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**CNA / HARDY**

**Hardy (Underwriting  
Agencies) Limited:  
Syndicate 382**

**2023 Annual Report and  
Financial Statements**

Specialist Insurance Solutions



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## **Directors and administration**

### **Managing agent**

Hardy (Underwriting Agencies) Limited

### **Executive directors**

P Hamer – resigned 30 November 2023

C Kearney

J Rehman

L Skeels – appointed 2 February 2024

D Stevens

### **Non-executive directors**

S Lindquist – appointed 30 November 2023

S Stone

R Thomson

S Wood

D Worman

### **Managing agent's registered office**

20 Fenchurch Street

London EC3M 3BY

### **Managing agent's registered number**

1264271

### **Active underwriter**

C Day

### **Bankers**

Citibank N.A.

Barclays Bank plc

### **Investment managers**

Goldman Sachs Asset Management International

### **Registered auditor**

Deloitte LLP

Statutory Auditor

London, United Kingdom

### **Reporting actuaries**

KPMG LLP

## Strategic report

### Introduction

The directors of Hardy (Underwriting Agencies) Limited (“HUA”) present their strategic report for Syndicate 382 for the year ended 31 December 2023. The audited financial statements are prepared in accordance with the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulation 2008 (“the Regulations”) and applicable Accounting Standards in the United Kingdom, including FRS 102 and FRS 103.

HUA is the managing agent for Syndicate 382 (“the Syndicate”) whose principal activity is underwriting general insurance and reinsurance business at Lloyd’s of London (“Lloyd’s”).

HUA is wholly owned by Hardy Underwriting Bermuda Limited (“HUB”) a Bermudian holding company. Hardy Underwriting Limited (“HUL”), another wholly owned subsidiary of HUB, is a corporate member at Lloyd’s and is the sole provider of underwriting capacity to Syndicate 382.

HUB is wholly owned by The Continental Corporation (“TCC”), a wholly owned subsidiary of CNA Financial Corporation (“CNAF”), which, in turn, is controlled by Loews Corporation (“Loews”). References to “CNA” in this report are to CNAF and its group undertakings.

CNA is the one of the largest commercial property and casualty insurance companies in the United States of America (“U.S.”). As of 31 December 2023, it has approximately 6,300 employees and its insurance products include commercial property and casualty coverages, including surety. CNA’s products and services are primarily marketed through independent agents, brokers and managing general underwriters to a wide variety of customers, including small, medium and large businesses, insurance companies, associations, professionals and other groups.

### Overview of results

The Syndicate reported a profit of £71.1 million in 2023 compared to a loss of £4.4 million in 2022. The calendar year combined ratio was 83.2% (2022: 97.3%). The profit in the Syndicate was driven by an underwriting profit of £46.3 million (2022: £6.3 million) and investment returns of £28.7 million (2022: loss of 14.6 million).

The Syndicate reported an increase in gross written premiums of 13.5% for the year to £364.4 million compared to £321.2 million for 2022. The increase was driven by strong retention and new business.

Net written premiums in 2023 of £296.7 million increased from the prior year of £265.1 million. An increase in ceded written premiums was recorded as a result of the increase in gross written premiums.

On a calendar year basis the net loss ratio of 56.1% represented a 10.9% improvement over the prior year ratio of 67.0% which was impacted by large loss activity in several lines.

The Syndicate shares its operating and management structure with other group companies, CNA Insurance Company Limited (“CICL”) and CNA Insurance Company (Europe) S.A. (“CICE”). All three operate under a combined operating platform with management and administrative services being provided by a service company, CNA Services (UK) Limited (“CNA Services”), an indirect subsidiary of CNAF. The Syndicate pays CNA Services, which employs all UK staff, a management fee for the provision of management and administration services.

Syndicate operating expenses are made up of commissions paid to brokers and general administrative expenses. In addition, HUA charged the Syndicate a fixed fee of 0.075% of allocated underwriting capacity.

The expense ratio for the year of 27.1% represented an improvement compared to the prior year ratio of 30.3%. This was driven mainly by premium growth and reduced acquisition costs.

The Syndicate transacts insurance business in five main settlement currencies (Pound sterling, Euro, US dollars, Canadian dollars and Japanese yen), and manages the currency mix of its assets to broadly match liabilities and mitigate the economic effects of exchange rate volatility. During the year the Syndicate recorded losses on foreign exchange of £5.1 million (2022: gain of £5.0 million).

## Strategic report - continued

### Key performance indicators

The Syndicate uses a range of key performance indicators (“KPIs”) to determine how well it is performing against its objectives and overall strategy.

The following KPIs are considered most relevant to measuring the Syndicate's performance in 2023. The loss ratio is derived by taking net claims incurred over net earned premiums. The expense ratio references operating expenses as a percentage of net earned premiums.

	2023 £m	2022 £m
Gross written premiums	364.4	321.2
Net written premiums	296.7	265.1
Profit/(loss) for the financial year	71.1	(4.4)
Loss ratio	56.1%	67.0%
Expense ratio	27.1%	30.3%
Combined ratio	83.2%	97.3%

### Financial position

#### Overview of financial position and capital requirements

HUL provides 100% of the underwriting capacity for the Syndicate. The underwriting capacity was £330.0 million for the 2021 and 2022 years of account and £380.0 million for the 2023 year of account. For the 2024 year of account, the total underwriting capacity is £380.0 million.

The Funds at Lloyd's ("FAL") of the Syndicate meets capital requirements determined using HUA's Solvency II internal model, which operates under requirements prescribed by Lloyd's and the Solvency II regime. The capital required by HUL to support the Syndicate's underwriting capacity is 85.7% of Syndicate capacity (2022: 77.4%).

The FAL requirement is partly provided by CICL and by Continental Casualty Company (“CCC”), members of the CNA group. These arrangements have been approved by the relevant regulatory authorities, including the Prudential Regulation Authority (“PRA”) and Lloyd's.

#### Investments

To the extent possible, cash flows in excess of operational requirements are re-invested in the Syndicate's investment portfolio. The Syndicate has in place processes to monitor operating cash flows which ensure that investment returns are maximised whilst maintaining adequate cash resources to meet operating expense and claim requirements.

The Syndicate's investment guidelines are regularly reviewed and, as part of this process, the duration of the investment portfolio is managed to closely match the duration of the Syndicate's underlying liabilities. The Syndicate continues to invest primarily in high grade corporate and government bonds in accordance with its stated investment strategy.

### Business operations

Underwriting staff, management and most support functions are located in the managing agent's head office in London. Additional support services are provided from offices in the UK regions.

The Syndicate's strategy is to underwrite business with a focus on gross underwriting profit and to purchase reinsurance where necessary to facilitate a meaningful line size or to protect against potential accumulations of exposure.

## Strategic report - continued

### Corporate governance

Ultimate responsibility for the Syndicate's affairs rests with HUA's Board of directors. The Board is responsible for approving the Syndicate's business plan and its strategies with regard to risk management. The Board provides leadership based on a framework of controls and risk management disciplines and sets the Syndicate's risk appetite. The Board also seeks to ensure compliance with all relevant internal and external regulations governing the Syndicate's activities. The Board meets quarterly and consists of executive directors, CNA non-executive directors and independent non-executive directors including an independent Chair.

The Board operates with three principal committees: an Audit Committee, a Risk Committee and an Underwriting Committee. Each committee has clear terms of reference for the matters for which it is responsible and reports to the Board. The Board, Audit Committee and Risk Committee are chaired by an independent non-executive director. The Underwriting Committee is chaired by the Chief Executive Officer. The corporate governance framework is reviewed and approved by the Board at least annually to ensure its continued effectiveness.

The business underwritten by the Syndicate is authorised and regulated by the PRA and by Lloyd's and is regulated by the Financial Conduct Authority ("FCA"). The Syndicate works closely with Lloyd's to ensure it is compliant with all legal and regulatory requirements.

The Syndicate is committed to ensuring that its strategy, leadership, decision making and control framework are all central to the reasonable expectations of, and reflect the fair treatment of, its policyholders.

### Principal risks and uncertainties

The Syndicate's appetite for accepting and managing risk is defined by the Board.

The Chief Actuary and Risk Officer has responsibility for ensuring an effective risk management process is in place, with assistance from the Risk Management function. The Company has developed a risk and control framework which is built on an Enterprise Risk Management ("ERM") model with each business unit responsible and accountable for aspects of risk management within their area.

The risk management framework includes the processes for identifying risks (including those emerging), an assessment of those risks, and the setting of tolerances for risks, as well as the modelling, monitoring and mitigating of risks. The scope of risks considered includes all internal and external risks that affect the Company whether quantifiable or not.

Set out below are the principal risks and uncertainties to which the Syndicate is exposed. Information regarding how the Syndicate manages risk, including group risk, is disclosed in Note 3 to these financial statements.

#### Strategic risk

Strategic risk is the potential impact on earnings or capital from risks combining to impact multiple lines of business, an incorrect strategy being set, improper business decisions, failure to execute plans or strategic ambitions, lack of responsiveness to industry changes and ill-disciplined growth in a soft market. Any event which would have an adverse impact to the reputation of the Syndicate would also rank as a strategic risk. Annual business plans are agreed by senior management and tracked against actual performance throughout the year.

## Strategic report - continued

### Principal risks and uncertainties - continued

#### Insurance risk

Insurance risk is the risk associated directly with the Syndicate's underwriting activities. This includes the risk associated with inaccurate or inadequate pricing of insurance policies, inappropriate or poorly controlled underwriting guidelines and authority limits, inadequate or inaccurate loss reserving, and unexpectedly high frequency or severity of claims experience.

