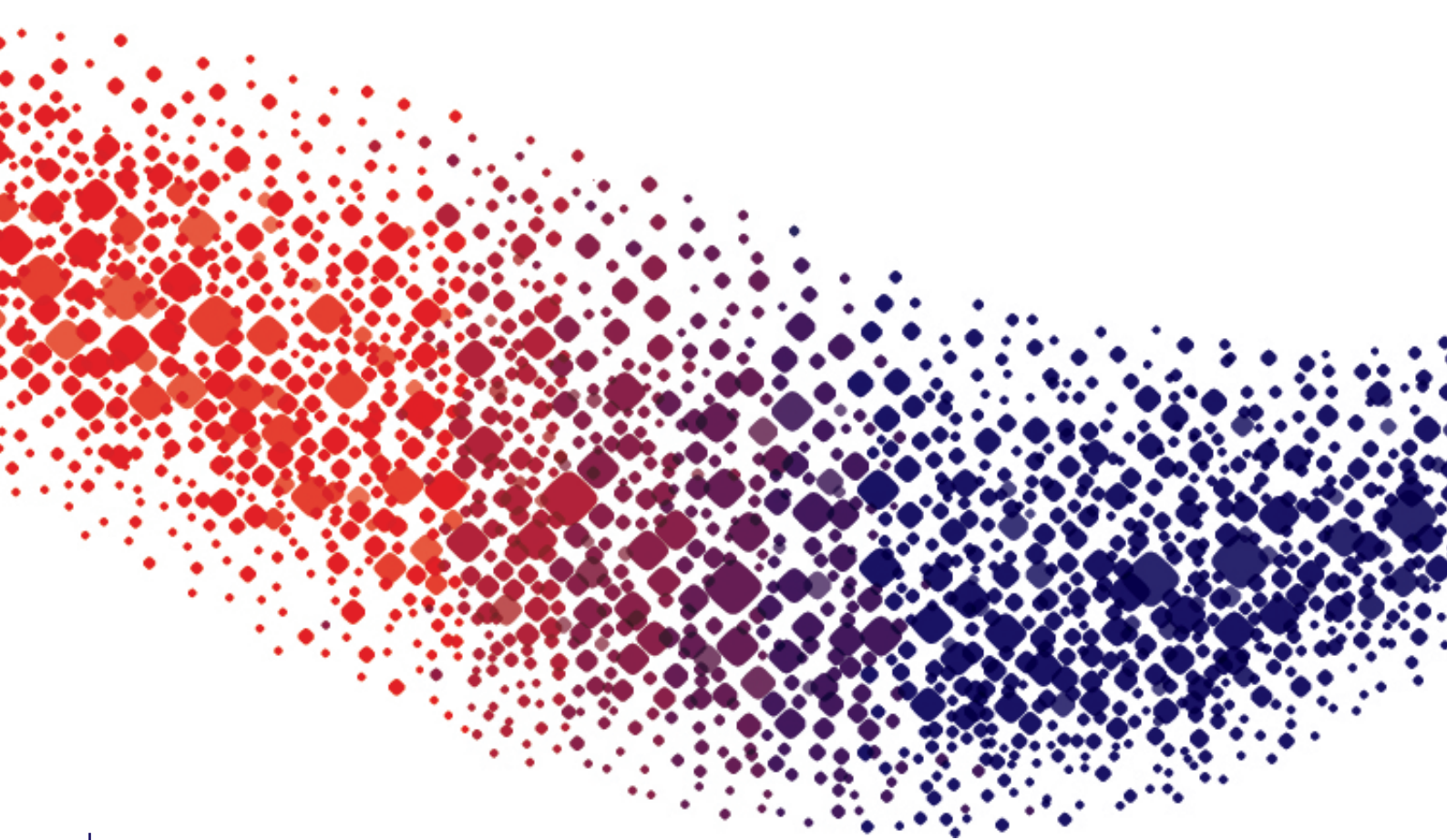


Important information about Syndicate Reports and Financial statements

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The Syndicate reports and financial statements set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The Syndicate reports and financial statements have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the Syndicate reports and financial statements is not being provided for the purposes of soliciting membership in Lloyd's or membership on any Syndicate of Lloyd's, and no offer to join Lloyd's or any Syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a Syndicate in any Syndicate year is not predictive of the related Syndicate's performance in any subsequent Syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the Syndicate reports and financial statements. You also agree that you will not provide any person with a copy of any Syndicate report and financial statements without also providing them with a copy of this acknowledgement and agreement, by which they will also be bound.



MS Amlin Underwriting Limited Syndicate 2001

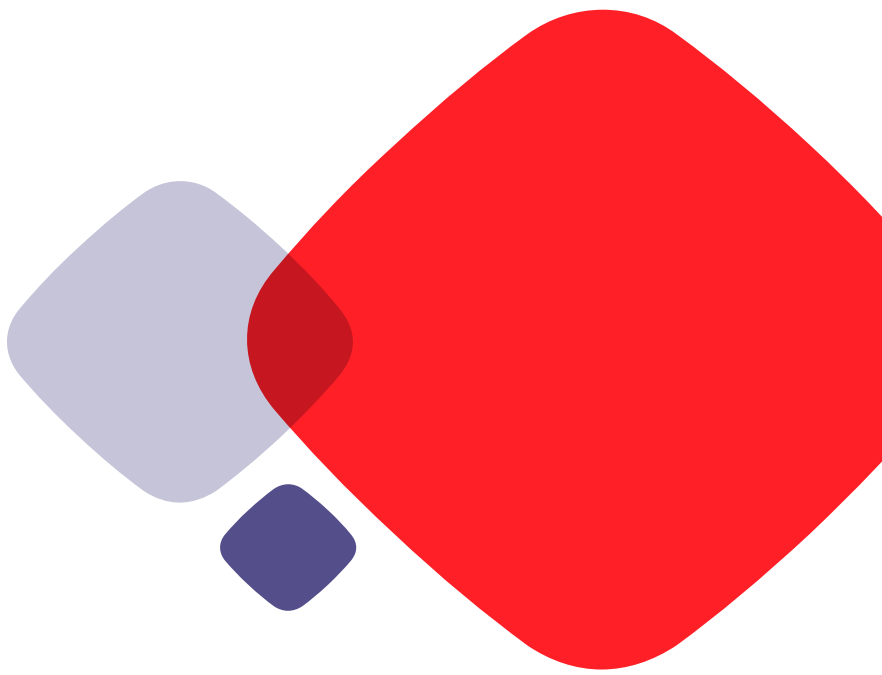
Annual Report & Financial Statements
31 December 2022

Contents

Directors and administration	02
Seven year financial summary	03
Report of the directors of the managing agent	04
Statement of responsibilities of directors of the managing agent	18
Independent auditor's report to the member of Syndicate 2001	19

Financial statements

• Statement of profit or loss	23
• Statement of financial position	24
• Statement of cash flows	25
• Statement of change in member's balance	26
• Notes to the financial statements	27



Directors and administration

Managing agent

MS Amlin Underwriting Limited

Directors

P J Calnan

A J Carrier

V Desai

P J Green

J Hopes

M P Hudson

M Kawase

H Morimoto

H S Trilovszky

A Verga

S Watabe

Active Underwriter

A J Carrier

Company Secretary

F Moule

Managing agent's registered office

The Leadenhall Building
122 Leadenhall Street
London EC3V 4AG

Managing agent's registered number

02323018

Statutory auditor

KPMG LLP
15 Canada Square
London
E14 5GL



Seven year financial summary

	2022 £m	2021 £m	2020 £m	2019 £m	2018 £m	2017 £m	2016 £m
Syndicate allocated capacity	1,600.0	1,600.0	1,600.0	1,850.0	1,850.0	1,850.0	1,400.0
Gross premium written	1,576.8	1,339.7	1,370.0	2,084.5	2,372.2	2,082.2	1,830.7
Net premium written	1,065.7	952.4	975.8	1,548.7	1,699.9	1,533.9	1,357.6
Net earned premium	909.1	962.3	1,271.9	1,724.6	1,621.9	1,395.5	1,294.9
Net claims	(486.1)	(570.7)	(971.0)	(1,101.1)	(1,119.7)	(1,330.8)	(813.5)
Expenses	(422.4)	(411.5)	(541.0)	(675.2)	(679.5)	(641.1)	(571.1)
Foreign exchange	3.2	(8.3)	(1.5)	6.8	37.7	6.1	16.3
Investment return	(50.5)	36.1	63.5	114.1	25.6	70.6	38.3
Profit/(loss) for the financial year	(46.7)	7.9	(178.1)	69.2	(114.0)	(499.7)	(35.1)
Claims ratio	53.5%	59.3%	76.3%	63.8%	69.0%	95.4%	62.8%
Expense ratio	46.4%	42.8%	42.5%	39.2%	41.9%	45.9%	44.2%
Combined ratio	99.9%	102.1%	118.8%	103.0%	110.9%	141.3%	107.0%

Report of the directors of the managing agent

The directors of MS Amlin Underwriting Limited (the 'managing agent' or 'MS Amlin') present their managing agent's report for Syndicate 2001 (the 'Syndicate') for the year ended 31 December 2022.

The annual report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations') and in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102: the Financial Reporting standard applicable in the United Kingdom and Republic of Ireland ('FRS 102') and Financial Reporting Standard 103: Insurance Contracts ('FRS 103').

