporting standard applicable in the United Kingdom and the Republic of Ireland (FRS 102) and Financial Reporting Standard 103, Insurance Contracts, United Kingdom accounting standard (FRS 103), 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 Syndicate's annual accounts are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

During the year, the presentational currency for the Syndicate has been changed from Sterling to US dollars which is the functional currency of the Syndicate. All numbers are 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.

The Directors of the managing agent have prepared the Syndicate's annual accounts on the basis that the Syndicate will continue to write future business. The ability of the Syndicate to meets its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. Funds at Lloyd's are explained further in note 19.

The Directors of the Managing Agent have assessed the Syndicate's ability to continue as a going concern by considering the available capital 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.

Changes in presentational currency

With effect from 1 January 2023, the presentational currency of the Syndicate changed from Sterling to US dollars.

This is to align the presentation of the report and accounts with the functional currency of the Syndicate and to align with the way that the business of the Syndicate is managed. The Directors believe that the presentation currency change will give stakeholders a clearer understanding of the Syndicate's financial performance and financial position over time. As a result, the 2022 comparative information throughout the Syndicate's annual accounts has been restated to align with the updated presentational currency of US dollars. Previously:

• Assets and liabilities were translated from US dollars to Sterling at the closing rate of exchange. This rate was 1.2 as at 31 December 2022;

• The income statement was translated from US dollars to Sterling at the transactional rate of exchange; and

• Currency translation differences of £5.1m for the year ended 31 December 2022 were recognised in the statement of comprehensive income and statement of changes in member's balances. As a result of the change in presentational currency to US dollars, there is no other comprehensive income or expense not already reported in the restated income statement.

2. Accounting policies

Use of estimates

In the preparation of the Syndicate's annual accounts, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the accounts, and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Significant items subject to such estimates and assumptions include:

(i) provision for claims outstanding (refer to claims incurred accounting policy).

(ii) estimates of future premium for binder contracts (refer to gross premiums accounting policy).

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 annual accounts.

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, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences.

Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Other key estimates contained within the syndicate close process are premium estimates and the earning pattern of recognising premium over the life of the contract. In the syndicate the premium written is initially based on the estimated premium income ('EPI') of each contract. Where premium is sourced through binders, the binder EPI is pro-rated across the binder period. This is done on a straight-line basis. The underwriters adjust their EPI estimates as the year of account matures. As the year of account closes premiums are adjusted to match the actual signed premium. An accrual for estimated future reinstatement premiums is retained. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. They are recognised on the date on which the policy commences.

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 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.

The Syndicate supplies loss funds to Third Party Agents to facilitate the speedy settlement of claims. All of the loss funds utilise the LMA TPA contract which outline the necessary process for the handling and management of the loss fund. Loss funds are recorded against claims paid and deducted from the IBNR calculation.

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.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Reinsurance to close (RITC)

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

The reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all prior years of account reinsured therein.

The reinsurance to close contract transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year and prior years to the Names on the next open year in so far as they have not been provided for in these accounts. It gives the Names on the next open year the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts. The reinsurance to close is treated as the extinguishment of the related net insurance liabilities for the closed underwriting year.

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 insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Accounting policies continued

Unexpired risks

A provision for unexpired risks is made where claims and related expenses 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 31 December 2023 and 31 December 2022 the Syndicate did not have an 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 advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

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 or 2022.

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 derecognition criteria for financial assets have been met.

Bad Debt

Bad debts for provided for only where specific information is available to suggest a debtor may be unable to unwilling to settle its debt to the Syndicate. The provision is calculated on a case-by-case basis.

Accounting policies continued

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.

Foreign currencies

The Syndicate's functional and presentational currency is USD. It's reporting currency is GBP for reporting to Lloyd's.

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.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

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	2022 Year End
USD	1.27	1.20
CAD	1.68	1.63
EUR	1.15	1.13
JPY	179.75	158.71

Financial liabilities

The Syndicate's financial liabilities include trade and other payables, borrowings and insurance payables, where applicable. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or expires.

Financial investments

The Syndicate classifies its financial investments as either financial assets at fair value through profit or loss, loans and receivables or available for sale. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as fair value through profit or loss as the Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

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.

Accounting policies continued

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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.

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'.

Profit commission

Profit commission is charged by the Managing Agent at a rate of 17.5% on the profit on a year of account basis subject to a 2 year deficit clause. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

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

Certain expenses incurred by the Managing Agent or Service Company (Dale Syndicate Services Limited) may be apportioned to the Syndicate using an agreed allocation matrix.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market deposits with banks.