The Syndicate has in place controls and governance processes designed to monitor its underwriting activities. These include, but are not limited to, the operation of the Underwriting Committee, Reserving Committee and Exposure and Catastrophe Management Group, the issuance of underwriting authority limits and guidelines, the extensive use of reinsurance, technical pricing models, and regular underwriting audits.

#### Financial risk – Credit, Market and Liquidity

Financial risk includes the risks associated with investment activities, credit, liquidity and foreign currency exchange. Investment risk includes the impact of market volatility on asset values associated with interest rate volatility. Other notable exposures are bond default risk (the risk that an issuer of a bond may be unable to make timely principal and interest payments) and reinsurer default risk (the risk that the Syndicate's reinsurers would be unable or unwilling to pay their share of reinsurer liabilities). Either may result in financial loss to the Syndicate.

The Syndicate manages investment risk through an Investment Group, responsible for establishing and maintaining an investment policy in line with the risk appetite of the Syndicate. In addition, the Group is responsible for the management of all investment asset risks, the selection of its investment manager and reviewing investment performance.

#### Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or from external events. Risks include those from IT related activities (including cyber), legal and regulatory, financial reporting and financial crime as well as those from operations, outsourcing and change.

The Syndicate has a business continuity plan and IT disaster recovery plan. There are appropriate business processes and relevant internal controls in place to mitigate operational risk.

#### Emerging risks

The Syndicate has processes in place to monitor and manage new and emerging risks associated both directly with its insurance activities and with the wider business and economic environment. The Syndicate also monitors potential emerging risks resulting from changes in the regulatory environment. Where appropriate, the Syndicate undertakes risk management activities to mitigate emerging risks.

Key emerging risks include those related to macroeconomic impacts and geopolitical risks. The Syndicate continues to monitor these risks and others that may emerge and considers them in relation to underwriting, reserving, business planning and investment activities.



## Strategic report - continued

### Climate change

The Company's Board of Directors ("the Board") is responsible for understanding and assessing the financial risks from climate change that affect the firm. The Board manages these risks through governance and review of the Company's activities led by the Risk Committee. The Risk Committee is in turn supported by an Environmental, Social and Governance ("ESG") Steering Committee which includes representatives from key senior leaders.

#### Risk management

The Board considers climate risks inherently embedded within all risks managed by the Syndicate, even if not listed explicitly in each risk category in this report. Climate risks are identified and assessed through the Company's Own Risk and Solvency Assessment ("ORSA") which is integrated into the Company's overall risk management framework. Through the ORSA the company considers the physical, liability and transition risks of climate change and considers scenario analysis based on the PRA's Climate Biennial Exploratory Scenario. In addition, the entity explicitly considers climate change within its Internal Capital Model.

#### Underwriting

The most significant exposure to climate-related financial risk is within the underwriting portfolio. In response to the increased loss potential arising from climate events, natural catastrophe risk exposure is carefully managed through portfolio management actions and the purchase of reinsurance protection. The Company has also continued to develop its' climate risk appetite and has implemented several actions aimed at managing the risk of climate change whilst continuing to support the needs of its policyholders as they carry out climate transition activities. The Syndicate actively participates in Lloyd's and Lloyd's Market Association activities with regards to climate change.

#### Investment Management

The Company has in place all of the components required to deliver on responsible investment strategies, including appetite, investment expertise, stewardship, ESG integration and reporting. The Company monitors the investment portfolio in the context of MSCI ESG ratings and it disposes of assets that are contrary to its sustainability strategy.

### Going concern

The Syndicate has risk management disciplines across its operations. In particular, the potential impacts of external conditions are continually assessed and mitigating actions are taken where appropriate. The Syndicate operates with a broad range of brokers, customers and other business contacts in different product lines and geographic areas. As a consequence, the directors believe that the Syndicate is well placed to manage its business risks successfully.

After making all relevant enquiries, the directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in Note 1 to the financial statements.

### Approval

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

J Rehman  
 Director  
 20 Fenchurch Street,  
 London EC3M 3BY  
 23 February 2024

## Report of the directors of the managing agent

The directors of HUA, the managing agent of Syndicate 382, present their report and audited financial statements for the year ended 31 December 2023.

### Directors

The directors who have held office in HUA since 1 January 2023 and up to the date of signing are as follows:

#### Executive directors

P Hamer – resigned 30 November 2023

C Kearney

J Rehman

L Skeels – appointed 2 February 2024

D Stevens

#### Non-executive directors

S Lindquist – appointed 30 November 2023

S Stone

R Thomson

S Wood

D Worman

### Statement of managing agent's responsibilities

HUA is responsible for preparing the Syndicate annual financial statements in accordance with applicable law and UK Generally Accepted Accounting Practice.

The Regulations require HUA to prepare Syndicate annual financial statements as at 31 December each year 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 financial statements, HUA is required to:

- select suitable accounting policies, which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the annual financial statements on the going concern basis unless it is inappropriate to presume that the Syndicate will continue in business.

The directors are responsible for keeping adequate accounting records which: disclose with reasonable accuracy at any time the financial position of the Syndicate; and enable it to ensure that the Syndicate annual financial statements comply with the Regulations. They are 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.

### Results

In 2023 the Syndicate reported a profit of £71.1 million (2022: loss of £4.4 million).

## Report of the directors of the managing agent - continued

### Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Under the Statutory Auditors Regulation 2017, the Syndicate is obligated to rotate audit firms after the 31 December 2023 year end. Consequently, Deloitte LLP will not continue in office as auditor of the Syndicate.

### Information included in strategic report

The Syndicate has chosen to set out the following information in the strategic report which would otherwise be contained in the report of the directors of the managing agent:

- information on the financial risk management objectives and policies;
- indication of the exposures to relevant key risks; and
- indication of likely future developments in the business of the Syndicate.

### Approval

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

J Rehman  
Director  
20 Fenchurch Street,  
London EC3M 3BY  
23 February 2024

## Independent Auditor's report to the member of Syndicate 382

### Report on the audit of the Syndicate annual financial statements

#### Opinion

In our opinion the syndicate annual financial statements of Syndicate 382 (the 'syndicate'):

- give a true and fair view of the state 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, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

- the profit and loss account – technical account
- the profit and loss account – non-technical account
- the statement of changes in member balances;
- the balance sheet;
- the statement of cash flows;
- the statement of accounting policies and
- the related notes 1 to 16.

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

#### Basis for opinion

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

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

#### Conclusions relating to going concern

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

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

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

## **Independent Auditor's report to the member of Syndicate 382 -**

continued

### **Other information**

The other information comprises the information included in the 2023 Annual Report and Financial Statements (the "annual report"), other than the syndicate annual financial statements and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

### **Responsibilities of managing agent**

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

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

### **Auditor's responsibilities for the audit of the syndicate annual financial statements**

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

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

## Independent Auditor's report to the member of Syndicate 382 -

continued

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

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

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

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

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

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

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our specific procedures performed to address it are described below:

- Technical provisions, and in particular IBNR, are a key area of management judgement, contain inherent uncertainty and are material to the syndicate. We pinpointed the significant risk within technical provisions to the methodology and assumptions utilised to derive the valuation of liabilities. We have focused our work on those specific lines of business which we have identified as presenting significant levels of risk to our audit, by virtue of size or complexity. We have understood the key controls over the reserving, including over the data used within the reserving, and have tested the design and implementation of those controls. We have engaged our actuarial specialist team to support us to test and challenge the key assumptions and methodology used by management in setting the IBNR.

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports, and reviewing correspondence with Lloyd's.

## Independent Auditor's report to the member of Syndicate 382 -

continued

### Report on other legal and regulatory requirements

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

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

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

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

#### Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

#### Use of our report

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

Mark McQueen ACA (Senior Statutory Auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
Deloitte LLP  
1 New Street Square  
London EC4A 3HQ

23 February 2024

## Profit and loss account - Technical account - General business

	Notes	2023 £'000	2022 £'000
Gross written premiums	4	364,447	321,160
Outward reinsurance premiums		(67,761)	(56,038)
<hr/>			
Premiums written, net of reinsurance		296,686	265,122
Change in provision for unearned premiums			
– gross amount		(25,221)	(27,925)
– reinsurers' share		3,721	(110)
<hr/>			
Earned premiums, net of reinsurance		275,186	237,087
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Claims paid			
– gross amount		153,500	134,474
– reinsurers' share		(38,942)	(12,639)
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Net claims paid		114,558	121,835
Change in the provision for claims:			
– gross amount		32,421	96,776
– reinsurers' share		7,330	(59,685)
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Change in the net provision for claims		39,751	37,091
Claims incurred, net of reinsurance		154,309	158,926
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Net operating expenses	6	74,627	71,818
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<b>Balance on the technical account for general business</b>		<b>46,250</b>	<b>6,343</b>

The Notes 1 to 16 form an integral part of these financial statements.