Business review and principal activities

The Syndicate is, through MS Amlin Corporate Member Limited (the 'Corporate Member'), a wholly aligned Syndicate of Mitsui Sumitomo Insurance Company, Limited ('MSI'). The ultimate parent company is MS&AD Insurance Group Holdings, Inc. ('MS&AD'). The principal activity of Syndicate 2001 is the transaction of general insurance and reinsurance business in the United Kingdom and through the Lloyd's Brussels platform, primarily through the Society of Lloyd's and its component parts.

For its clients the Syndicate offers a broad spectrum of insurance and reinsurance products, blending market knowledge, experience and expertise, with a practical desire to deliver solutions to support them.

For Reinsurance the Syndicate provides solutions for: Agriculture, Aviation, Casualty, Marine, US & International Property and Terrorism.

Insurance solutions include: Political Risk & Trade Credit, Political Violence, Product Recall, Specie, Hull, Cargo, Marine & Energy Liability, Upstream Energy, Mining & Metals, Energy & Industry, US Casualty, Professional Indemnity, Financial Lines, Professional Lines, Accident & Health, Auto and Property.

The total premium income capacity, net of brokerage, of the Syndicate for each of the years of account open during 2022 was as follows:

	£m
2020 year of account	1,600.0
2021 year of account	1,600.0
2022 year of account	1,600.0

The total premium income capacity of the Syndicate in 2023 is £1,600.0 million.

The result for calendar year 2022 is a loss of £46.7 million (2021: profit of £7.9 million). Further information on the Syndicate's performance is outlined below.

Credit rating

Syndicate 2001 trades through the Lloyd's worldwide licences and rating. It also benefits from the Lloyd's brand and Lloyd's Syndicate 2001 has an A (Excellent) rating from A.M. Best issued on 08 July 2022.

Significant developments

Since late 2019, MS Amlin has been radically reshaping its business. This has included a number of underwriting and operating actions to allow management to concentrate on supporting and developing our preferred classes of underwriting business and cease to underwrite certain classes (Discontinued classes). This has resulted in a first underwriting profit since 2015. Although this profit is marginal, this occurred in a year with a number of market wide pressures (Ukraine War, Inflation, Hurricane Ian) and some challenges with our discontinued portfolios. The divisional results are set out below, but absent our discontinued classes, the Syndicate would have reported a combined ratio of 96.2%¹ despite the events noted. An underwriting profit of £41.0 million would have absorbed much of the investment loss in a difficult year for portfolios as central banks raised interest rates to combat inflation. However, our discontinued classes continued to deteriorate, impacted by loss events and inflation. In 2022, the losses in these classes deteriorated our underwriting result to a combined ratio of 99.9%.

As a result of the impact of the discontinued classes on the result in 2021, which continued into 2022, Management set out on an ambitious plan to resolve the legacy reserves issue in two parts with two ground-breaking Reinsurance To Close (RITC) contracts.

1 This combined ratio is calculated by adding £173.0 million to net earned premium and £132.6 million to net claims incurred equating to an underwriting loss of £40.4 million for the discontinued classes.

The background of the page features a photograph of a person from behind, wearing a red jacket, looking out over a calm lake. The lake reflects the surrounding misty mountains and the sky. The scene is framed by large, dark blue, organic shapes that overlap each other. A small red diamond shape is positioned near the bottom center of the page.

Through our RITC transactions, we have created the space to concentrate on our future strategy, reduce volatility, and better utilise our capital and resources.

Report of the directors of the managing agent

(continued)

Significant developments (continued)

Legacy reserves

UK Property and Casualty RITC (P&C UK 2019 & Prior YOA RITC)

Firstly, management focussed on the former UK Property and Casualty business, given the significant negative impact this business had on the results of the Syndicate in 2020 and 2021. The managing agent, on behalf of the Syndicate, sought and received permission from Lloyd's and the PRA to enter a pioneering approach via a "Split" RITC contract on its 2019 and prior years of account reserves for that business. The contract covered business not transacted through the Xchanging bureaux system. This contract was executed with RiverStone International (RiverStone) Syndicate 3500 on 18 February 2022 but, as with all such contracts, took effect from 1 January 2022.

On the same date, the Syndicate entered a 100% quota share contract for the 2020 year of account (YOA) reserves in the same lines of business, in preparation for a similar split RITC transaction which was concluded on 13 February 2023.

The value of liabilities reinsured, net of related debtor balances transferred, under the P&C UK 2019 & Prior RITC was £187.3 million. After a period of transition where MS Amlin acted as agent for Syndicate 3500, operational control was transferred to RiverStone on 1 November 2022.

The 2019 and Prior YOA RITC and the 2020 YOA quota share contract are both reflected in the 2022 Income Statement. Although the actual impact on profit was immaterial, the outwards reinsurance premium paid has a distorting impact on the Combined Ratio components in the syndicate result and underwriting analysis by lowering the net earned premium upon which the ratio is calculated.

The 2020 YOA RITC signed on 13 February is a post balance sheet event and will be reflected in the 2023 results.

Remaining Discontinued Business (2018 & Prior YOA RITC)

Although the P&C UK RITCs and quota shares had an impact on the balance sheet, drove a number of simplifications of systems and processes and gave finalisation to the impact of those reserves on future profitability, they represented less than 25% of discontinued reserves at 31 December 2021.

MS Amlin therefore began considering options for the wider discontinued book. For this part, there were wider Lloyd's process challenges. Where Lloyd's-wide centralised processes are involved for premium/claims settlement, it is not possible to partly RITC a year of account. As such, management had to decide an appropriate YOA cut-off for an RITC which could remove as much discontinued classes as possible whilst maintaining relationships in our continuing books.

For some years the legacy portfolio has continued to require a substantial amount of capital, as well as significant management and operational focus to effectively manage it through the course of any given year, continuing to limit the ability to reduce operational expenses and decommission a suite of legacy IT systems and processes.

After due consideration for these factors, the managing agent commenced a further and much larger project to secure a further "Split" RITC contract for all associated liabilities for 2018 year of account and prior, across all product lines. The intention in doing so, is to bring finality to the Syndicate's historic liabilities, particularly within its discontinued lines, and allow the managing agent to focus on the future, reducing volatility and better utilising the Syndicate's capital and resources, unencumbered by the distraction the legacy portfolio inherently creates.

This second split RITC contract relates to £954.6 million of net reserves, of which £392.5 million relate to discontinued classes and is the largest third party RITC in the history of Lloyd's. Management carried out a process to identify potential deal structures and counterparties and were supported in this work by Gallagher Re. All potential counterparties offered credible bids. Ultimately the Board of MS Amlin (the 'Board') approved the appointment of RiverStone International driven by price but reinforced by their experience and familiarity with MS Amlin business by virtue of their involvement in the two previous RITC deals carried out with them since 2018. For operational reasons the reserves for a small number of books of business, as well as certain Covid liabilities have been reinsured back to Syndicate 2001.

Given the size and nature of the deal, approval from both Lloyd's and the PRA was required. With this permission received, the RITC contract and associated transitional services agreement were signed on 13 February 2023 but, again, take effect from 1 January 2023. Transition is planned to take approximately 9 months with full operational control expected to transfer to RiverStone on 1 October 2023, although this date may change subject to the detailed operational planning of the project currently being undertaken.

Some of the now discontinued books of business continued to write business into the 2019 and 2020 YOAs. To protect these reserves, management have agreed a Loss Portfolio Transfer (LPT) contract with RiverStone. The subject reserves amount to £149.5 million.

Report of the directors of the managing agent

(continued)

Significant developments (continued)

Legacy reserves (continued)

Remaining Discontinued Business (2018 & Prior YOA RITC) (continued)

Through these transactions, we have created the space to concentrate on our future strategy, reduce volatility, and better utilise our capital and resources. Transferring legacy accounts to a trusted partner like RiverStone, maintains our confidence in the support available from both our organisations to effectively service our clients' historic claims, as well as their current and future needs.

This 2018 and Prior YOA RITC and the associated LPT contract are post balance sheet events which will be reflected in the 2023 results.

Stonegate Pub Company Limited v MS Amlin & Others

On 17 October 2022 the High Court handed down its judgment in the business interruption claim brought by Stonegate Pub Company Limited against the Syndicate and others, in which the Court fundamentally supported insurers' position. The high-profile case, brought by the pub chain against its business interruption insurers sought a claims settlement of over £1 billion (of which the Syndicate has a 55% share) and raised a number of policy coverage issues, several of which are of significance to the wider industry. The case formed part of a series of inter-linked trials heard by the Commercial Court in London, and considered among other things whether Stonegate's losses were limited by the aggregation language in the policy, the extent to which losses were caused by cases of COVID-19 and Government action within the policy period, and whether insurers were entitled to credit for furlough payments received by Stonegate. On all of these issues the Court's findings were substantively in favour of insurers and consistent with the approach to reserving adopted by MS Amlin in respect of COVID-19 related business interruption losses including Stonegate. The judgment is subject to an appeal which is anticipated to be heard in 2023.