Accounting policies continued

Overseas Deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain territories. They are recorded at market value taken from statements provided by Lloyd's.

Members' Balances

Members' balances represent Syndicate profits or losses attributable to Members net of any early releases to Members or cash calls received from Members.

Collateral

The Syndicate receives and pledges collateral in the form of cash or non-cash assets in respect of reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Syndicate receives collateral depends on an assessment of the credit risk of the counterparty. All collateral received and held in trust by third parties is not recognised in the statement of financial position, unless the counterparty defaults on its obligations under the relevant agreement.

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	Gross operating expenses	Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Direct insurance						
Accident & Health	13,322	13,654	(4,018)	(3,191)	(635)	5,810
Motor (third-party liability)	995	882	(80)	(518)	(346)	(62)
Motor (other classes)	8,745	11,037	(7,753)	(2,823)	(1,403)	(942)
Marine aviation and transport	4,947	5,047	(5,485)	(1,257)	(682)	(2,377)
Fire and other damage to property	149,536	131,820	(59,964)	(34,741)	(14,388)	22,727
Third-party liability	106,264	97,592	(33,530)	(25,375)	(6,084)	32,603
Miscellaneous	29,720	25,901	(29,352)	(6,765)	(2,720)	(12,936)
	313,529	285,933	(140,182)	(74,670)	(26,258)	44,823
Reinsurance	65,005	63,524	(53,388)	(18,132)	(2,550)	(10,546)
Total	378,534	349,457	(193,570)	(92,802)	(28,808)	34,277

Restated 2022	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Direct insurance						
Accident & Health	6,159	5,684	(2,922)	(1,709)	(236)	817
Motor (third-party liability)	1,262	1,035	(225)	(341)	(11)	458
Motor (other classes)	15,252	13,293	(9,933)	(3,153)	(36)	171
Marine aviation and transport	2,878	2,982	(2,293)	(318)	(125)	246
Fire and other damage to property	90,680	81,369	(58,933)	(21,585)	142	993
Third-party liability	65,629	58,358	(35,379)	(17,425)	(2,142)	3,412
Miscellaneous	14,178	12,033	(10,218)	(3,231)	(1,420)	(2,836)
	196,038	174,754	(119,903)	(47,762)	(3,828)	3,261
Reinsurance	127,766	120,026	(85,124)	(28,766)	1,060	7,196
Total	323,804	294,780	(205,027)	(76,528)	(2,768)	10,457

Segmental analysis continued

Commissions on direct insurance gross premiums earned during 2023 were $59.7m (2022 restated: $40.2m).

The main class included in Miscellaneous in the table is Pecuniary Loss. The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation.

All premiums were concluded in the UK.

Gross operating expenses are different to net operating expenses shown in the income statement by $0.5m as commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2023.

4. Technical provisions

	2023 Gross provisions $'000	2023 Reinsurance assets $'000	2023 Net $'000	Restated 2022 Gross provisions $'000	Restated 2022 Reinsurance assets $'000	Restated 2022 Net $'000
Claims outstanding						
Balance at 1 January	341,747	(86,188)	255,559	261,673	(78,973)	182,700
Change in claims outstanding	25,133	21,269	46,402	83,775	(7,507)	76,268
Effect of movements in exchange rates	1,946	(49)	1,897	(3,701)	292	(3,409)
Balance at 31 December	**368,826**	**(64,968)**	**303,858**	**341,747**	**(86,188)**	**255,559**
Claims notified	146,639	(30,139)	116,500	127,397	(23,098)	104,299
Claims incurred but not reported	222,187	(34,829)	187,358	214,350	(63,090)	151,260
Balance at 31 December	**368,826**	**(64,968)**	**303,858**	**341,747**	**(86,188)**	**255,559**
Unearned premiums						
Balance at 1 January	133,494	(18,960)	114,534	105,085	(23,621)	81,464
Change in unearned premiums	29,077	(952)	28,125	29,024	4,591	33,615
Effect of movements in exchange rates	1,562	(139)	1,423	(615)	70	(545)
Balance at 31 December	**164,133**	**(20,051)**	**144,082**	**133,494**	**(18,960)**	**114,534**
Deferred acquisition costs						
Balance at 1 January	33,559	-	33,559	25,538	-	25,538
Change in deferred acquisition costs (Note 5)	8,721	-	8,721	7,987	-	7,987
Effect of movements in exchange rates	1,468	-	1,468	34	-	34
Balance at 31 December	**43,748**	**-**	**43,748**	**33,559**	**-**	**33,559**