## Profit and loss account - Non-technical account

Notes	2023 £'000	2022 £'000
<b>Balance on the technical account for general business</b>	<b>46,250</b>	6,343
Income from investments	<b>16,268</b>	7,091
Gains on the realisation of investments	<b>45</b>	232
Losses on the realisation of investments	<b>(1,461)</b>	(1,583)
Unrealised gains on investments	<b>4,980</b>	(245)
Unrealised losses on investments	<b>9,119</b>	(19,844)
Investment expenses and charges	<b>(265)</b>	(275)
Investment return	<b>28,686</b>	(14,624)
Foreign exchange differences	<b>(5,082)</b>	5,078
Other income/(expenses)	<b>1,254</b>	(1,212)
<b>Profit/(loss) for the financial year</b>	<b>71,108</b>	(4,415)

All the amounts above are in respect of continuing operations.

There are no recognised gains and losses in the year other than those dealt with in the technical and non-technical accounts and therefore a statement of total recognised gains or losses has not been prepared.

The Notes 1 to 16 form an integral part of these financial statements.

## Statement of changes in member balances

	2023 £'000	2022 £'000
<b>Balance at start of year</b>	<b>898</b>	8,571
<b>Total comprehensive profit/(loss) for the year</b>		
Profit/(loss) for the financial year	<b>71,108</b>	(4,415)
Transactions with member, recorded directly in member balances:	<b>72,006</b>	4,156
- Distribution of distribution of closed year profits	<b>(12,543)</b>	(3,258)
<b>Balance at end of year</b>	<b>59,463</b>	898

The Notes 1 to 16 form an integral part of these financial statements.

## Balance sheet

Assets	Notes	2023 £'000	2022 £'000
Investments - other financial investments	9	479,962	420,019
Deposits with ceding undertakings		1,496	1,270
Reinsurers' share of provision for unearned premiums	13	24,444	22,430
Reinsurers' share of claims outstanding	13	153,010	165,482
Reinsurers' share of technical provisions		177,454	187,912
Debtors arising out of direct insurance operations	10	110,967	107,748
Debtors arising out of reinsurance operations		19,943	4,570
Other debtors	11	24,370	15,587
Debtors – amounts falling due within one year		155,280	127,905
Debtors arising out of direct insurance operations	10	48	10
Debtors arising out of reinsurance operations		1,726	705
Debtors – amounts falling due after one year		1,774	715
Cash at bank and in hand		26,347	23,308
Overseas deposits	12	58,602	59,843
Other assets		84,949	83,151
Accrued interest		3,466	2,635
Deferred acquisition costs		34,501	30,210
Prepayments and other accrued income		2	-
Prepayments and accrued income		37,969	32,845
<b>Total assets</b>		<b>938,884</b>	<b>853,817</b>

The Notes 1 to 16 form an integral part of these financial statements.

**Balance sheet** - continued

Liabilities	Notes	2023 £'000	2022 £'000
Members balances		59,463	898
Provision for unearned premiums	13	189,022	171,057
Claims outstanding	13	641,906	631,136
Technical provisions		830,928	802,193
Creditors arising out of direct insurance operations		1,102	1,679
Creditors arising out of reinsurance operations		36,745	37,797
Other creditors	14	7,347	7,314
Creditors – amounts falling due within one year		45,194	46,790
Creditors arising out of direct insurance operations		2	-
Creditors – amounts falling after one year		2	-
Reinsurers' share of deferred acquisition costs		3,211	3,731
Accruals and deferred income		86	205
Other payables		3,297	3,936
<b>Total liabilities</b>		<b>938,884</b>	<b>853,817</b>

The Notes 1 to 16 form an integral part of these financial statements.

These financial statements were approved by the Board of directors of HUA on 23 February 2024 and signed on its behalf by:

D Stevens  
Director

## Statement of cash flows

### Reconciliation of operating profit to net cash outflows from/(used in) operating activities

	2023 £'000	2022 £'000
<b>Operating activities</b>		
Profit/(loss) for the financial year	71,108	(4,415)
Adjustments for:		
Investment income	(28,686)	14,624
Change in fair value of financial investments	4,770	3,900
Effect of exchange rate changes on financial investments	14,933	(30,260)
Change in deferred acquisition costs	(4,811)	(6,779)
Change in reinsurance assets	10,458	(70,762)
Change in insurance liabilities	28,735	172,105
Change in other assets	(28,026)	(11,876)
Change in other liabilities	(1,713)	7,770
<b>Net cash flows from operating activities</b>	<b>66,768</b>	<b>74,307</b>
<b>Investing activities</b>		
Purchase of debt securities and other fixed income securities	(115,195)	(194,513)
Purchase of shares and other variable yield securities	-	(6)
Proceeds from sale of debt securities and other fixed income securities	45,808	106,240
Proceeds from sale of shares and other variable yield securities	1,287	-
Interest and dividends received	16,202	7,215
Other	(226)	2,583
<b>Net cash flows used in investing activities</b>	<b>(52,124)</b>	<b>(78,481)</b>
<b>Net transfers to the member in respect of underwriting participations</b>	<b>(12,543)</b>	<b>(3,258)</b>
Net increase/(decrease) in cash and cash equivalents	2,101	(7,432)
Cash and cash equivalents at 1 January	23,308	29,802
Effect of foreign exchange rate fluctuations on cash and cash equivalents	938	938
<b>Cash and cash equivalents at 31 December</b>	<b>26,347</b>	<b>23,308</b>

The Notes 1 to 16 form an integral part of these financial statements.

## Notes to the financial statements

### 1. Accounting policies

#### Basis of accounting

The financial statements are prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulation 2008 and applicable Accounting Standards in the UK, including Financial Reporting Standard 102 ("FRS 102") and Financial Reporting Standard 103 ("FRS 103"). The financial statements are prepared under the historical cost accounting rules as modified by the revaluation of investments.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

#### Basis of preparation

The Syndicate's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business operations and Future development paragraphs, which form part of the Strategic report.

The directors have a reasonable expectation that the Syndicate and HUA have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details can be found on page 7 of the strategic report.

#### Disclosure exemption

The Syndicate is included in the consolidated financial statements of CNAF, a company incorporated in the United States of America, whose consolidated financial statements are publicly available at <https://investor-relations.cna.com/financial/latest-financials/default.aspx>. Consequently, the Syndicate has taken advantage of the disclosure exemptions available in Section 33 for FRS 102 in respect of transactions with wholly owned subsidiaries.

#### Foreign currencies

Foreign currency transactions are converted to the presentational and functional currency of the Syndicate (Pound sterling) using the prevailing exchange rate. Assets and liabilities denominated in foreign currency are revalued to functional currency at year end exchange rates. Income statement items denominated in foreign currency are booked using the prior month's closing rate. The resultant differences are recognised as foreign exchange differences in the technical account.

#### Basis of accounting for underwriting activities

Contracts are classified at inception, for accounting purposes, as either insurance contracts or investment contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to pay benefits that were significantly greater than the premium received. Such contracts may also transfer financial risk. Investment contracts are contracts that carry financial risk with no significant insurance risk. The Syndicate has not issued any investments contracts in the current or prior year.

#### Premiums

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made to premiums written in prior accounting periods. Premiums written on a Losses Occurring During ("LOD") basis are recognised in the month of inception of the policy. Premiums written on a Risk Attaching During ("RAD") basis are spread between the inception and expiry date of the policy. Premiums are shown gross of brokerage payable and exclude UK taxes and duties levied on them. In addition, premiums are shown net of premium discounts and certain other deductions. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Outward reinsurance premiums comprise premiums on reinsurance contracts incepted during the financial year as well as adjustments made to reinsurance premiums from previous accounting periods. The amount due, but not paid, is included in insurance and reinsurance debtors in the balance sheet.

## Notes to the financial statements - continued

### 1. Accounting policies - continued

#### Unearned premiums

Premiums written are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired period of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

#### Claims incurred

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for claims outstanding and settlement expenses, including claims incurred but not reported ("IBNR"), net of salvage and subrogation recoveries.

Outward reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inward reinsurance business being reinsured.

#### Claims outstanding and related reinsurance recoveries

Provision is made for undiscounted claims outstanding and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims IBNR at that date. Included in the provision is an estimate of the internal and external costs of handling the claims outstanding. Estimated salvage and other recoveries are deducted from claims outstanding, if material.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where there is more available information about the claim event. In calculating IBNR, the Syndicate uses a variety of estimation techniques. These are largely based on actuarial analysis of historical experience, which assumes the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses, including catastrophes; and
- movements in industry benchmarks.

Large claims are generally assessed separately by each business class, being measured on a case by case basis, to allow for the possible distortive impact of the development and incidence of the large claims.

When calculating the provision for claims outstanding, the Syndicate selects an estimation technique taking into account the individual characteristics of each business class.

Reinsurance recoveries are based upon the provision for claims outstanding, having due regard to collectability. Reinsurance recoveries in respect of estimated IBNR are assumed to be consistent with historical patterns of such recoveries, adjusted to reflect any changes in the nature and extent of the Syndicate's reinsurance programme over time and with consideration given to recoveries implied by the Syndicate's internal model. The recoverability of reinsurance is assessed having regard to market data on the financial strength of each reinsurer.

The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and the directors therefore consider that its provisions for claims outstanding and related reinsurance recoveries are fairly stated. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Any adjustment made to amounts for claims provisions in respect of prior years is included in the Technical account within the financial statements of the period when such adjustment is made.

## Notes to the financial statements - continued

### 1. Accounting policies - continued

#### Unexpired risk provision (“URP”)

A provision is made where expected claims and expenses on insurance contracts exceed the related unearned premiums, net of related deferred acquisition costs. A URP is offset against surpluses where business classes are managed together. A URP is only made if an aggregate deficit arises. At 31 December 2023, the Syndicate has an unexpired risks provision of £3.3 million (2022: £3.9 million) which is included within the claims outstanding liability on the balance sheet.