Russia – Ukraine War

In February 2022, Russia invaded Ukraine and war broke out. Although initially expectations were that this war might be over quickly the battles for Eastern Ukraine, in particular, have been extended and had a horrific impact to the lives of the people of Ukraine. The financial impact of this war has been significant and global, but is dwarfed by the human tragedy that it has left in its wake. Our heartfelt thoughts are with those families impacted. In the weeks following the invasion, the managing agent worked with 'related entities' across the MS Amlin group of companies, to provide a shared donation in excess of €150,000 to the International Red Cross to support their efforts in the provision of vital relief and support for those directly affected by the war.

This reflected the managing agent's concern over the events unfolding in the region, as well as the concern for the people caught up in the conflict.

In terms of the financial impact, the Syndicate has insurance and reinsurance exposure primarily through its crisis management, contract frustration, political risks, aviation and war lines of business. Management have been actively monitoring the situation and assisting policyholders where possible. The Syndicate's investment portfolios had insignificant exposure to Ukrainian and Russian assets and, where possible, these were disposed of quickly.

The actual assessment of the potential insurance losses from the war is complex for a number of reasons:

- Notified incurred claims represent just over 5% of the total loss estimate, therefore a greater proportion of the loss estimate than usual is subject to expert judgement.
- Assessment/adjustment of physical damage losses is not realistically possible whilst the war is ongoing.
- Aviation war losses are the subject of ongoing litigation, as well as Russian government decrees.
- Political risk and contract frustration risks are longer term in nature and therefore subject to changes in the status over a longer time horizon.
- Marine hull losses are subject to the safety and security of the Safe Passage Corridor.
- Implications of the sanctions imposed following the invasion.
- Finally, reinsurance coverage will be dependent upon the nature, timing and therefore potential aggregation of the losses themselves.

At 31 December 2022, our estimate of the incurred gross loss totalled £168.3 million, of which £164.4 million was held in reserves. The net impact, net of reinstatements, is £60.6 million. All loss estimates have an inherent level of uncertainty but the estimates of the losses for this event are unusually uncertain and could therefore have a wider than usual range of possible outcomes. Management believes that it has set appropriate best estimate reserves in the circumstances and that it has appropriate reinsurance available that will protect the Syndicate from the potential volatility in the gross loss estimate.

Report of the directors of the managing agent

(continued)

Significant developments (continued)

Legacy reserves (continued)

Inflation

The war in Ukraine added to the pressure that was already building on inflation due to supply chain disruption following the Covid pandemic. These inflationary pressures have had impacts on both the liabilities and the assets of the Syndicate. Bond yields rose as governments raised interest rates to try to bring inflation under control. Inflation has always been considered in the assessment of the reserves. However, the current excess level and expected extended duration of inflation required consideration within our reserving process and resulted in increased loss estimates for both our current and prior year business. Additionally, the pressures have resulted in a cost of living crisis throughout much of society. With that in mind, management agreed a one off cost of living payment of £2,000 (or currency equivalent) to all qualifying staff in November 2022.

Underwriting performance

	Total		Insurance		Reinsurance		Discontinued	
	2022	2021	2022	2021	2022	2021	2022	2021
	£m	£m	£m	£m	£m	£m	£m	£m
Gross written premiums	1,576.8	1,339.7	1,014.9	876.5	563.4	458.2	(1.5)	5.0
Net written premiums	1,065.7	952.4	877.0	682.0	366.8	267.3	(178.2)	3.3
Net earned premiums	909.1	962.4	741.9	644.8	340.2	273.7	(173.0)	43.9
Claims ratio	53.5%	59.3%	47.1%	45.6%	80.8%	58.5%	–	–
Expense ratio	46.4%	42.8%	43.1%	45.2%	28.5%	33.6%	–	–
Combined ratio	99.9%	102.1%	90.2%	90.8%	109.3%	92.1%	–	–

*Premiums and claims for Discontinued are distorted by the impact of the P&C UK Split RITC premium of £180m.

The underwriting result is a profit of £0.6 million (balance on the technical account less allocated investment return) (2021: £19.9 million loss) with an overall combined ratio of 99.9% (2021: 102.1%).

Gross written premiums increased to £1,576.8 million (2021: £1,339.7 million), an increase of 17.6% driven by the impact of a strengthening of the US Dollar against Sterling, plus the benefits of pricing increases and agreed new business growth in the RI business unit. Net earned premiums decreased by £53.3 million to £909.1 million (2021: £962.3 million), which was driven by the P&C UK 2019 & Prior YOA RITC premium paid. Absent this RITC, net premiums earned increased by 13.2%, following the increase in gross premiums, but also due to a 10-percentage point reduction in the Whole Account Quota Share (WAQS) cession to MS Amlin AG (Bermuda branch) for the 2022 underwriting year.

The Syndicate's claims ratio improved to 53.5% (2021: 59.3%), however on exclusion of the P&C UK 2019 & Prior YOA RITC premium and losses transferred this deteriorates to 61.0%.

On this more consistent basis the divergence from last year can be largely attributed to losses associated with the Ukraine conflict, coupled with the impact on loss reserves of increased economic inflation, partially offset by favourable performance on the most recent year of account.

The Syndicate was materially impacted by losses associated with the conflict in Ukraine in 2022 (£60.6 million). This was driven by its exposure in a number of classes of business. Further exposure to losses as a consequence of this conflict will be absorbed by unearned premium.

The Syndicate was exposed to two major natural catastrophe events in 2022. The Syndicate incurred net losses (net of reinstatement premiums) of £91.0 million in 2022, comprising the Australian Floods in Q1 and Hurricane Ian in Q3. These events have marginally exceeded our loss expectations for this type of event in the year and contributed 9.7% to the loss ratio in 2022 (2021: 8.7%, predominantly Winterstorm Uri and Hurricane Ida).

Gross written
premiums increased
to £1,576.8 million,
an increase of 17.6%.



Report of the directors of the managing agent

(continued)

Underwriting performance (continued)

In concluding on the reserving for all classes, many of which are longer tailed in nature, management has reflected on the impact of the heightened inflationary environment that has emerged following the pandemic and geopolitical conflict. The impact of excess economic inflation in 2021 and 2022 on our reserves resulted in a £45.3 million strengthening during 2022 (2021 £10.3 million). This strengthening was driven by consideration of inflation impacts across a wider range of classes than in 2021, based on the persistence of the high inflation environment. There remains considerable uncertainty as to the extent and duration of this inflationary environment, as well as its potential impact on future claims settlements.

The expense ratio has increased to 46.4% (2021: 42.8%). This figure is distorted by the impact of P&C UK 2019 & Prior YOA RITC premium in 2022, excluding this transaction this reduces the expense ratio to 38.8%. Underwriting expenses have returned largely to a normalised level in 2022, following the Covid-19 operational impact on 2021 (whereby expenses were £20.1m favourable to budget). Underwriting expenses as a value have increased year on year by £14.8 million, largely due to increases in salary and related costs and professional fees. The impact on the expense ratio is however suppressed by increased Net Earned Premium (absent of the split RITC), following premium growth in recent years. The acquisition cost ratio has decreased year on year predominantly due to business mix within the portfolio.

Divisional Analysis

During 2022, the Syndicate operations were managed across two divisions, Insurance and Reinsurance, managed by a single underwriting management team led by A J Carrier as active underwriter. This section analyses the underwriting performance of these two divisions, whilst the impact on performance of the discontinued classes has been separated out to provide clarity. The comparatives for the Insurance and Reinsurance divisions have therefore been re-presented to align with this divisional split, which is based on the managing agent's view of how the Syndicate is managed. This differs from the analysis by Lloyd's class disclosed in note 4.

Insurance

Insurance generated £1,014.9 million of gross written premium, an increase of £138.4 million on the prior year. This increase mainly reflects changing favourable foreign exchange movements and upwards premium revisions from prior underwriting years. Net earned premiums increased by 15% year on year, following gross written premiums, combined with a reduction in the WAQS cession.

The net claims ratio has remained broadly flat to 2021: with Ukraine related losses (£21.5 million) mainly in Political Risk and War classes, plus the impact of economic inflation, being mostly offset by the benefit to the loss ratio of favourable rate change and some small reserve margin releases. Catastrophe losses for the year (Hurricane Ian and Australian floods) impacted the loss ratio by 6.0% (2021: 5.9% for Winterstorm Uri and Hurricane Ida).


The expense ratio has improved by 2.1 points mainly due to the impact of improved net earned premium.

Reinsurance

Reinsurance generated £563.4 million of gross written premium, an increase of £105.2 million on the prior year. This increase reflects favourable rate change, planned growth through new business opportunities and the positive impact of USD strengthening on our predominantly USD portfolio. Net earned premiums increased by 27% year on year, following gross written premiums coupled with a reduction in the WAQS cession.

The claims ratio of 80.8% increased by 22.3 percentage points compared with 2021 driven by losses associated with the Ukraine conflict (13.8%). Additionally, the Reinsurance division saw a small strengthening in net reserves of 0.9% in 2022 (2021: 8.8% release of reserves. Catastrophe losses contributed 13.8% to the combined ratio (2021: 7.6%, for Hurricane Ida and Winterstorm Uri).

The expense ratio has improved by 5.1 points, mainly due to increased net earned premiums year on year, coupled with a reduction in gross acquisition ratio (driven by business mix and increase in direct business).



Insurance generated
£1,014.9 million
of gross written
premium, an increase
of £138.4 million
on the prior year.