5. Net operating expenses

	2023	Restated 2022
	$'000	$'000
Acquisition costs	(92,826)	(74,984)
Change in deferred acquisition costs	8,721	7,987
Administration expenses	(8,697)	(9,531)
Reinsurance Commissions	482	2,286
Net operating expenses	(92,320)	(74,242)

Members' standard personal expenses amounting to $5.4m (2022 restated: $4.1m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions and Managing Agency fees. It is the Syndicate's policy to defer admin expenses.

6. Staff costs

The Syndicate and it's Managing Agent have no employees. Dale Syndicate Services Limited (the Service Company) hires employees and recharges the cost to the Syndicate. The following amounts were recharged to the Syndicate in respect of salary and related costs.

	2023	Restated 2022
	$'000	$'000
Wages and salaries	(15,032)	(12,519)
Social security costs	(2,127)	(1,642)
Other pension costs	(1,693)	(1,333)
	(18,852)	(15,494)

The average number of employees working during the year for the Syndicate were as follows:

	2023	2022
Administration and finance	38	35
Underwriting	41	34
Claims	7	5
	86	74

7. Auditor's remuneration

	2023	Restated 2022
	$'000	$'000
Audit of the Syndicate annual accounts	(64)	(46)
Other services pursuant to Regulations and Lloyd's Byelaws	(344)	(243)
Other non-audit services	(99)	(87)
	(507)	(376)

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

8. Emoluments of the Directors of Dale Managing Agency Ltd

The aggregate emoluments of the directors and staff of the Managing Agency are paid by the service company, Dale Syndicate Services Limited. These costs are then recharged to either Syndicate 1729 or Dale Managing Agency Limited, according to an agreed allocation basis.

The emoluments and benefits of the directors of the Managing Agency, charged through to Syndicate 1729 during 2023 were:

	2023	Restated 2022
	$'000	$'000
Executive Directors		
- Remuneration	1,534	1,732
- Pension contributions	26	5
	1,560	1,737

Number of directors that are members of a defined contribution scheme: 3

Highest paid director	2023	Restated 2022
	$000	$'000
The emoluments of the highest paid director were:		
- Aggregate emoluments and benefits (excluding any amounts in respect of contributions to pension schemes)	659	916
- Amounts in respect of contributions to Pension schemes	-	-
	659	916

9. Investment return

	2023	Restated 2022
	$'000	$'000
Income from other financial investments	10,642	2,587
Net gains/(losses) on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	644	(1,719)
Total investment income	11,286	868
Net unrealised gains/(losses) on investments		
- Fair value through profit or loss designated upon initial recognition	3,464	(3,568)
Investment expenses and charges	(171)	(128)
Total investment return	14,579	(2,828)

10. Financial investments

	2023		
	Carrying value	Purchase price	Listed
	$'000	$'000	$'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	73,520	73,520	73,520
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	249,601	246,126	251,350
	323,121	319,646	324,870

	Restated 2022		
	Carrying value	Purchase price	Listed
	$'000	$'000	$'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	59,150	59,150	59,150
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	150,753	154,290	155,389
	209,903	213,440	214,539

Financial investments continued

Amounts included within Shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These have the attributes of a cash instrument with the carrying value and purchase price being the same.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period.

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	-	70,653	2,867	73,520
Debt securities and other fixed income securities	-	249,601	-	249,601
Overseas deposits	1,466	14,334	-	15,800
Total	1,466	334,588	2,867	338,921

	Level 1	Level 2	Level 3	Total
Restated	$'000	$'000	$'000	$'000
31 December 2022				
Shares and other variable yield securities and units in unit trusts	-	56,441	2,709	59,150
Debt securities and other fixed income securities	-	150,753	-	150,753
Overseas deposits	1,068	12,179	-	13,247
Total	1,068	219,373	2,709	223,150

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, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are loans provided by the Syndicate to the Lloyd's Central Fund and are carried at fair value using information provided by Lloyd's. These instruments are not tradeable and their valuation includes significant unobservable inputs.