#### Deferred acquisition costs

Acquisition costs comprise the direct expenses of concluding insurance contracts written during the financial year. Acquisition costs are deferred and amortised over a period equivalent to that over which the underlying business is underwritten, and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date. The Syndicate defers only those acquisition costs which are directly related to the conclusion of insurance contracts as calculated separately for each class of business.

#### Liability adequacy test

At each reporting date an assessment is made to determine whether recognised insurance liabilities are adequate. If that assessment shows that the carrying amount of insurance liabilities (less related acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is recognised in the profit and loss account as an impairment of any associated deferred acquisition costs and, where these are fully depleted, via the provision for unexpired risks. The adequacy of the provision for unexpired risks is calculated separately by reference to classes of business that are managed together, after taking into account relevant investment return.

#### Investment return

All investment return is recognised in the non-technical account.

Investment income comprises interest and dividends and realised gains and losses on investments. Interest is recognised on an accrual basis and dividends are included on an ex-dividend basis.

Realised gains or losses represent the difference between the net sales proceeds and purchase price.

Interest payable and expenses incurred in the management of investments are accounted for on an accrual basis.

Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price. The movement in unrealised gains and losses therefore includes the reversal of previously recognised unrealised gains and losses on investments disposed of in the current year.

#### Tax

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 deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to the member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

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

## Notes to the financial statements - continued

### 1. Accounting policies - continued

#### Investments

The Syndicate designates financial assets upon initial recognition as “fair value through profit and loss” on the basis that the Syndicate manages and evaluates the performance of its investment portfolio on a fair value basis in accordance with its investment strategy.

These financial assets are initially recognised at fair value with any transaction costs being expensed through the profit and loss account. For quoted investments where there is an active market, the fair value is the quoted bid price at the balance sheet date. For quoted investments where there is no active market, the fair value is determined by reference to prices for similar assets in active markets.

Realised and unrealised gains and losses arising from changes in the fair value of financial assets are included in the profit and loss account in the period in which they arise. The changes in value of an individual holding are classified within gains or losses on the basis of whether its current fair value reflects a gain or loss position.

#### Cash and cash equivalents

Cash and cash equivalents represent cash balances, money market deposits and other short-term highly liquid investments purchased within three months of maturity.

#### Deposits with ceding undertakings

Cash deposited with any ceding undertakings to provide liquidity to cover insurance liabilities remain the property of the Syndicate and are valued at fair value.

#### Insurance and other debtors

Insurance and other receivables are recognised at fair value less any provision for impairment. Any impairment of a receivable will be recognised if there is evidence that the syndicate will not be able to collect the amounts receivable according to the original terms of the receivable.

#### Other liabilities

Other liabilities, including payables arising from insurance contracts, creditors and deposits received from reinsurers, are initially measured at cost, which is equal to fair value, net of transaction costs.



## Notes to the financial statements - continued

### 2. Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Critical accounting judgements and key sources of estimation uncertainty in applying accounting policies are continually evaluated for appropriateness. Actual results may differ from these estimates.

#### Estimates

Estimates are regularly reviewed and any revisions to accounting estimates are recognised in the period in which the revision has occurred.

#### Outstanding claims provisions and related reinsurance recoveries

The Syndicate's estimates for reported and unreported losses and the resulting provisions and related reinsurance recoverables are continually monitored and updated based on the latest available information. Adjustments resulting from updated reviews are reflected in the profit and loss account. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. The estimation of claims provisions is a complex process, however, and significant uncertainty exists as to the ultimate settlement of these liabilities.

The most critical estimate included within the Syndicate's balance sheet is the estimate for losses incurred but not reported ("IBNR") – both gross and reinsurers' share. This estimate is critical as it outlines the current liability for future expenses expected to be incurred in relation to claims and related recoveries from reinsurers. The total estimate as at 31 December 2023 is £409.8 million (2022: £396.7 million) and is included within technical provisions in the balance sheet. The estimate for reinsurers' share of IBNR is £107.5 million (2022: £130.1 million).

The Syndicate's estimate for unallocated loss adjustment expenses is based on an actuarial study at 31 December 2023 and was £6.6 million (2022: £7.3 million).

A significant portion of the Syndicate's reserves relate to long-tailed liability classes of business, being those for which claims typically take longer to be reported and settled. This increases the uncertainty of the corresponding reserve estimates. For example, such liabilities are generally impacted more materially by claims inflation, since there is a greater period of time for which such inflationary uncertainty might have an effect.

#### Gross written premiums

Gross written premium includes a key estimate for pipeline premiums together with adjustments to premiums written in prior accounting periods. Written premiums include pipeline premiums calculated using actuarial projection techniques on the key assumption that historical development is representative of future development. In the Syndicate, written premium is initially based on the estimated premium income ("EPI") of each contract, adjusted by actuarial projection techniques where appropriate. EPI is adjusted as the year of account matures. Premiums are earned on a straight-line basis over the life of each contract.

#### Critical accounting judgements

There are no critical accounting judgements other than judgements in relation to key sources of estimation uncertainty.

## Notes to the financial statements - continued

### 3. Risk management

The Syndicate operates an extensive risk management system to manage and monitor its risks within the overall governance framework set by the Board. The narrative below describes how the principal risks of the Syndicate are managed.

#### Risk statement

The Syndicate considers risk management to be fundamental to good management practice and a significant aspect of corporate governance. Effective management of risk provides an essential contribution towards the achievement of the Syndicate's strategic and operational objectives and goals.

The Board of HUA owns risk management within the Syndicate, and communicates its risk strategy through a risk appetite statement. The Board is also responsible for ensuring that the Syndicate's Internal Model is embedded in the operation of its business and that the model is used to improve both the understanding of risk and the quality of the decision making at all levels across the business.

Risk management is an integral part of the Syndicate's decision-making and routine management, and is incorporated within the strategic and operational planning processes at all levels across the business. Employees are expected to manage risk as defined through their roles. This ensures that an assessment of risk remains central to decision-making.

#### Capital management

The capital position is managed to take account of the Syndicate's long term needs and particularly of the underwriting cycle, since the variability of the Syndicate's exposures at different points in the cycle is critical. The Board's strategy is to ensure capital adequacy in accordance with commercial and regulatory requirements.

The Syndicate's corporate member is required to hold capital at Lloyd's which is held in trust in FAL. The amount of capital required to be provided as FAL for the 2024 Year of Account was determined by the Syndicate and Lloyd's on a Solvency II basis, using an Internal Model.

#### Insurance risk

Insurance risk is the assumption of risk by an insurer from the individuals or organisations who are directly subject to the risk concerned.

There are inherent uncertainties in assuming insurance risk, some of which relate to the scope of coverage and the understanding of that scope by the insurer. The principal uncertainty, however, is associated with frequency and severity of claims and with the potential for these to be greater than expected. Insurance events are subject to fortuity and are therefore, by their very nature, random as to number and size.

Insurers put in place strategies to manage insurance uncertainties and the framework utilised by the Syndicate is outlined below.

#### Underwriting risk

Underwriting risk represents risk associated with the continuing acceptance of insurance policies by the Syndicate. This relates to the uncertainty as to whether premiums received will be sufficient to cover future incurred losses, including expenses as well as risks associated with potential volatility in claims experience.

Processes used to manage underwriting risk include the setting of underwriting and pricing standards and limits on risk-taking. The Syndicate also monitors and manages its natural catastrophe exposures and uses catastrophe modelling software in order to assess its risk. Where necessary, reinsurance is used to mitigate and transfer risk falling outside risk appetite. Additionally the Syndicate employs a business model that achieves diversification through the spread of business across territories and sectors. The Underwriting Group is responsible for the management of underwriting risk, reporting to the Board.

## Notes to the financial statements - continued

### 3. Risk management - continued

#### Control of aggregating exposures

Measurement and control of exposures are the means by which volatility within the portfolio is constrained. It goes to the heart of the business' appetite for risk, since exposures are contained at a level that represents the extent to which the Syndicate is prepared to bear a net loss. Within an insurance business, aggregations of risk may arise from a single insurance contract or through a number of related contracts. Whilst some level of claims activity from these aggregations is expected on a regular basis, certain events, or a series of events, may occur that stress the business financially. Examples of such events are hurricanes and earthquakes. The extent of the impact may also be very dependent on the size and location of the insured events.

Control of aggregating exposures in vulnerable locations is clearly vital, and is the key to maximising the potential for good underwriting profit in loss free periods without, on the downside, over-exposing capital to the impact of large and costly events. Factors which would impact the assumption of risk in these circumstances include an appropriate pricing of risk, a spread of risk across geographical territories and the availability, subject to cost, of a suitable reinsurance programme. The Syndicate determines the maximum total exposure levels to a range of events that it is prepared to accept. Beyond this level, no further exposure may be assumed. At any point in time, the current exposure position for the underwriting portfolio is available to underwriters to enable them to assess the impact of individual risk exposures on the whole account.

The Syndicate uses a number of modelling tools for this purpose, and their main objective is to simulate catastrophe and other losses so as to measure the effectiveness of the reinsurance programme and to confirm that Syndicate's net exposure has not exceeded the predetermined limit. A number of stress and scenario tests are also run during the year to examine the exposure to specific types of events.

#### Management of reinsurance risk

Treaty reinsurance is purchased to proactively manage the volatility inherent in the business. The Syndicate seeks to balance cost versus protection through outward reinsurance treaty protections.