Reinsurance
generated
£563.4 million
of gross written
premium, an increase
of £105.2 million on
the prior year.

Report of the directors of the managing agent

(continued)

Divisional Analysis (continued)

Discontinued lines

Discontinued business relates to classes of business that Syndicate 2001 ceased to underwrite after the implementation of our remediation plan in 2019. These classes have not written new business since early 2020. Gross written premium for discontinued classes predominantly related to premium revisions on prior years of account (net £1.5m reduction) with various broadly offsetting movements at a class level. This is down when compared to 2021 which saw a £5m upwards premium revision mainly within the Pro Rata class.

Ratio analysis is not meaningful due to net earned premium levels being distorted by the P&C UK 2019 & Prior RITC premium paid. Overall, discontinued lines generated an underwriting loss of £40.4 million (2021 £97.1 million loss), driven by net prior period claims, with deteriorations in the International Casualty and Professional Lines classes, adverse attritional performance and inflation impacts offset by reserve margin releases.

Investment performance

The Syndicate investment result was a loss of £50.5 million in the year (2021: gain of £36.1 million). Syndicate underwriting assets, predominantly bonds and overseas deposits, generated a loss of £42.8 million at a negative return of 2.7% (2021: £4.2 million and a positive return of 0.3%). Corporate Member capital (Funds in Syndicate) generated a loss of £7.7 million at a negative return of 1.1% (2021: £31.8 million and positive return of 4.9%).

Investment returns were below expectations at the beginning of the year amidst significant market turmoil in most available asset classes following the war in Ukraine and inflationary pressures. The economic backdrop was one characterised by stagflationary forces, evident through slowing growth and rising inflation. Rising price pressure led to swift and significant interest rate rises from most developed central banks. In turn, sharply rising yields led to substantial negative returns in traditional fixed income assets and equity markets with the technology sector exhibiting the greatest weakness.

We began the year operating low levels of portfolio risk and underweight asset duration (vs. liabilities) positions, helping to protect the portfolio from more significant drawdowns and increasing interest rate movements. The duration gap is being incrementally reduced as the risk/reward balance becomes more attractive. Real asset exposures, within funds in syndicate, were once more a significant positive contributor to returns.

Liquidity

The Syndicate continues to experience negative cash flows from operating activities, as illustrated in the Statement of cash flows. This arises as a result of the payment of losses incurred in earlier years of account when the premium income was significantly higher than currently being written. The managing agent has ensured there is sufficient liquidity in the Syndicate during the year by making cash calls on the Corporate Member of £56.4 million, and utilising letters of credit in providing US trust fund collateral as an alternative to drawing on the Syndicate's free funds. The Syndicate has, at the date of this report, access to a cash based revolving credit facility of £160.0 million, and to a letter of credit facility for US trust fund collateral of \$550.0 million.

Future developments

Syndicate 2001's underwriting capacity for 2023 is £1,600 million (2022: £1,600 million). The Syndicate will continue to transact predominantly the current classes of general insurance and reinsurance business with the changes outlined on page 4.

The principal risks and uncertainties of the business addressed within the notes to the financial statements on pages 27 to 59.

Senior appointments

Throughout 2022 the managing agent has continued to bolster its leadership with Andrew Carrier assuming the role of CEO from 1 January 2023. Andrew succeeds Johan Slabbert who moved within the Group to join MSIG in the US after almost three years. The Board would like to take the opportunity to thank Johan for his commitment and contribution, leading the managing agent to a successful return to profitability in 2021 and significantly enhancing its future prospects.

Following Andrew's appointment to CEO, Grant Baxter was appointed as interim CUO, joining the business from Liberty Mutual in December 2022. Neil Walker has been appointed co-deputy CUO and head of specialty insurance, taking responsibility for marine, casualty, natural resources and crisis management. Head of property and allied lines Sam Geddes was appointed as co-deputy CUO.

Report of the directors of the managing agent

(continued)

People and Culture

We have seen encouraging signs of progress on our People and Culture agenda across all parts of our business and our people strategy remains a critical dimension of our overarching business strategy. Despite the extremely tight external hiring environment we have succeeded in bringing new and diverse senior talent into the organisation and we are particularly pleased to have improved representation of women in senior leadership roles across the organisation, from 19% to 26% during 2022. We also continue to build a diverse talent through our early careers pipeline with the successful intake of graduates and apprenticeship schemes, with the specific aim of attracting under-represented cohorts. We have modernised our performance, reward and recognition people management practices, putting the appropriate emphasis and link to our company values to reinforce and embed a culture of performance and inclusion.

We have seen very positive activity in our newly launched LGBTQ+ employee resource group 'Open and Out' as well as our other networks, such as EMBRACE which celebrated Black History Month; both continue to focus on creating events to develop greater understanding, awareness and foster allyship in these under-represented groups. Additionally we introduced a number of new people policies to drive inclusion, for example our Family Leave Policy which now offers 6 months fully paid leave for all parents, regardless of the way in which the family has grown.

We continue to focus on employee wellbeing whether via mindfulness workshops to help with stress and anxiety, through to the introduction of new benefits as part of our existing very flexible benefits offering, such as Menopause GP consultations and the introduction of Neurodiversity cover giving our employees and their eligible family members online specialist support, with experts in Autism, ADHD, Dyslexia and Dysgraphia.

We introduced a number of new people policies to drive inclusion, for example our Family Leave Policy which now offers 6 months fully paid leave for all parents, regardless of the way in which the family has grown.



Report of the directors of the managing agent

(continued)



Sustainability

The Board has overall responsibility for setting and overseeing the implementation of the Sustainability Strategy.

The Board has a number of committees, to which it delegates oversight and decision making powers in accordance with documented terms of references. The Governance structure for sustainability and climate change is included within the sustainability strategy and set out on the company's website msamlin.com, and will continue to evolve as we embed sustainability into MS Amlin's business model.

Our sustainability strategy is centred around the desire to do the right thing, which MS Amlin believes will create long term enterprise value. Given MS Amlin is an insurance and reinsurance business, and insurance being a major enabler of growth and trade, one of the areas MS Amlin's sustainability strategy focuses on is underwriting. We understand that MS Amlin's clients value support as they navigate their transition, respond to changing weather risks and evolve their business models. MS Amlin's approach is focused on ensuring the transition through responsible underwriting, across all classes of business, using metrics (where available) to support decision making.

The sustainability strategy also recognises that MS Amlin's commercial activities are not divorced from its moral and societal responsibilities. This is why MS Amlin's sustainability strategy also focuses on people and communities. The latter is borne out in the work it is doing around employee wellbeing, equality diversity and inclusion and corporate and social responsibility.

MS Amlin believes strongly in considering the various aspect of sustainability, not just emissions. MS Amlin has developed a set of priorities based on the United Nations Sustainable Development Goals framework. These are goal 5 - Gender Equality, goal 9 - Industry, Innovation and Infrastructure and goal 12 - Climate Action; this is what is used to anchor specific initiatives.

The sustainability strategy acts as a statement of positive intent, aligned with the expectations of our various stakeholders, all of whom had input during development. It sets out the specific steps the company will take over the next 36 months to embed Environmental, Social, and Governance across the business and minimise the environmental impact of operations, and details how the company will support clients, colleagues, partners and communities as we move towards a low carbon economy that is aligned with the UN.

MS Amlin has embedded a company-wide Risk Management Framework ('RMF') to support the identification, assessment and management of internal and external risks to which the company is exposed.

Climate Change

The Board has overall responsibility for strategy, performance and risk management and only through careful management in each of these areas of our business can we achieve our strategic objectives and manage the risks and opportunities arising from climate change. The Board is committed to making transparent, sustainable financial decisions and to actively managing the long-term financial risks of climate change, in partnership with customers as a transition towards to a low carbon future.

The Board has appointed a dedicated executive and Board sponsor responsible for climate change. The Strategy & Transformation Director is Chairman of the Sustainability Committee, the named executive with regulatory responsibility for climate change and represents MS Amlin on the ClimateWise Insurance Advisory Council.

MS Amlin has been a signatory to the ClimateWise initiative since its inception in 2007. Our membership offers us a platform to collaborate and actively contribute towards the insurance industry's response, identifying new ways and approaches to confront climate change challenges.

Our sustainability strategy is centred around the desire to do the right thing, which MS Amlin believes will create long term enterprise value.



Report of the directors of the managing agent

(continued)

Climate Change (continued)

Reporting

MS Amlin publishes a copy of its ClimateWise report, which has been reviewed by the Sustainability Committee and approved by the Executive Management Committee, on msamlin.com and employee intranet to demonstrate ongoing commitment to the ClimateWise Principles.

MS Amlin's existing and future reporting requirements have been reviewed carefully and current feedback suggests that the additional effort required to produce a standalone, broader sustainability and/or Task Force on Climate-Related Financial Disclosures ('TCFD') report is not justified by the potential benefits. The TCFD disclosures are aligned with the ClimateWise principles. Consequently the sets of disclosures have been cross referenced. Internal Audit were asked to review the mapping work, as part of the approval process, and this review demonstrated the adequacy of the mapping between the disclosures.

MS Amlin is pleased to note an improvement in our ClimateWise score to 85% (2021: 60%).