Financial investments continued

Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

11. Debtors arising out of direct insurance operations

	2023	Restated 2022
	$'000	$'000
Due from intermediaries (within one year)	52,492	66,079
	52,492	66,079

12. Debtors arising out of reinsurance operations

	2023	Restated 2022
	$'000	$'000
Due from ceding insurers (within one year)	74,681	58,922
Due from ceding insurers (after one year)	3,715	3,427
	78,396	62,349

13. Creditors arising out of direct insurance operations

	2023	Restated 2022
	$'000	$'000
Due to intermediaries (within one year)	2,897	7,452
	2,897	7,452

14. Creditors arising out of reinsurance operations

	2023	Restated 2022
	$'000	$'000
Due to intermediaries:		
Reinsurance accepted (within one year)	3,907	2,481
Reinsurance ceded (within one year)	31,817	31,944
Reinsurance ceded (after one year)	4,847	7,823
	40,571	42,248

15. Other assets

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

16. Cash and cash equivalents

	2023	Restated 2022
	$'000	$'000
Cash at bank and in hand	7,878	19,005
Shares and other variable yield securities and units in unit trusts	73,520	59,150
	81,398	78,155
Syndicate loan to central fund	(2,867)	(2,709)
	78,531	75,446

Shares and other variable yield securities and units in unit trusts are investments in nature but are treated as Cash and cash equivalents for cash flow purposes, so therefore are included in both Financial investments and Cash and cash equivalents.

17. Related parties

From 1 October 2022, Dale Managing Agency Limited (DMAL) became the Managing Agent for Syndicate 1729 and received $2.2m in respect of Managing Agency fees during 2023 (2022 - $0.5m). At the year-end date a balance of $0.2m was due from DMAL to the Syndicate.

Dale Partners Limited (DPL), a company registered in England and Wales, is the parent company of the Dale Group. Dale Syndicate Services Limited (DSSL), a company registered in England and Wales, is a service company within that Group, set up to provide services to Syndicate 1729 and SPA 6131. It is the employing company of all staff who work for the Syndicate and Managing Agency. Expenses amounting to $25.2m were recharged by DSSL to the Syndicate during 2023. At the year-end date a balance of $3.5m was due from DSSL to the Syndicate.

18. Disclosure of interests

Managing Agent's interest

From the 1st October 2022, the Managing Agent changed from Asta to Dale Managing Agency who is the managing agent for Syndicate 1729 and Special Purpose Arrangement 6131.

19. 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 annual accounts 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. Refer to note 21 for further details.

20. Off-balance sheet items

The Syndicate has a $20.0m (2022: $20.0m) letter of credit facility with Barclays Bank PLC, of which $nil was utilised at year end (2022: $10.0m).

21. 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.

The Managing Agency maintains a risk management function for the Syndicate with clear terms of reference from the Board, its committees and sub committees. The Syndicate policy framework sets its risk management and control and business conduct standards for operations. Dale reviews and monitors each policy to ensure compliance.

The 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 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 compliance with Solvency II capital requirements and to meet its own financial strength, licence and ratings objectives.

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only. Therefore, the capital requirement in respect of Syndicate 1729 is not disclosed in these financial statements.

Lloyd's capital setting process

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. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. The capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR is determined by the sum of the member's 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 member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's rather than 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 member's SCR 'to ultimate'.

Provision of capital by members

Each member must 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 member's 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 20, represent resources available to meet members' and Lloyd's capital requirements.

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. Market factors, such as inflation and pricing adequacy, need to be sufficiently taken account of in order to help mitigate this risk.

The Syndicate purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to single risk and catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory. 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 Managing Agency board oversee the management of reserve 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 determined by the Managing Agency 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 unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following tables show hypothetical claims arising out of the Realistic Disaster Scenario (RDS) on the Syndicates in-force exposure at 31 December 2023.

Risk management continued

AEP Losses

The AEP losses are probabilistic modelled losses for the Syndicate's critical catastrophe peril regions and overall natural catastrophe risk assessment at the 1/30 return period, using an AEP view (AEP = aggregate exceedance probability, i.e. all events in a simulated year as opposed to the single largest, Occurrence EP).