In addition to protecting the business against catastrophe exposure, reinsurance is also purchased to lay off risks that have characteristics that the Syndicate does not wish to retain and also to control net exposures on single risks or aggregations of risks. Both proportional and non-proportional reinsurances are employed. Facultative reinsurance may also be used in certain predetermined circumstances for individual large lines. The focus on adequacy of pricing generally means that the underwriting team is comfortable to underwrite most classes of business without significant levels of facultative reinsurance.

The erosion and ongoing adequacy of the reinsurance programme, as well as the reinsurance credit risk, are also actively monitored.

#### Reserve risk

Reserve risk is the risk that claims reserves and related claims handling reserves will be insufficient to meet the ultimate cost of settlement.

Reserves for business underwritten in the past are established through actuarial studies of the Syndicate's insurance liabilities. These studies are subject to management review and discussion by the Syndicate's Reserving Committee. The Syndicate sets its reserves using a variety of established methodologies for all claims liabilities, whether those claims are reported or unreported. Where necessary, policies or parts of the portfolio that give rise to heightened uncertainty are segmented and analysed separately.

The Claims department is responsible for the setting of individual case reserves. The primary source of information for claims is through the London Market Bureau (Xchanging). Information is also received directly from customers and brokers, which is used to complement the official advice of claims through the Bureau.

## Notes to the financial statements - continued

### 3. Risk management - continued

#### Reserve risk – continued

Critical to the reserve setting process is the assumption that the past claims development experience can be used to predict the future claims development and hence the ultimate cost of claims. Triangulation statistics that show the historical development of premiums and claims for each class of business and underwriting year are used to assist in the process of determining reserves. Numerous other factors and assumptions are applied to the claims historical progression data to assist in setting these estimates.

The concentration of insurance risk before and after reinsurance by domicile in relation to the type of insurance risk accepted is summarised below, with reference to the carried amount of outstanding claims (gross and net of reinsurance) arising from insurance contracts:

#### Year ended 31 December 2023

	Commercial		Speciality		Total	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
	£'000	£'000	£'000	£'000	£'000	£'000
UK	12,969	9,878	80,801	61,541	93,770	71,418
Continental Europe	201,208	153,247	35,042	26,689	236,250	179,936
United States	82,584	62,899	4,421	3,367	87,005	66,266
Other	117,531	89,515	107,350	81,761	224,881	171,277
<b>Total</b>	<b>414,292</b>	<b>315,538</b>	<b>227,614</b>	<b>173,358</b>	<b>641,906</b>	<b>488,896</b>

#### Year ended 31 December 2022

	Commercial		Speciality		Total	
	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance	Gross of reinsurance	Net of reinsurance
	£'000	£'000	£'000	£'000	£'000	£'000
UK	37,597	27,739	95,207	70,244	132,804	97,983
Continental Europe	122,854	90,642	98,379	72,584	221,233	163,226
United States	26,689	19,691	27,978	20,642	54,667	40,333
Other	66,055	48,736	156,377	115,375	222,432	164,111
<b>Total</b>	<b>253,195</b>	<b>186,808</b>	<b>377,941</b>	<b>278,846</b>	<b>631,136</b>	<b>465,654</b>

## Notes to the financial statements - continued

### 3. Risk management - continued

#### Reserve risk - continued

The factors include changes over time to the business mix and method of acceptance within each class of business, rating and conditions, legislation and court awards, claims inflation and economic conditions. By its nature, the process involves a significant amount of judgement, although every effort is made to ensure that the process and resultant reserves are set on a consistent basis and will be sufficient to meet the cost of claims when they are finally settled.

There is a significant amount of uncertainty in the reserve established, which may prove more or less than adequate. The level of uncertainty varies between classes of business and generally increases for longer tail classes of business. Any change in the estimate of a reserve, or a settlement at a value other than the reserve provided, is recognised in the reporting period in which the change is identified. Given the significant uncertainty in the best estimate reserve established, the booked reserve also includes an additional management margin for prudence. This margin increases the probability that the booked claim reserves will prove adequate. The margin amount is set by the Board and reflects both the degree of uncertainty around the actuarial best estimate and the reserve risk appetite of the Syndicate.

The following table quantifies the impact on the Syndicate's profit and net assets of a 1% variation in the outstanding claims reserve and combined ratio, which may be the result of one or several changes in the insurance risk variables.

	Gross of reinsurance 2023 £'000	Net of reinsurance 2023 £'000	Gross of reinsurance 2022 £'000	Net of reinsurance 2022 £'000
Impact on profits of a 1% variance in:				
Claims liability	6,419	4,889	6,311	4,657
Combined ratio	3,392	2,752	2,932	2,371
Impact on net assets of a 1% variance in:				
Claims liability	6,419	4,889	6,311	4,657
Combined ratio	3,392	2,752	2,932	2,371

#### Financial risk

Financial risks can be broken down into the following categories:

##### Credit risk

Credit risk is the risk of loss if a counterparty fails to meet its contractual obligations resulting in a financial loss to the Syndicate. The Syndicate is exposed to credit risk primarily through its investment and insurance activities.

The exposure to credit risk from holdings of debt and other fixed income securities, is managed by adherence to the Syndicate's investment guidelines which detail minimum issuer credit quality, duration limits, and the maximum value of individual holdings. The average Standard & Poor's ("S&P") credit rating of the Syndicate's debt and other fixed income securities remained high throughout the year, and at 31 December 2023 was "A" (2022: "A").

The Syndicate is exposed to credit risk as a result of its regular insurance and reinsurance activity. The areas of key exposure are the reinsurers' share of claims outstanding and debtors arising out of direct and reinsurance operations from both policyholders and intermediaries. Ceded reinsurance is used to mitigate risks arising from inwards business. Ceded reinsurance does not discharge the Syndicate's liability as primary insurer. If a ceded reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. Reinsurance coverages are normally placed with reinsurers who are included on the approved reinsurance security listing used by the Syndicate. Generally, these reinsurers will have an S&P credit rating of "A" or better.

## Notes to the financial statements - continued

### 3. Risk management – continued

#### Credit risk - continued

With regard to direct insurance and reinsurance receivables, the Syndicate operates processes to review broker security and to monitor arrangements with managing general agents. Receivables consist of payments of premium due from a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Syndicate does not have a significant credit risk exposure to any single external counterparty or any group of counterparties. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The assets bearing credit risk are summarised below:

	2023 £'000	2022 £'000
Other financial investments	479,962	420,019
Reinsurers' share of claims outstanding	153,010	165,482
Debtors arising out of direct insurance operations	111,015	107,758
Cash at bank and in hand	26,347	23,308
Overseas deposits	58,602	59,843
Debtors arising out of reinsurance operations	21,669	5,275
Other debtors	24,370	15,587
<b>Total assets bearing credit risk</b>	<b>874,975</b>	<b>797,272</b>

The concentration of credit risk is substantially unchanged compared to the prior year. The carrying amount of the above assets at the balance sheet date represents the maximum credit risk exposure. At year end, the Syndicate does not hold any investments in wrapped debt or other such fixed income securities. Other financial investments are designated as fair value through profit or loss at inception, and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. The credit rating for other financial investments is detailed below. The ratings are derived from S&P.

	2023 £'000	2022 £'000
AAA	135,369	121,631
AA	48,076	52,505
A	199,857	144,435
BBB	81,892	78,746
Below BBB or not rated	14,768	22,702
<b>Total other financial investments bearing credit risk</b>	<b>479,962</b>	<b>420,019</b>

Other financial investments and cash at bank are neither past due nor impaired.

## Notes to the financial statements - continued

### 3. Risk management - continued

#### Credit Risk - continued

The S&P or equivalent credit rating for reinsurers' share of claims outstanding and debtors arising out of reinsurance operations is detailed below:

	2023 £'000	2022 £'000
AA	314	128
A	166,358	166,557
Below BBB or not rated	8,007	4,072
<b>Total reinsurers' share of claims outstanding and debtors arising out of reinsurance operations bearing credit risk</b>	<b>174,679</b>	<b>170,757</b>

Debtors arising out of direct and reinsurance operations includes a £1.6 million (2022: £1.0 million) provision for impairment.

#### Liquidity risk

Liquidity risk is the risk that cash may not be available, or that assets cannot be liquidated at a reasonable price, to pay obligations when they fall due. The Syndicate is exposed to daily calls on its available cash resources, mainly from claims arising through insurance and reinsurance contracts. In respect of business underwritten in certain international regions there is a requirement to collateralise regulated trust funds in terms of gross insurance liabilities. This puts an additional burden on the Syndicate's liquidity.

The table below summarises the maturity profile of the Syndicate's financial and insurance liabilities based on an analysis by estimated timing of the amounts recognised in the balance sheet for insurance liabilities, and based on remaining undiscounted contractual obligations for all other liabilities.

	Within 1 year £'000	1-2 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Claims outstanding	239,172	254,001	92,456	56,277	641,906
Creditors	45,194	2	-	-	45,196
Other payables	3,297	-	-	-	3,297
<b>As at 31 December 2023</b>	<b>287,663</b>	<b>254,003</b>	<b>92,456</b>	<b>56,277</b>	<b>690,399</b>
	Within 1 year £'000	1-2 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Claims outstanding	235,709	251,398	90,774	53,255	631,136
Creditors	46,790	-	-	-	46,790
Other payables	3,936	-	-	-	3,936
<b>As at 31 December 2022</b>	<b>286,435</b>	<b>251,398</b>	<b>90,774</b>	<b>53,255</b>	<b>681,862</b>

## Notes to the financial statements - continued

### 3. Risk management - continued

#### Liquidity risk - continued

The table below summarises the maturity profile of the Syndicate's financial and insurance assets where the maturity profile is an analysis by estimated timing of the amounts recognised in the balance sheet.