Climate Risk Governance

Given climate change is a key driver of risk across MS Amlin, during 2022 we established a Climate Risk Working Group ('CRWG') which will be a sub-group of the Sustainability Committee. The objective of the CRWG is to co-ordinate climate risk activities across the business, ensuring there is a consistent and unified approach, for example, in developing scenarios and setting tolerances. A co-ordinated and consistent approach will allow the business to develop a strategic plan for climate-related risks and explore the resilience and vulnerabilities of MS Amlin's business model, against MS Amlin's overall business strategy and risk appetite. It will also place the business in good stead to respond to future regulatory demands, and identify new opportunities that may arise as the climate changes.

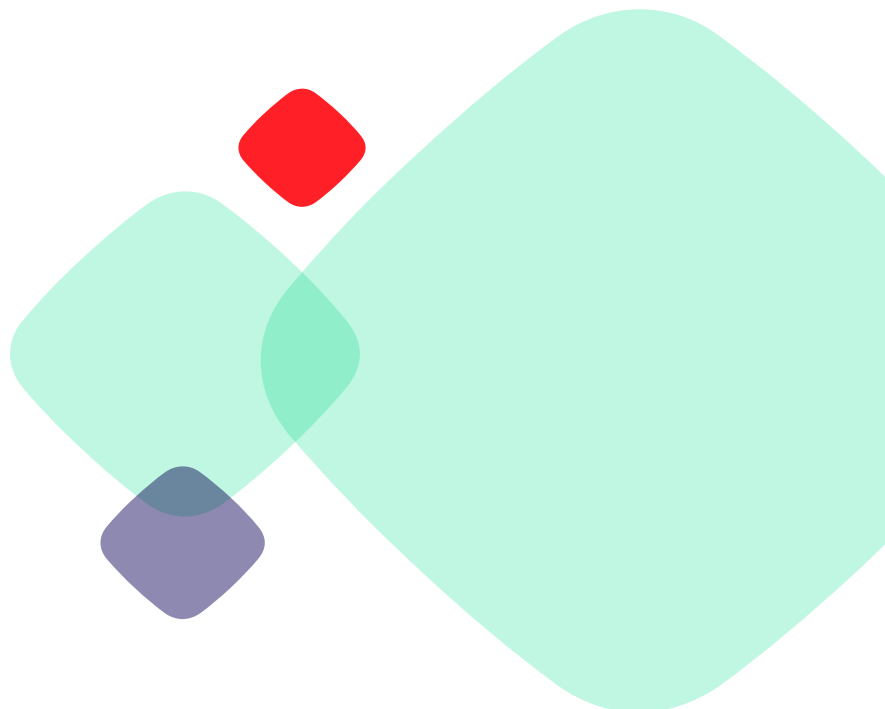
Assessing the financial risk impacts of climate change on our balance sheet through Climate Scenario Analysis

MS Amlin uses Climate Scenario Analysis ('CSA') to assess the financial risk impacts of climate change on our balance sheet, providing an indication of our position under severe, yet plausible scenarios and stressors.

This work has informed and been informed by our Climate Biennial Exploratory Scenario ('CBES') submission to the Bank of England that used CSA to assess our strategic resilience to different climate related scenarios. The CBES assessment built on scenarios developed by the Network for Greening the Financial System ('NGFS') – a network of 114 central banks and financial supervisors that aims to accelerate the scaling up of green finance and develop recommendations for central banks' role for climate change. The three scenarios (listed below) were used to quantify the potential impacts of climate change on underwriting and investment portfolios from a physical risk, transition risks and litigation risk perspective, and reflect varying responses to the Paris agreement targets. This helped us to understand better the risks of different courses of action on climate change.

- **Scenario A:** Sudden disorderly transition (Late Action). Temperature increase below 2° Celsius.
- **Scenario B:** Long-term orderly transition (Early Action). Temperature increase below 2° Celsius.
- **Scenario C:** Failed future improvements in climate policy (No Additional Action). Temperature increase in excess of 4°C.

MS Amlin is pleased to note an improvement in our ClimateWise score to 85%.



Report of the directors of the managing agent

(continued)

Directors

The current directors of the managing agent are shown on page 2. During the year and up to the date of signing, the following changes to the Board of Directors have occurred:

Name	Date of appointment	Date of resignation
S Imayoshi		31 March 2022
M Kawase	26 January 2023	
J Slabbert		31 December 2022
S Watabe	4 November 2022	
T Yamada		31 March 2022

Going concern

The Syndicate has financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment. The directors have continued to review the business plans, liquidity and operational resilience of the Syndicate.

There is no intention to cease underwriting or cease the operations of the Syndicate. The 2023 year of account of Syndicate 2001 has opened and the directors have concluded that the Syndicate has sufficient resources to, and a reasonable expectation that it will, open a 2024 year of account. There is also surplus capital available in the Corporate Member.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Regulatory matters

On 20th October 2022 the PRA published a Final Notice against the Managing Agent and imposed a penalty of £9,695,000. The Final Notice related to a number of historic issues that contributed to the underwriting losses experienced by the Syndicate in 2017. The PRA's Enforcement Notice is only in respect of the Managing Agent and the costs of the penalty have been met solely by the Managing Agent. There is no criticism of any individual and since 2017 management has completed a comprehensive programme of structural and strategic changes which has addressed these historical matters.

Independent auditor

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to the auditor

Each director who held office at the date of the 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.

Report of the directors of the managing agent

(continued)

Statement of responsibilities of the directors of the managing agent

The directors of the managing agent are responsible for preparing the Syndicate financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their Syndicates financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these financial statements, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Syndicate and to prevent and detect fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

A J Carrier
Chief Executive Officer
28 February 2023

Independent auditor's report to the member of Syndicate 2001

Opinion

We have audited the Syndicate annual accounts of Syndicate 2001 ("the Syndicate") for the year ended 31 December 2022 which comprise the Statement of Profit or Loss, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Members' Balances, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate annual accounts:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 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.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors of the Managing Agent ("the Directors") have prepared the Syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Syndicate annual accounts ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Syndicate's business model and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period, including reviewing correspondence with Lloyd's to assess whether there were any known impediments to establishing a further year of account.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Syndicate annual accounts is appropriate; and
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Syndicate will continue in operation.

Independent auditor's report to the member of Syndicate 2001 (continued)

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures at the Syndicate and Managing Agent included:

- Enquiring of directors, the audit committee, internal audit, legal, compliance and risk and inspection of policy documentation as to the Syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Syndicate and Managing Agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management, directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as the valuation of insurance loss reserve and the valuation of premium estimates.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, unauthorised user and inactive users, duplicate entries, post-closing entries, unbalanced journals, journals posted without a user identify, those posted to accounts linked to an accounting estimates of IBNR and estimated premium income post final reserving committee, those posted to accounts linked to investments after the posting of final investment journals, those posted manually with blank descriptions, those posted to cash account, and those posted to relocate the technical expense to non-technical expense; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Syndicate annual accounts from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Syndicate and Managing Agent regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Syndicate annual accounts varies considerably.

Independent auditor's report to the member of Syndicate 2001 (continued)

Fraud and breaches of laws and regulations – ability to detect (continued)

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

(continued)

Firstly, the Syndicate is subject to laws and regulations that directly affect the Syndicate annual accounts including financial reporting legislation (including related Lloyd's legislation), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Syndicate annual accounts items.

Secondly, the Syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Annual Return, for instance through the imposition of fines or litigation or the loss of the Syndicate's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, conduct and financial crime, health and safety, data protection laws, anti-bribery, employment law, money laundering, foreign corrupt practices, environmental protection legislation, and misrepresentation recognising the financial and regulated nature of the Syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Syndicate annual accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate annual accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information – Report of the Directors of the Managing Agent

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our Syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate annual accounts or our audit knowledge.

Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts; and
- in our opinion the Report of the Directors of the Managing Agent has been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 to you if, in our opinion:

- adequate accounting records have not been kept on behalf of the Syndicate; or
- the Syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of Managing Agent's emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Independent auditor's report to the member of Syndicate 2001 (continued)

Responsibilities of the Directors of the Managing Agent

As explained more fully in their statement set out on page 18, the Directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Syndicate annual accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

**James Anderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor**

Chartered Accountants
15 Canada Square,
London, E14 5GL

28 February 2023

Statement of profit or loss

for the year ended 31 December 2022

Technical account – general business	Note	2022 £m	2021 £m
Earned premiums, net of reinsurance			
Gross written premiums	4	1,576.8	1,339.7
Outward reinsurance premiums		(511.1)	(387.3)
Net written premiums		1,065.7	952.4
Change in the provision for unearned premiums			
Gross amount	11(c)	(87.1)	9.4
Reinsurers' share	11(c)	(69.5)	0.6
Change in the net provision for unearned premiums	11(c)	(156.6)	10.0
Earned premiums, net of reinsurance		909.1	962.4
Allocated investment return transferred from the non-technical account		(42.8)	4.2
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	11(a)	(1,063.7)	(1,199.5)
Reinsurers' share	11(a)	360.3	362.6
Net claims paid	11(a)	(703.4)	(836.9)
Change in the provision for claims			
Gross amount	11(a)	244.6	292.3
Reinsurers' share	11(a)	(27.3)	(26.1)
Change in the net provision for claims	11(a)	217.3	266.2
Claims incurred, net of reinsurance	11(a)	(486.1)	(570.7)
Net operating expenses	5	(422.4)	(411.5)
Balance on the technical account for general business – transferred to non-technical account		(42.2)	(15.6)
Non-technical account – general business	Note	2022 £m	2021 £m
Balance on the general business technical account		(42.2)	(15.6)
Investment income	8	16.9	19.8
Realised losses on investments	8	–	(38.6)
Unrealised (losses)/gains on investments	8	(64.7)	55.9
Investment expenses and charges	8	(2.7)	(1.1)
Allocated investment return transferred to general business technical account		42.8	(4.2)
Foreign exchange gains/(losses)		3.2	(8.3)
(Loss)/Profit for the financial year		(46.7)	7.9

All operations of the Syndicate relate to continuing operations.