	Estimated Gross loss	Estimated Net loss
	$'000	$'000
AEP Loss 30 Year Return Period - Whole World	(126,260)	(71,285)
AEP loss 30 Year Return Period - North Atlantic Windstorm	(90,607)	(51,633)
AEP loss 30 Year Return Period - North American Earthquake (US and Canada)	(29,451)	(20,001)

RDS losses which are deterministic events

	Estimated Gross loss	Estimated Net loss
	$'000	$'000
Alternative Scenario A - Katrina/Maria WS (two events)	(100,117)	(51,236)
Gulf of Mexico Windstorm	(148,659)	(49,101)
California Earthquake - Los Angeles	(62,833)	(31,043)
Loss of Major Complex	(56,551)	(23,738)
Liability 1 - Medical Malpractice US	(29,985)	(18,757)

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, one-off occurrences, 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 including, but not limited to, the effect of inflation on future claim liabilities. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. 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 have been changed on an individual basis.

	2023 $'000	Restated 2022 $'000
Gross		
Five percent increase	18,441	17,087
Five percent decrease	(18,441)	(17,087)
Net		
Five percent increase	15,193	12,778
Five percent decrease	(15,193)	(12,778)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

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	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative gross claims incurred:										
At end of underwriting year	22,528	31,483	42,515	80,199	57,080	46,280	78,795	132,690	137,624	106,183
One year later	41,273	60,062	83,918	134,083	104,397	101,100	140,475	180,947	207,436	
Two years later	42,290	60,986	92,372	144,447	113,345	107,284	142,804	180,537		
Three years later	42,034	59,628	93,229	145,973	110,626	106,431	142,865			
Four years later	41,870	59,089	93,133	144,360	113,612	108,980				
Five years later	41,369	58,901	96,080	149,801	120,225					
Six years later	41,302	58,635	98,905	154,073						
Seven years later	40,119	61,346	102,205							
Eight years later	42,292	62,384								
Nine years later	41,635									
Less cumulative gross paid	(39,498)	(55,862)	(91,797)	(139,758)	(99,784)	(87,242)	(109,479)	(122,790)	(97,433)	(14,054)
Liability for gross outstanding claims	2,137	6,522	10,408	14,315	20,441	21,738	33,386	57,747	110,003	92,129
Total gross outstanding claims all years										368,826

Underwriting year	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Estimate of cumulative net claims incurred:										
At end of underwriting year	21,312	28,281	36,801	39,312	41,928	40,621	66,012	76,517	111,268	95,090
One year later	39,940	55,317	73,409	78,248	77,954	76,095	102,036	116,226	187,090	
Two years later	41,418	57,086	77,621	82,428	81,890	78,549	104,107	121,509		
Three years later	41,217	55,711	76,209	80,805	80,998	77,677	100,865			
Four years later	41,054	55,166	74,160	79,400	77,723	75,449				
Five years later	40,553	54,969	77,083	80,457	79,621					
Six years later	40,352	54,700	78,059	85,808						
Seven years later	41,476	56,203	82,914							
Eight years later	40,657	57,225								
Nine years later	40,657									
Less cumulative gross paid	(38,687)	(51,574)	(73,886)	(74,504)	(65,672)	(60,276)	(75,946)	(75,464)	(92,367)	(13,994)
Liability for net outstanding claims	1,970	5,651	9,028	11,304	13,949	15,173	24,919	46,045	94,723	81,096
Total net outstanding claims all years										303,858

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

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to honour their obligation. The following policy and procedure is in place to mitigate the Syndicate 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.

The table 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, before the effect of mitigation through collateral agreements and the use of credit derivatives.

As at the year end date, the Syndicate had Letters of Credits in place with some of it's reinsurers held as collateral amounting to $36.6m (2022 restated: $57.8m).

2023	$'000			
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	73,520	-	-	73,520
Debt Securities	249,601	-	-	249,601
Overseas Deposits	15,800	-	-	15,800
Deposits with ceding undertakings	285	-	-	285
Reinsurers share of claims outstanding	64,968	-	-	64,968
Debtors arising out of direct insurance operations	51,422	1,070	-	52,492
Debtors arising out of reinsurance operations	11,916	-	-	11,916
Other debtors	139,277	1,015	-	140,292
Cash and cash equivalents	7,878	-	-	7,878
Total	614,667	2,085	-	616,752

Risk management continued

Restated 2022		$'000		
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	59,150	-	-	59,150
Debt Securities	150,753	-	-	150,753
Overseas Deposits	13,247	-	-	13,247
Deposits with ceding undertakings	21	-	-	21
Reinsurers share of claims outstanding	86,188	-	-	86,188
Debtors arising out of direct insurance operations	65,485	593	-	66,078
Debtors arising out of reinsurance operations	10,606	-	-	10,606
Other debtors	111,295	758	-	112,053
Cash and cash equivalents	19,005	-	-	19,005
Total	515,750	1,351	-	517,101

Assets which are past due but not impaired have been in arrears for less than 3 months from the reporting date.