	Within 1 year £'000	1-2 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Other financial investments	176,484	106,143	148,256	49,079	479,962
Deposits with ceding undertakings	1,496	-	-	-	1,496
Reinsurers' share of claims outstanding	57,010	60,546	22,039	13,415	153,010
Debtors	155,280	1,774	-	-	157,054
Cash at bank and in hand and overseas deposits	84,949	-	-	-	84,949
Prepayments and accrued income	37,969	-	-	-	37,969
<b>As at 31 December 2023</b>	<b>513,188</b>	<b>168,463</b>	<b>170,295</b>	<b>62,494</b>	<b>914,440</b>
	Within 1 year £'000	1-2 years £'000	3-5 years £'000	Over 5 years £'000	Total £'000
Other financial investments	153,281	111,891	108,940	45,907	420,019
Deposits with ceding undertakings	1,270	-	-	-	1,270
Reinsurers' share of claims outstanding	61,802	65,916	23,801	13,963	165,482
Debtors	127,905	715	-	-	128,620
Cash at bank and in hand and overseas deposits	83,151	-	-	-	83,151
Prepayments and accrued income	32,845	-	-	-	32,845
<b>As at 31 December 2022</b>	<b>460,254</b>	<b>178,522</b>	<b>132,741</b>	<b>59,870</b>	<b>831,387</b>

The Syndicate manages this risk by structuring its working capital to ensure that there are available cash resources or sufficiently liquid investments to meet expected cash flow requirements. The Syndicate's investment guidelines are structured to ensure that Syndicate investments can be liquidated at short notice to meet higher levels of demand in exceptional circumstances.

The Syndicate has no significant concentrations of liabilities that would result in a concentrated cash outflow or any significant concentration of assets that may result in restrictions in liquidating at short notice.

Liquid funds and cash flow forecasts are monitored regularly to ensure that the need for sufficient liquidity is balanced against investment return objectives.

Market risks are principally related to the Syndicate's investment activity, notably its holding of debt and other fixed income investments. Within this area, the primary risks to which the Syndicate is exposed are: currency risk and interest rate risk.

The Syndicate manages these exposures through its Investment Group. The Group is responsible for establishing and maintaining an investment policy in line with the risk appetite of the Syndicate.



## Notes to the financial statements - continued

### 3. Risk management - continued

#### Market risk

In addition, the Group is responsible for the management of all investment asset risks, the selection of its investment manager and reviewing investment performance.

The investment management function is outsourced to an external fund manager.

The Investment Group has established an asset allocation policy of investing primarily in listed debt, other fixed income securities and cash. The policy also stipulates that surplus cash can only be held on deposit with highly rated credit institutions until such time as suitable investments in appropriate listed debt and other fixed income securities can be made.

An investment management agreement has been established with the Syndicate's external fund manager. The agreement includes specific guidelines for each individual portfolio in order to limit risks arising from duration, currency, liquidity, credit and concentration exposures. The agreement also limits concentration of exposures to single countries, economic sectors and individual securities and provides for minimum standards of creditworthiness. The external fund manager provides quarterly affirmation of compliance with these guidelines.

#### Market risk - currency risk

The Syndicate transacts insurance business in the five main Lloyd's settlement currencies (Pound sterling, Euro, US dollars, Canadian dollars and Japanese yen). Assets are held in each of these currencies to generally match the corresponding liabilities.

The Syndicate is exposed to movements in foreign exchange where there is a mismatch between assets and liabilities in any of these currencies. When a mismatch occurs the Syndicate looks to limit this mismatch exposure through foreign currency transactions, subject to regulatory funding requirements.

The following tables summarise the sterling equivalent net carrying value of financial instruments and monetary insurance balances by currency at 31 December:

	Sterling equivalent			Total
	US Dollars	Euros	other	
	2023	2023	2023	2023
	£'000	£'000	£'000	£'000
Other financial investments	316,663	30,332	132,967	479,962
Deposits with ceding undertakings	-	-	1,496	1,496
Reinsurers' share of claims outstanding	82,943	3,743	66,324	153,010
Debtors, accrued interest and prepayments and accrued income	78,367	17,496	64,659	160,522
Cash at bank and in hand and overseas deposits	6,050	6,104	72,795	84,949
Net deferred acquisition costs	16,621	2,092	12,577	31,290
Claims outstanding	(340,977)	(42,921)	(258,008)	(641,906)
Creditors	(28,669)	(535)	(16,078)	(45,282)
Net provision for unearned premiums	(87,423)	(11,005)	(66,150)	(164,578)
<b>Net exposure</b>	<b>43,575</b>	<b>5,306</b>	<b>10,582</b>	<b>59,463</b>

## Notes to the financial statements - continued

### 3. Risk management - continued

#### Market risk - currency risk - continued

	US Dollars 2022 £'000	Sterling equivalent		Total 2022 £'000	
		Euros 2022 £'000	Sterling and other		
			2022 £'000		2022 £'000
Other financial investments	281,573	25,185	113,261	420,019	
Deposits with ceding undertakings	-	-	1,270	1,270	
Reinsurers' share of claims outstanding	120,599	3,907	40,976	165,482	
Debtors, accrued interest and prepayments and accrued income	80,282	13,831	37,142	131,255	
Cash at bank and in hand and overseas deposits	7,917	723	74,511	83,151	
Net deferred acquisition costs	15,544	1,575	9,360	26,479	
Claims outstanding	(370,496)	(37,552)	(223,088)	(631,136)	
Creditors	(29,499)	(700)	(16,796)	(46,995)	
Net provision for unearned premiums	(87,249)	(8,843)	(52,535)	(148,627)	
<b>Net exposure</b>	<b>18,671</b>	<b>(1,874)</b>	<b>(15,899)</b>	<b>898</b>	

Whilst the matching of liabilities with assets within the above currencies reduces economic exposure to currency risk, it does not prevent exchange gains and losses from being recognised in the profit and loss account. A 10% strengthening of sterling against the following currencies at 31 December 2023 would have increased/(decreased) the Syndicate's profits by the amounts shown below. This analysis assumes no hedging of currency and that all other variables remain constant.

	Net assets		Profit before tax	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
US Dollars	<b>(4,358)</b>	(1,867)	<b>(4,358)</b>	(1,867)
Euros	<b>(531)</b>	187	<b>(531)</b>	187

A 10% weakening of sterling against the above currencies at 31 December 2023 would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

## Notes to the financial statements - continued

### 3. Risk management - continued

#### Market risk - interest rate risk

At 31 December 2023 the Syndicate's exposure to interest rate risk is primarily through its investments in debt and other fixed income securities due to instrument duration. The investment portfolio is managed based on the characteristics of the underlying liabilities and the alignment of the duration of the investment portfolio to the duration of the liabilities.

The actual durations measured in years for the fixed income portfolios were:

<b>Euro</b>	<b>2023</b>	<b>2022</b>
	<b>%</b>	<b>%</b>
0 to 1 years	<b>17%</b>	19%
1 to 2 years	<b>12%</b>	17%
over 2 years	<b>71%</b>	64%
<b>Total</b>	<b>100%</b>	100%
Average duration in years	<b>3.07</b>	2.99
<b>US Dollar</b>	<b>2023</b>	<b>2022</b>
	<b>%</b>	<b>%</b>
0 to 1 years	<b>18%</b>	20%
1 to 2 years	<b>12%</b>	20%
over 2 years	<b>68%</b>	60%
<b>Total</b>	<b>98%</b>	100%
Average duration in years	<b>3.05</b>	2.89
<b>Canadian Dollar</b>	<b>2023</b>	<b>2022</b>
	<b>%</b>	<b>%</b>
0 to 1 years	<b>47%</b>	35%
1 to 2 years	<b>17%</b>	48%
over 2 years	<b>36%</b>	17%
<b>Total</b>	<b>100%</b>	100%
Average duration in years	<b>1.53</b>	1.39

## Notes to the financial statements - continued

### 3. Risk management - continued

#### Market risk – interest rate risk - continued

The investment portfolio is periodically analysed for changes in duration and related price change risk. The evaluation is performed by applying an instantaneous change in yield rates of varying magnitude on a static balance sheet to determine the effect such a change in rates would have on the fair value at risk and the resulting effect on net assets.

To illustrate the downside risk within the debt and other fixed income securities portfolio, the impact of an increase of 100 basis points in interest yields across all portfolios simultaneously has been estimated. The Syndicate does not hedge interest rate risk and, assuming this continues and that all other variables remain constant, such an increase would decrease the market value of the investment portfolio and lead to a decrease in the total investment return of £11.0 million (2022: £9.4 million).

On the basis that all other variables remain constant, a decrease of 100 basis points in interest rates at 31 December 2023 would have had an equal and opposite effect to the amounts shown above.

#### Operational risk

The Syndicate is exposed to operational risks associated with internal processes, people, systems, service providers or from external events. These exposures are analysed, monitored and managed. The Syndicate has a business continuity plan and IT disaster recovery plan. HUA arranges Corporate Insurances to help protect against financial loss. The operational risk management framework also includes an operational loss reporting facility to record incidents and near-misses from operational events.