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the Statement of profit or loss. Therefore, no Statement of other comprehensive income has been presented.

The accompanying notes on pages 27 to 59 form part of these financial statements.

Statement of financial position

at 31 December 2022

	Note	2022 £m	2021 £m
Investments			
Financial investments	10(c)	2,116.1	1,968.1
Reinsurers' share of technical provisions			
Provision for unearned premiums	11(c)	73.8	122.6
Claims outstanding	11(a)	989.3	960.6
		1,063.1	1,083.2
Debtors			
Debtors arising out of direct insurance operations	11(e)	556.5	489.0
Debtors arising out of reinsurance operations		589.7	505.4
Other debtors	10(d)	180.6	175.7
		1,326.8	1,170.1
Other assets			
Cash at bank and in hand	10(a)	2.8	89.6
Overseas deposits	10(b)	153.9	147.6
		156.7	237.2
Prepayments and accrued income			
Deferred acquisition costs	11(d)	206.2	173.6
Other prepayments and accrued income		22.2	21.8
		228.4	195.4
Total assets		4,891.1	4,654.0
Capital and reserves			
Member's balance		617.9	551.6
Technical provisions			
Provision for unearned premiums	11(c)	915.2	767.1
Claims outstanding	11(a)	3,045.2	3,048.8
		3,960.4	3,815.9
Creditors			
Creditors arising out of direct insurance operations	11(e)	156.1	116.0
Creditors arising out of reinsurance operations		121.2	148.3
Other creditors	10(e)	35.5	22.2
		312.8	286.5
Total liabilities		4,891.1	4,654.0

The accompanying notes on pages 27 to 59 form part of these financial statements.

The financial statements on pages 23 to 26 were approved by the Board of Directors of MS Amlin Underwriting Limited and were signed on its behalf by

P J Green
Chief Financial Officer
28 February 2023

Statement of cash flows

for the year ended 31 December 2022

	Note	2022 £m	2021 £m
Cash flows from operating activities			
(Loss)/Profit for the financial year		(46.7)	7.9
Decrease in gross technical provisions		(162.1)	(293.2)
Decrease in reinsurers' share technical provisions		105.1	30.7
(Increase)/decrease in debtors		(65.9)	205.1
Decrease in creditors		(3.7)	(255.7)
Increase/(decrease) in other assets/liabilities		10.4	(19.1)
Investment return		50.5	(36.1)
Foreign exchange gains/(losses)		111.1	(0.8)
Net cash outflow from operating activities		(1.3)	(361.2)
Cash flows from investing activities			
Purchase of equity, debt instruments and derivatives		(4,691.7)	(3,495.4)
Sale of equity, debt instruments and derivatives		4,599.8	3,747.7
Investment income received		7.7	13.1
Foreign exchange (losses) gains		(110.2)	2.3
Net cash (outflow)/inflow from investing activities		(194.4)	267.7
Cash flows from financing activities			
Distribution of profit		–	(0.7)
Cash call		56.5	154.0
Funds in Syndicate additions/(releases)		56.5	(81.2)
Net cash inflow from financing activities		113.0	72.1
Net decrease in cash and cash equivalents		(82.7)	(21.4)
Cash and cash equivalents at the beginning of the year		89.6	106.5
Effect of exchange rate on cash and cash equivalents		(4.1)	4.5
Cash and cash equivalents at the end of the year	10(a)	2.8	89.6

The accompanying notes on pages 27 to 59 form part of these financial statements.

Statement of changes in member's balance

for the year ended 31 December 2022

	2022 £m	2021 £m
Member's balance brought forward at 1 January	551.6	471.6
(Loss)/Profit for the financial year	(46.7)	7.9
Funding received from member	113.0	72.1
Member's balance carried forward at 31 December	617.9	551.6

Members participate on syndicates by reference to years of account. Assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The accompanying notes on pages 27 to 59 form part of these financial statements.

Notes to the financial statements

for the year ended 31 December 2022

1. Basis of preparation

The financial statements have been prepared using the annual basis of accounting in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting standard 102 (FRS 102). FRS 102 requires the application of Financial Reporting Standard 103 (FRS 103) in relation to insurance contracts. These requirements have been consistently applied to all years presented.

The financial statements are presented in pound sterling (GBP), which is the Syndicate's functional currency.

Going concern

The Syndicate has financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment. The directors have continued to review the business plans, liquidity and operational resilience of the Syndicate.

There is no intention to cease underwriting or cease the operations of the Syndicate. The 2023 year of account of Syndicate 2001 has opened and the directors have concluded that the Syndicate has sufficient resources to, and a reasonable expectation that it will, open a 2024 year of account. There is also surplus capital available in the Corporate Member.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Insurance claims outstanding

The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Syndicate. The methods, assumptions and estimates used by the Syndicate to estimate the insurance contract liabilities are described in note 11(i).

Unpaid claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the statement of profit or loss.

Details of the Syndicate's outstanding claims reserves and claims development are given in note 11(b).

Insurance contract premium

The gross written premiums are initially based on estimated premium income ("EPI") of each contract. The calculation of EPI is inherently subjective and attained through a combination of underwriters' best estimates at a policy level and actuarial techniques at a portfolio level, based on observable historical trends. The EPI in respect of binding authorities, is deemed to be written in full at the inception of the contract and estimates are made to allow for business incepted but not yet reported. These estimates are reviewed on a quarterly basis by underwriters and independently assessed by the actuarial and finance teams. Subsequent adjustments, based on reports of actual premium by the insureds, ceding companies, intermediaries or coverholders, or revisions in estimates, are recorded in the period in which they are determined.

The estimation of earned premium uses judgement about the profile of risk over the coverage period of (re)insurance contracts. For premium written under binder authorities, the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts. Some classes of business may be exposed to a seasonal pattern for the incidence of claims. Where this is the case, the earnings profile of the related premium is aligned.

Financial assets and financial liabilities

The fair value of financial assets and financial liabilities that are not traded in an active market (Level 2 and 3) is determined by valuation models and unobservable inputs. Judgement is used to select a variety of valuation methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. Details of these methods and assumptions are described in note 10(f).

Notes to the financial statements

for the year ended 31 December 2022

3. Significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and prior years.

Insurance contract premiums

Gross written premium comprise premium on insurance contracts incepting during the financial year together with adjustments to premium written in prior periods.

Premium is disclosed gross of brokerage and taxes, or duties levied on them. The proportion of gross written premium, gross of commission payable, attributable to periods after the reporting date is deferred as a provision for unearned premium. The change in this provision is taken to the statement of profit or loss in order that revenue is recognised over the period of the risk.

Premium is recognised as earned over the policy contract period. The earned element is calculated separately for each contract on a basis where the premium is apportioned over the period of risk.

Acquisition costs

Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premiums they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned.

Reinsurance premiums ceded

Reinsurance premiums ceded comprise premiums on reinsurance arrangements bought which incept during the financial year, together with adjustments to premium ceded in prior periods. The proportion of reinsurance premium ceded attributable to periods after the reporting date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

Insurance contract liabilities

Claims paid are defined as those claims transactions settled up to the balance sheet date including the internal and external claims settlement expenses allocated to those transactions.

Claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Provisions are determined by management based on experience of claims settled and on statistical models which require certain assumptions to be made regarding incidence, timing and number of claims, and any specific factors such as adverse weather conditions. Also included in the estimation of incurred claims are factors such as the potential for judicial or legislative inflation. Any changes to the amounts held are adjusted through the statement of profit or loss. Provisions are established above an actuarial best estimate as an additional degree of caution.

The unpaid claims reserves also includes, if necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premiums provision.

Some insurance contracts permit the Syndicate to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Syndicate may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries and subrogation reimbursements are included as allowances in the measurement of the insurance liability for unpaid claims, and recognised in insurance and reinsurance receivables when the liability is settled.

Reinsurance recoveries

The Syndicate has reinsurance treaties and other reinsurance contracts that transfer significant insurance risk. The benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets.

These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Where there is objective evidence that a reinsurance asset is impaired, the Syndicate reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss.

Notes to the financial statements

for the year ended 31 December 2022

3. Significant accounting policies (continued)

Financial assets

The Syndicate's financial assets are classified at fair value through profit and loss ('FVPL'). This classification requires all fair value changes to be recognised immediately within the investment return line in the statement of profit or loss. The Syndicate has availed itself of the option in FRS 102 to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement to its financial assets and financial liabilities.