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	-	-	73,520	-	-	-	73,520
Debt Securities	-	62,397	178,582	8,622	-	-	249,601
Overseas Deposits	9,521	1,718	1,335	1,207	431	1,588	15,800
Deposits with ceding undertakings	-	-	285	-	-	-	285
Reinsurers share of claims outstanding	-	3,438	50,329	-	-	11,201	64,968
Debtors arising out of reinsurance operations	-	1,847	9,564	-	-	505	11,916
Cash and cash equivalents	-	-	7,878	-	-	-	7,878
Total	9,521	69,400	321,493	9,829	431	13,294	423,968

Restated 2022				$'000			
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	59,150	-	-	-	59,150
Debt Securities	10,255	51,270	79,489	9,739	-	-	150,753
Overseas Deposits	7,816	1,718	1,199	1,084	193	1,237	13,247
Deposits with ceding undertakings	-	-	21	-	-	-	21
Reinsurers share of claims outstanding	-	-	67,751	-	-	18,437	86,188
Debtor arising out of reinsurance operations	-	-	8,142	-	-	2,464	10,606
Cash and cash equivalents	-	-	19,005	-	-	-	19,005
Total	18,071	52,988	234,757	10,823	193	22,138	338,970

The Managing Agency Board's policy is that the Syndicate will only reinsure with approved reinsurers. The reinsurers' that are shown in the tables above are fully collateralised.

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. During the year, no credit exposure limits were exceeded.

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
Claims outstanding	-	125,738	126,182	56,394	60,512	368,826
Creditors	-	38,621	4,847	-	-	43,468
Total	-	164,359	131,029	56,394	60,512	412,294

Restated 2022			$'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	135,407	116,804	46,133	43,403	341,747
Creditors	-	41,877	7,822	-	-	49,699
Total	-	177,284	124,626	46,133	43,403	391,446

Risk management continued

3) Market risk

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 US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in EUR, JPY, GBP and CAD. 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				**$'000**		
	GBP	**USD**	**EUR**	**CAD**	**JPY**	**Total**
Total Assets	57,909	512,282	5,138	35,657	5,766	616,752
Total Liabilities	(46,881)	(497,439)	(14,727)	(14,048)	(4,153)	(577,248)
Net Assets	11,028	14,843	(9,589)	21,609	1,613	39,504

Restated 2022				**$'000**		
	GBP	**USD**	**EUR**	**CAD**	**JPY**	**Total**
Total Assets	60,092	414,616	8,288	29,780	4,329	517,105
Total Liabilities	(38,138)	(456,016)	(13,653)	(17,473)	(386)	(525,666)
Net Assets	21,954	(41,400)	(5,365)	12,307	3,943	(8,561)

The Syndicate matches its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies to protect the solvency of the Syndicate against variation in foreign exchange rates. In order to make settlements in a specific currency the Syndicate has the ability to utilise other currencies as required.

Sensitivity to changes in foreign exchange rates

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 USD, CAD, EUR and JPY simultaneously. The analysis is based on the information as at 31st December 2023.

	Impact on profit and member's balance	
		Restated
	2023	**2022**
	$'000	**$'000**
US Dollar weakens		
10% against other currencies	2,466	3,284
20% against other currencies	4,933	6,568
US Dollar strengthens		
10% against other currencies	(2,466)	(3,284)
20% against other currencies	(4,933)	(6,568)

Risk management continued

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. 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. Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balance of the effects of changes in interest rates on fixed rate financial assets and liabilities. This measures the impact on profit or loss for the year (for items at fair value through profit or loss) and on members' balance (for available for sale investments) that would arise from a reasonably possible change in interest rates at the reporting date on financial instruments at the period end.

	Impact on profit and member's balance	
		Restated
	2023	**2022**
	$'000	**$'000**
Interest Rate Risk		
Impact of 50 basis point increase on result	(2,066)	(1,254)
Impact of 50 basis point decrease on result	2,085	1,254
Impact of 50 basis point increase on net assets	(2,066)	(1,254)
Impact of 50 basis point decrease on net assets	2,085	1,254

The method used for deriving sensitivity information and significant variables did not change from the previous period.

22. Post balance sheet events

The Syndicate will distribute $1.2m to members in 2024, in relation to the 2021 year of account profits less member's agent fee.

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