#### Strategic and group risk

The risk universe of all group operations is covered by a risk register in place to ensure risk can be managed and monitored at the local level as well as Syndicate and group.

Group risk is the risk that the Syndicate's business units fail to consider the impact of their activities on other parts of the group, as well as the risks arising from their activities. The primary areas of focus in respect of group risk are:

#### Capital & Solvency

A risk-based approach is used to determine the amount of capital required to support the activities of the Group. Recognised stochastic modelling techniques are used to measure risk exposures, and capital to support business activities is allocated according to risk profile. Stress and scenario analysis is performed and the results are reviewed against Board risk appetite.

#### Reputation

Negative publicity as a result of the Group's contractual arrangements, customers, products, services and other activities could impact upon our brand and our ability to deliver against our business plan and interact as needed with the capital markets. The Syndicate aims to minimise reputational risks, but where reputational risk arises, it would be contained by prompt management of public communications.

#### Shared services

The Syndicate relies on certain group services. Any issues in these services will manifest as group risk. These outsourced service risks are monitored and assessed at both the local and group level.

## Notes to the financial statements - continued

### 4. Segmental Information

An analysis of the underwriting result before investment return is set out below, using segmental classes as prescribed by Lloyd's.

#### For the year ended 31 December 2023:

	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000
<b>Direct insurance</b>						
Accident and health	(111)	(111)	4	(23)	(279)	(409)
Marine, aviation and transport	11,356	10,064	(3,561)	(3,719)	(2,751)	33
Energy-Marine and Non Marine	36,808	27,194	(16,635)	(4,403)	(5,368)	788
Fire and other damage to property	110,919	105,970	(50,718)	(23,368)	(11,817)	20,067
Third party liability	112,446	100,891	(67,864)	(24,658)	(5,523)	2,846
Pecuniary loss	(94)	(67)	51	26	(12)	(2)
<b>Total direct</b>	<b>271,324</b>	<b>243,941</b>	<b>(138,723)</b>	<b>(56,145)</b>	<b>(25,750)</b>	<b>23,323</b>
<b>Assumed reinsurance</b>	<b>93,123</b>	<b>95,285</b>	<b>(47,198)</b>	<b>(18,482)</b>	<b>(6,678)</b>	<b>22,927</b>
<b>Total</b>	<b>364,447</b>	<b>339,226</b>	<b>(185,921)</b>	<b>(74,627)</b>	<b>(32,428)</b>	<b>46,250</b>

#### For the year ended 31 December 2022:

	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000
<b>Direct insurance</b>						
Accident and health	(62)	(62)	33	3	(3)	(29)
Marine, aviation and transport	14,823	14,186	(12,284)	(3,825)	(397)	(2,320)
Energy-Marine and Non Marine	9,518	9,853	(5,926)	(2,104)	(1,168)	655
Fire and other damage to property	80,905	71,321	(74,522)	(16,515)	6,593	(13,123)
Third party liability	100,503	83,572	(53,023)	(21,927)	3,028	11,650
Pecuniary loss	356	1,039	(2,143)	(263)	701	(666)
<b>Total direct</b>	<b>206,043</b>	<b>179,909</b>	<b>(147,865)</b>	<b>(44,631)</b>	<b>8,754</b>	<b>(3,833)</b>
<b>Assumed reinsurance</b>	<b>115,117</b>	<b>113,326</b>	<b>(83,385)</b>	<b>(27,187)</b>	<b>7,422</b>	<b>10,176</b>
<b>Total</b>	<b>321,160</b>	<b>293,235</b>	<b>(231,250)</b>	<b>(71,818)</b>	<b>16,176</b>	<b>6,343</b>

## Notes to the financial statements - continued

### 4. Segmental Information - continued

Geographical regions

Gross written premiums by location of risk:

	<b>2023</b>	2022
	<b>£'000</b>	£'000
UK	<b>39,603</b>	18,048
Other European Union member states	<b>1,162</b>	6,733
United States of America	<b>70,070</b>	38,821
Worldwide	<b>253,612</b>	257,558
<b>Gross premiums written</b>	<b>364,447</b>	321,160

### 5. Claims incurred

Over/(under) provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of prior years' claims are as follows:

	<b>2023</b>	2022
	<b>£'000</b>	£'000
Commercial	<b>14,229</b>	1,840
Specialty	<b>(3,091)</b>	(1,648)
<b>Total</b>	<b>11,138</b>	192

Favourable prior year loss development of £11.1 million was recorded in 2023 compared to favourable development of £0.2 million in the prior calendar year. In the current calendar year, the favourable loss development was driven primarily by lower emergence of claims of certain lines of business than previously anticipated.

## Notes to the financial statements - continued

### 6. Net operating expenses

	2023 £'000	2022 £'000
Acquisition costs	59,271	50,080
Other acquisition costs	5,384	6,155
Change in ceded deferred acquisition costs	(451)	(167)
Reinsurance commissions	(8,301)	(2,987)
Change in deferred acquisition costs	(5,195)	(4,971)
Administrative expenses	23,919	23,708
<b>Total</b>	<b>74,627</b>	<b>71,818</b>

Administrative expenses include:

	2023 £'000	2022 £'000
Operating lease expenses recharged from CNA Services	456	900
Audit of Syndicate accounts	348	318
Other auditor services pursuant to Regulations and Lloyd's Byelaws	91	86

## Notes to the financial statements - continued

### 7. Staff numbers and costs

A management fee for the provision of administration services is payable to CNA Services, which employed all staff. During 2023 no staff were employed by the managing agent and no staff costs were incurred directly by the managing agent during 2023 (2022: nil and £nil). Allocated staff costs for the year totalled £16.1 million (2022: £15.5 million).

### 8. Emoluments of the directors of Hardy (Underwriting Agencies) Limited

The following directors of HUA who served during the year, listed below, were all employed and remunerated by CNA Services, part of the CNAF group (see Note 15). It is not practicable to allocate these directors' remuneration between their services across the companies of which they are executives. Therefore the remuneration and pension benefits are included in the financial statements of the individual company which employed and remunerated them, CNA Services:

P Hamer, C Kearney, J Rehman, L Skeels, D Stevens, R Thomson and S Wood

Five (2022: four) directors of HUA were members of a defined contribution pension scheme.

The following directors of HUA who served during the year, listed below, were all employed and remunerated by CCC, part of the CNAF group (see Note 15). It is not practicable to allocate these directors' remuneration between their services across the companies of which they are executives. Therefore their remuneration is included in the financial statements of the individual company which employed and remunerated them, CCC:

S Lindquist, S Stone, and D Worman

Within Note 6, administrative expenses include the active underwriter's emoluments for the full year of:

	2023 £'000	2022 £'000
<b>Emoluments</b>	<b>994</b>	1,061



## Notes to the financial statements - continued

### 9. Other financial investments

	<b>Cost</b> <b>2023</b> <b>£'000</b>	Cost 2022 £'000	<b>Fair</b> <b>Value</b> <b>2023</b> <b>£'000</b>	Fair Value 2022 £'000
Debt securities and other fixed income securities	<b>377,168</b>	326,661	<b>370,386</b>	323,530
Shares and other variable yield securities	<b>27,983</b>	29,270	<b>27,983</b>	29,270
Deposits with credit institutions	<b>81,593</b>	67,219	<b>81,593</b>	67,219
<b>Total</b>	<b>486,744</b>	423,150	<b>479,962</b>	420,019

All debt securities and other fixed income securities are listed. Other financial investments measured by the fair value hierarchy at 31 December are summarised below. Included within Shares and other variable yield securities are Syndicate loans which have been provided by the Syndicate to the Lloyd's Central Fund from the 2019 and 2020 years of account. These loans cannot be traded and are valued using discounted cash flow models taking into account the credit and illiquidity risk of the loans. The Syndicate loans have been classified as Level 3 investments due to unobservable inputs and subjectivity used to determine the appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow models.

	<b>Level 1</b> <b>£'000</b>	<b>Level 2</b> <b>£'000</b>	<b>Level 3</b> <b>£'000</b>	<b>Total</b> <b>£'000</b>
<b>2023</b>				
Debt securities and other fixed income securities	<b>23,985</b>	<b>346,401</b>	-	<b>370,386</b>
Shares and other variable yield securities	-	<b>24,102</b>	<b>3,881</b>	<b>27,983</b>
Deposits with credit institutions	-	<b>81,593</b>	-	<b>81,593</b>
Other financial investments	<b>23,985</b>	<b>452,096</b>	<b>3,881</b>	<b>479,962</b>
<b>2022</b>				
Debt securities and other fixed income securities	22,096	301,434	-	323,530
Shares and other variable yield securities	-	25,389	3,881	29,270
Deposits with credit institutions	-	67,219	-	67,219
Other financial investments	22,096	394,042	3,881	420,019

## Notes to the financial statements - continued

### 10. Debtors arising out of direct operations

	2023 £'000	2022 £'000
Amounts due from intermediaries	111,940	108,733
Impairment provision	(925)	(975)
<b>Total</b>	<b>111,015</b>	<b>107,758</b>

	2023 £'000	2022 £'000
Within one year	110,967	107,748
After one year	48	10
<b>Total</b>	<b>111,015</b>	<b>107,758</b>

### 11. Other debtors

	2023 £'000	2022 £'000
Amounts due from companies in the CNAF group	21,618	14,136
Insurance premium tax	296	288
Other tax and social security	1,120	1,153
Sundry debtors	1,336	10
<b>Total</b>	<b>24,370</b>	<b>15,587</b>

Group balances are repayable on demand and reflect intra-group recharges. All amounts are expected to be recovered within one year.