Within the FVPL category, holdings in collective investment schemes, fixed income securities, equity securities, property funds and certain derivatives are classified as 'trading' as the Syndicate buys with the intention to resell.

All other assets at FVPL are classified as 'other than trading' within the FVPL category as they are managed, and their performance is evaluated, on a FVPL basis.

Purchases and sales of investments are recognised on the trade date, which is the date the Syndicate commits to purchase or sell the assets. These are initially recognised at fair value and are subsequently re-measured at fair value based on quoted bid prices. Transaction costs are recognised directly in the statement of profit or loss when incurred. Changes in the fair value of investments are included in the statement of profit or loss in the year in which they arise. The uncertainty around valuation is discussed further in note 10(f).

Reinsurance to close

The reinsurance to close is treated as the extinguishment of the related net insurance liabilities for the closed underwriting year. This extinguishment of the liabilities is reflected as a movement in prior period reserve estimates. The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein.

Derivative financial instruments

Derivative financial instruments primarily include currency swaps, currency and interest rate futures, currency options and other financial instruments that derive their value mainly from underlying interest rates or foreign exchange rates. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. Derivative fair values are determined from quoted prices in active markets where available or, where these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Gains and losses arising from changes in the fair value of derivative instruments are recognised as they arise in the statement of profit or loss.

Investment return

The investment return comprises investment income, investment gains less losses, and is net of investment expenses and charges.

Realised gains or losses are calculated as the difference between the net sales proceeds and their purchase price in the financial year or their valuation at the commencement of the year. Unrealised gains and losses are calculated as the difference between the valuation of investments at the balance sheet date and their purchase price in the financial year and their valuation at the commencement of the year.

All of the investment return arising in the year is reported initially in the non-technical account. A transfer is then made from the non-technical account to the technical account to reallocate investment return relating to underwriting business.

Tax

No provision has been made in respect of UK income tax on trading income. It is the responsibility of the member to settle their tax liabilities. Overseas taxation comprises US Federal Income tax and Canadian Federal Income tax. The amounts charged to the member are collected centrally through Lloyd's Members' Services Unit as part of the member's distribution process. The ultimate tax liability is the responsibility of the underwriting member.

Notes to the financial statements

for the year ended 31 December 2022

3. Significant accounting policies (continued)

Foreign currencies

The Syndicate's financial statements are presented in pounds sterling (£) which is the functional and presentational currency of the Syndicate.

Transactions in foreign currencies are translated into sterling at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the rates of exchange ruling at the balance sheet date (insurance balances are considered to be monetary assets). Non-monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate prevailing on the date in which the asset or liability first arose or, where such items are revalued, at the latest valuation date. Exchange differences are recognised within the 'non-technical account'.

Loans and receivables

Loans and receivables are initially recognised at fair value plus directly related costs and subsequently measured at amortised cost using an effective interest rate method less any impairment losses. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the Syndicate measures the amount of the loss as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective rate of the loan and receivable at initial recognition. Impairment losses are recognised in the statement of profit and loss and the carrying amount of the loan and receivable is reduced by establishing an allowance for the impairment loss. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

Insurance debtors and creditors

Insurance debtors and creditors are primarily non-derivative financial assets and liabilities with fixed or determinable payments and not quoted on an active market. These include amounts due to and from agents, brokers and insurance contract holders.

Debtors are initially recognised when due at transaction price, and where applicable are subsequently measured at amortised cost using the effective interest rate method. The recoverability of these assets is assessed at each balance date and appropriate provision made to ensure that the balances properly reflect the amounts that will ultimately be received, taking into account counterparty credit risk and the contractual terms of the contract.

Where receivable is impaired, the Syndicate reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the statement of profit or loss.

Creditors are initially recognised at transaction price, and where applicable are subsequently measured at amortised cost using the effective interest rate method.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted balances held with banks and other highly liquid financial assets with original maturities of less than three months, which are subject to insignificant credit risk, and are used by the Syndicate for the management of its short-term commitments.

Amounts owed to credit institutions, comprising bank overdrafts, are measured at amortised cost using the effective interest rate method and repayable on demand.

Notes to the financial statements

for the year ended 31 December 2022

4. Technical account analysis

An analysis of the underwriting result before investment return and net technical provisions is set out below:

	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	Total £m	Net technical provisions £m	Commissions on gross premiums earned £m
2022								
Direct insurance								
Accident and health	36.9	35.7	(20.6)	(9.1)	(5.9)	0.1	68.0	(11.0)
Motor (third party liability)	13.7	13.8	(8.3)	(3.6)	(0.9)	1.0	27.7	(3.7)
Motor (other classes)	107.1	101.5	55.0	(26.3)	(120.8)	9.4	197.4	(28.7)
Marine, aviation and transport	184.7	166.4	(133.6)	(43.8)	23.4	12.4	330.3	(40.1)
Fire and other damage to property	356.1	315.8	(192.4)	(80.3)	(41.0)	2.1	608.5	(75.4)
Third party liability	113.8	110.1	29.2	(28.0)	(125.8)	(14.5)	210.9	(29.4)
Miscellaneous	52.9	49.4	(32.1)	(12.6)	(5.8)	(1.1)	93.7	(10.9)
	865.2	792.7	(302.8)	(203.7)	(276.8)	9.4	1,536.5	(199.2)
Reinsurance	711.6	697.0	(516.3)	(218.7)	29.2	(8.8)	1,360.8	(98.0)
Total	1,576.8	1,489.7	(819.1)	(422.4)	(247.6)	0.6	2,897.3	(297.2)

	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	Total £m	Net technical provisions £m	Commissions on gross premiums earned £m
2021								
Direct insurance								
Accident and health	29.8	30.0	(19.2)	(8.5)	(0.4)	1.9	61.0	(10.2)
Motor (third party liability)	11.2	10.8	(5.9)	(3.1)	(0.3)	1.5	22.7	(3.2)
Motor (other classes)	112.5	116.9	(66.6)	(37.0)	(3.6)	9.7	250.9	(28.6)
Marine, aviation and transport	157.2	164.6	(80.1)	(53.5)	1.1	32.1	374.9	(34.3)
Fire and other damage to property	326.7	316.4	(226.0)	(94.4)	20.7	16.7	641.3	(70.4)
Third party liability	75.5	80.9	(99.6)	(26.2)	(4.4)	(49.3)	160.6	(13.7)
Miscellaneous	60.3	55.9	(31.4)	(18.0)	0.9	7.4	119.0	(17.3)
	773.2	775.5	(528.8)	(240.7)	14.0	20.0	1,630.4	(177.7)
Reinsurance	566.5	573.6	(378.4)	(170.8)	(64.3)	(39.9)	1,102.4	(99.4)
Total	1,339.7	1,349.1	(907.2)	(411.5)	(50.3)	(19.9)	2,732.8	(277.1)

All premiums are concluded in the UK. The reinsurance balance is gross of commission and profit participation earned by the Syndicate as detailed in note 5. The above analysis is as per Lloyd's requirements and is different to how the managing agent views how the Syndicate is managed.

The P&C UK RITC predominantly related to Motor and Third Party Liability business in the above analysis. The extinguishment of the liabilities has distorted the claims incurred and reinsurance balance components of the segmental analysis for these classes without materially impacting the results.

The geographical analysis of gross written premiums by location of client, as a proxy for risk location, is as follows:

	2022 £m	2021 £m
UK	289.5	241.8
European Union	87.8	69.9
USA	768.9	674.9
Other	430.6	353.1
Total	1,576.8	1,339.7

Notes to the financial statements

for the year ended 31 December 2022

5. Net operating expenses

	Note	2022 £m	2021 £m
Acquisition costs		315.9	266.7
Change in deferred acquisition costs	11(d)	(18.7)	10.4
Administrative expenses		124.8	107.8
Managing agent's fees		16.0	16.8
Lloyd's charges		14.2	15.7
Reinsurance commission and profit participation		(29.8)	(5.9)
Total		422.4	411.5
Administrative expenses include:			
Fees payable to the Syndicate's auditor for:			
– Audit of the Syndicate's annual report		(1.0)	(0.9)
– Other audit-related services		(0.1)	(0.1)

Total commissions for direct insurance business for the year amounted to £211.8 million (2021: £169.1 million).

For MS Amlin Underwriting Limited the auditor's remuneration was £40,000 (2021: £34,136).

6. Staff costs

All staff are employed by MS Amlin Corporate Services Limited ('MS ACS'). The following amounts were recharged to the Syndicate in respect of salary costs:

	2022 £m	2021 £m
Wages and salaries	43.1	41.8
Social security costs	5.9	5.7
Other pension costs	4.6	3.6
Total	53.6	51.1

Pension costs reflect contributions paid to the MS Amlin defined contribution schemes.

Notes to the financial statements

for the year ended 31 December 2022

7. Directors' emoluments

Executive directors and certain non-executive directors are also directors or employees of other companies within the MSI Group. As such a proportion of the total emoluments have been allocated to the Syndicate. However, this is not necessarily a reflection of the amount, if any, charged to the Syndicate by the company employing the director. Only amounts in respect of qualifying services are disclosed in the table below.