### 12. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain territories.

## Notes to the financial statements - continued

### 13. Technical provisions

The gross liabilities for claims reported, loss adjustment expenses and claims incurred but not reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at the end of the current and prior year are not material.

#### Total technical provisions

	2023 £'000	2022 £'000
<b>Gross</b>		
Claims reported	202,299	206,980
Loss adjustment expenses	6,641	7,333
Claims incurred but not reported	432,966	416,823
Unearned premiums	189,022	171,057
<b>Total gross insurance liabilities</b>	<b>830,928</b>	<b>802,193</b>
<b>Reinsurers' share of insurance liabilities</b>		
Claims reported	46,792	35,428
Claims incurred but not reported	106,218	130,054
Unearned premiums	24,444	22,430
<b>Total reinsurers' share of insurance liabilities</b>	<b>177,454</b>	<b>187,912</b>
<b>Net</b>		
Claims reported	155,507	171,552
Loss adjustment expenses	6,641	7,333
Claims incurred but not reported	326,748	286,769
Unearned premiums	164,578	148,627
<b>Total net insurance liabilities</b>	<b>653,474</b>	<b>614,281</b>

## Notes to the financial statements - continued

### 13. Technical provisions - continued

#### Movement in technical provisions

	Provision for unearned premiums £'000	Claims outstanding £'000	Total £'000
<b>Gross</b>			
At 1 January 2022	131,462	498,626	630,088
Foreign exchange revaluation	11,670	35,734	47,404
Movement in provision	27,925	96,776	124,701
At 1 January 2023	<b>171,057</b>	<b>631,136</b>	<b>802,193</b>
Foreign exchange revaluation	<b>(7,256)</b>	<b>(21,651)</b>	<b>(28,907)</b>
Movement in provision	<b>25,221</b>	<b>32,421</b>	<b>57,642</b>
At 31 December 2023	<b>189,022</b>	<b>641,906</b>	<b>830,928</b>
<b>Reinsurance amount</b>			
At 1 January 2022	18,461	98,689	117,150
Foreign exchange revaluation	4,079	7,108	11,187
Movement in provision	(110)	59,685	59,575
At 1 January 2023	<b>22,430</b>	<b>165,482</b>	<b>187,912</b>
Foreign exchange revaluation	<b>(1,707)</b>	<b>(5,142)</b>	<b>(6,849)</b>
Movement in provision	<b>3,721</b>	<b>(7,330)</b>	<b>(3,609)</b>
At 31 December 2023	<b>24,444</b>	<b>153,010</b>	<b>177,454</b>
<b>Net</b>			
<b>At 31 December 2023</b>	<b>164,578</b>	<b>488,896</b>	<b>653,474</b>
At 31 December 2022	148,627	465,654	614,281

The analysis that follows shows the Syndicate's estimate of the ultimate cost of claims at initial assessment and annually thereafter on an underwriting year basis. Data from all years has been restated at the 2023 closing rates of exchange to remove fluctuations caused by movements in outward currency rates.

As these tables are on an underwriting year basis there is an apparent large increase from amounts reported at the end of the underwriting year to one year later. This is due to some insurance contracts remaining on risk after the first 12 months, therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

Each table then provides a reconciliation of the syndicate level reserves to the liability provided in the Syndicate's balance sheet by including the Syndicate's share of liabilities for the pre-2012 underwriting years.

## Notes to the financial statements - continued

### 13. Technical provisions - continued

#### Claims development table gross of reinsurance

Underwriting year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>100% syndicate values</b>												
At end of first accounting year	63,414	68,041	78,877	88,722	148,691	117,628	64,459	83,830	69,213	102,783	89,045	<b>974,703</b>
One year later	158,700	152,905	185,586	192,700	232,538	236,997	157,165	157,140	159,768	192,427		<b>1,825,926</b>
Two years later	166,389	172,390	210,659	212,922	267,611	254,605	166,566	150,063	158,906			<b>1,760,111</b>
Three years later	164,095	187,063	217,659	214,692	275,826	264,860	175,595	139,558				<b>1,639,348</b>
Four years later	161,189	192,934	216,494	219,957	291,314	270,133	167,919					<b>1,519,940</b>
Five years later	168,292	184,519	213,407	220,312	300,502	281,287						<b>1,368,319</b>
Six years later	169,529	191,922	216,624	219,990	316,479							<b>1,114,544</b>
Seven years later	168,164	186,600	216,078	221,150								<b>791,992</b>
Eight years later	169,439	188,392	208,867									<b>566,698</b>
Nine years later	169,249	184,121										<b>353,370</b>
Ten years later	163,590											<b>163,590</b>
Current estimate of earned claims at 31 December 2023	163,590	184,121	208,867	221,150	316,479	281,287	167,919	139,558	158,906	192,427	89,045	<b>2,123,349</b>
Cumulative payments to date	(161,152)	(177,755)	(187,792)	(193,958)	(251,320)	(213,638)	(123,993)	(77,819)	(53,842)	(42,873)	(10,882)	<b>(1,495,024)</b>
Provision as at 31 December 2023	2,438	6,366	21,075	27,192	65,159	67,649	43,926	61,739	105,064	149,554	78,163	<b>628,325</b>
Insurance liabilities in respect of prior underwriting years												<b>13,581</b>
<b>Insurance liabilities as at 31 December 2023</b>												<b>641,906</b>

## Notes to the financial statements - continued

### 13. Technical provisions - continued

#### Claims development table net of reinsurance

Underwriting year	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
<b>100% syndicate values</b>												
At end of first accounting year	54,752	62,503	72,040	76,640	112,085	101,172	58,026	67,753	59,919	73,238	77,241	<b>815,369</b>
One year later	139,482	140,109	162,687	164,007	196,082	199,032	131,887	130,292	126,354	151,204		<b>1,541,136</b>
Two years later	142,880	150,527	177,033	183,130	226,749	217,771	130,701	114,649	121,637			<b>1,465,077</b>
Three years later	136,753	151,282	180,936	186,765	236,549	221,311	136,570	103,187				<b>1,353,353</b>
Four years later	132,869	149,940	181,814	193,683	249,310	225,684	131,924					<b>1,265,224</b>
Five years later	137,975	145,636	180,049	191,566	256,533	237,958						<b>1,149,717</b>
Six years later	138,697	150,106	181,694	191,377	263,705							<b>925,579</b>
Seven years later	137,874	147,738	181,623	194,060								<b>661,295</b>
Eight years later	137,597	149,440	177,512									<b>464,549</b>
Nine years later	137,471	144,865										<b>282,336</b>
Ten years later	134,144											<b>134,144</b>
Current estimate of earned claims at 31 December 2023	134,144	144,865	177,512	194,060	263,705	237,958	131,924	103,187	121,637	151,204	77,241	<b>1,737,437</b>
Cumulative payments to date	(132,069)	(142,124)	(159,473)	(170,538)	(222,004)	(184,231)	(96,430)	(62,784)	(46,904)	(28,929)	(10,882)	<b>(1,256,368)</b>
Provision as at 31 December 2023	2,075	2,741	18,039	23,522	41,701	53,727	35,494	40,403	74,733	122,275	66,359	<b>481,069</b>
Insurance liabilities in respect of prior underwriting years												<b>7,827</b>
<b>Insurance liabilities as at 31 December 2023</b>												<b>488,896</b>

## Notes to the financial statements - continued

### 14. Other creditors

	2023 £'000	2022 £'000
Amounts due to companies in the CNAF group	3,522	3,049
Sundry creditors	3,825	4,265
<b>Total</b>	<b>7,347</b>	<b>7,314</b>

Group balances are repayable on demand and reflect intra-group recharges between the Syndicate and companies in the CNAF group.

### 15. Related parties

The immediate parent undertaking of HUA is HUB, a company incorporated in Bermuda.

The ultimate parent and controlling party is Loews Corporation, incorporated in the United States of America. Group financial statements for Loews Corporation are available from 667 Madison Avenue, New York, 10065-8087, USA.

CICL and CCC provide HUL with Funds at Lloyd's to support the Syndicate's capital requirement to continue underwriting at Lloyd's. HUL pays an annual fee of 3.85% (2022: 2.50%) for the provision of these funds.

During the year CNA Services recharged £19.3 million (2022: £21.1 million) in administrative expenses to the Syndicate. These amounts are included within Note 6. The balance due to CNA Services as at 31 December 2023 is £2.6 million.

Managing agent fees of £285,000 (2022: £247,500) were paid by the Syndicate to HUA during 2023. The balance at 31 December 2023 is £nil.

### 16. Funds at Lloyd's

Every member of Lloyd's is required to hold capital at Lloyd's. This capital is held in trust and is known as FAL. The funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating member's underwriting activities.

The level of FAL that Lloyd's requires a member to maintain is ultimately determined by Lloyd's taking account, inter alia, of a number of factors including the nature and amount of underwriting risk assumed by the member and the assessment of the reserving risk in respect of business that has already been underwritten. FAL is not under the management of the managing agent, so no amounts have been shown in these financial statements to reflect it. The managing agent is able to make a call on member's FAL to meet liquidity requirements and to settle losses should this be required.

The FAL requirement is provided by a combination of the member as well as by CICL and CCC.