The directors of the managing agent received the following proportionate total emoluments during their time in office:

	2022 £'000	2021 £'000
Salaries and other short-term benefits	3,042	2,484
Amounts received under cash based long-term incentive schemes	112	–
Employer's contribution to pension schemes	13	19
Termination benefits	–	264
Total	3,167	2,767

Payments were made to three directors (2021: three) in respect of defined contribution pension schemes. No payments were made in respect of defined benefit pension schemes in the current or prior year. During the year, five directors were members of long-term incentive schemes (2021: four).

The highest paid director received the following proportionate total emoluments during their time in office:

	2022 £'000	2021 £'000
Salaries and other short-term benefits	1,005	898
Total	1,005	898

The highest paid director is (2021: is) a member of a long-term incentive scheme, did not (2021: did not) receive payment in respect of either a defined benefit or defined contribution pension scheme.

The active underwriter (2021: one active underwriter) during the year received the following remuneration charged as a Syndicate expense for the period they were appointed:

	2022 £'000	2021 £'000
Salaries and other short-term benefits	1,005	898
Total	1,005	898

Notes to the financial statements

for the year ended 31 December 2022

8. Investment return

	2022 £m	2021 £m
Interest income on cash and cash equivalents	1.6	0.1
Interest income on overseas deposits	2.6	2.1
Income from financial assets at fair value through profit and loss	12.7	17.6
Investment Income	16.9	19.8
Net realised losses on financial assets measured at fair value through profit or loss	–	(38.6)
Net unrealised (loss)/gains on financial assets measured at fair value through profit or loss	(64.7)	55.9
Investment expenses and charges	(2.7)	(1.1)
Total investment (loss)/profit	(50.5)	36.0

The above figures include investment loss of £7.7 million (2021: profit of £31.8 million) on cash, bonds, equity and property investments deposited by the Corporate Member into the Syndicate's Premium Trust Fund.

	2022 £m	2021 £m
Calendar year investment yield:		
Average Syndicate funds available for investment during the year		
Pound sterling	98.1	133.2
Euro	84.4	125.9
US dollar	933.9	927.6
Canadian dollar	298.7	303.5
Australian dollar	65.8	12.3
New Zealand dollar	13.1	12.8
Japanese yen	20.9	31.2
Combined	1,514.9	1,546.5
Aggregate gross investment return on Syndicate investments for the year (excluding expenses and charges)	(42.8)	4.2

Gross calendar year investment yield:		
Pound sterling	(0.2%)	3.3%
Euro	(2.4%)	(0.8%)
US dollar	(3.8%)	(0.1%)
Canadian dollar	(2.1%)	0.5%
Australian dollar	0.5%	(0.9%)
New Zealand dollar	0.3%	0.2%
Japanese yen	(2.3%)	(0.1%)
Combined	(2.7%)	0.3%

The average amount of Syndicate funds available for investment has been calculated as the monthly average balance of investments and overseas deposits. The yield percentages exclude immaterial sources of income.

Notes to the financial statements

for the year ended 31 December 2022

9. Foreign exchange risk

The Syndicate's functional and presentation currency is pound sterling. The Syndicate holds assets and liability balances in major base currencies of pound sterling, euro, US dollar and Canadian dollar, and additional currencies of New Zealand dollar, Japanese yen and Australian dollar. The Syndicate attempts to match the value of the assets held in these currencies with the equivalent liabilities to minimise foreign exchange exposure.

Foreign exchange exposure arises when business is written in non-functional currencies. These transactions are translated into the functional currency pound sterling at the prevailing spot rate once the premiums are received. Consequently, there is exposure to currency movements between the exposure being written and the premiums being received. Payments in non-base currencies are converted back into the underlying currency at the time a claim is to be settled; therefore, the Syndicate is exposed to exchange rate risk between the claim being made and its subsequent settlement.

The closing rates of exchange used by the Syndicate are shown below:

Currency	2022	2021
AUD	1.7736	1.8618
CAD	1.6395	1.7117
EUR	1.1295	1.1890
JPY	158.4660	155.7500
NZD	1.9037	1.9781
USD	1.2083	1.3534

The Syndicate will also occasionally transact currencies on a forward basis particularly when net monetary assets/liabilities exceed pre-agreed thresholds. All forward contracts are carried out with well-rated banks, so as to limit the counterparty risk. The investment managers also hold forward foreign exchange contracts in their portfolios at the year-end in order to hedge non-base currency investments. All forward contracts are marked to market in their valuations.

Notes to the financial statements

for the year ended 31 December 2022

9. Foreign exchange risk (continued)

The table below presents the Syndicate's member's balance by major base currency before the effect of any hedging instruments. The amounts are stated in the pound sterling equivalent of the local currency using the exchange rates as disclosed in the table above. The financial investments are presented on a look through basis and include overseas deposits.

	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	JPY £m	Other £m	Total £m
2022								
Financial investments	818.1	882.0	105.0	264.2	101.4	16.7	82.6	2,270.0
Reinsurers' share of technical provisions	220.1	785.0	20.1	37.9	–	–	–	1,063.1
Insurance and reinsurance receivables	145.2	888.4	28.4	37.6	19.2	0.4	27.0	1,146.2
Cash at bank	3.6	(2.6)	0.2	–	–	0.3	1.3	2.8
Other assets	200.0	167.4	13.1	13.5	7.7	0.2	7.1	409.0
Technical provisions	(493.6)	(2,720.1)	(183.8)	(245.4)	(173.6)	(14.3)	(129.6)	(3,960.4)
Insurance and reinsurance payables	(45.0)	(201.9)	(14.8)	(15.6)	–	–	–	(277.3)
Other creditors	(23.2)	(8.4)	(2.1)	(1.8)	(0.1)	–	–	(35.6)
Net assets	825.2	(210.2)	(33.9)	90.4	(45.4)	3.3	(11.6)	617.8
2021								
Financial investments	734.2	893.0	78.5	294.0	10.0	27.1	78.9	2,115.7
Reinsurers' share of technical provisions	316.4	672.9	53.3	40.5	–	–	–	1,083.1
Insurance and reinsurance receivables	217.6	712.4	44.1	0.9	10.3	(1.5)	10.6	994.4
Cash at bank	4.9	2.7	1.2	–	78.8	0.7	1.3	89.6
Other assets	168.5	169.7	11.0	7.8	6.0	0.2	8.0	371.2
Technical provisions	(808.1)	(2,248.5)	(222.6)	(213.2)	(153.9)	(23.5)	(146.1)	(3,815.9)
Insurance and reinsurance payables	(105.2)	(125.2)	(19.4)	(14.5)	–	–	–	(264.3)
Other creditors	(9.2)	(11.7)	(1.1)	(0.1)	–	–	(0.1)	(22.2)
Net assets	519.1	65.3	(55.0)	115.4	(48.8)	3.0	(47.4)	551.6

If the foreign currencies were to strengthen/weaken by 10% against pound sterling, the movement in the monetary net assets and liabilities of the Syndicate would result in the following gains/(losses) in the statement of profit or loss at 31 December 2022:

Currency	31 December 2022		31 December 2021	
	10% strengthening of currency against GBP	10% weakening of currency against GBP	10% strengthening of currency against GBP	10% weakening of currency against GBP
	£m	£m	£m	£m
US dollar	(23.4)	19.1	7.2	(5.9)
Canadian dollar	10.0	(8.2)	12.8	(10.5)
Euro	(3.8)	3.1	(6.1)	5.0
Total	(17.2)	14.0	13.9	(11.4)

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities

a) Cash and cash equivalents

	2022 £m	2021 £m
Cash and cash in hand	2.8	89.6

Cash and cash equivalents represent cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments that are subject to insignificant risk of changes in fair value.

b) Overseas deposits

Overseas deposits represent balances held with overseas regulators to permit underwriting in certain territories. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in debt and other fixed income securities.

c) Net financial investments

	At Valuation		At Cost	
	2022 £m	2021 £m	2022 £m	2021 £m
Financial assets at fair value through profit or loss				
Debt securities and other fixed income securities	633.0	802.5	652.5	811.2
Shares and other variable yield securities	24.6	26.6	24.6	26.6
Participation in investment pools	91.6	190.2	91.6	194.7
Holdings in collective investment schemes	1,350.9	938.5	1,248.8	762.7
Derivative financial instruments	3.4	(0.1)	–	–
Deposits with cedants	12.2	9.7	12.2	9.7
Other investments	0.4	0.7	0.4	0.7
Total financial assets at fair value through profit or loss	2,116.1	1,968.1	2,030.1	1,805.6
Financial liabilities at fair value through profit or loss				
Net financial investments	2,116.1	1,968.1	2,030.1	1,805.6
Listed investments included above:				
Debt securities and other fixed income securities	633.0	802.5	652.5	811.2
Shares and other variable yield securities	–	–	–	–

Underwriting liabilities are matched by bonds, investment pools, collective investment schemes and cash. Other more volatile assets, including equities, represent capital. Included above are funds of £714.0 million (2021: £653.5 million) deposited by the Corporate Member and held as capital assets (Funds in Syndicate (FIS)).

Shares and other variable yield securities comprise minority shareholdings held by the Syndicate in unlisted companies and loans made to the Lloyd's Central Fund. The classification of the loans is as per Lloyd's guidance.

The reconciliation of opening and closing net financial investments is as follows:

	2022 £m	2021 £m
At 1 January	1,968.1	2,204.1
Foreign exchange (losses)/gains	(110.2)	2.3
Net disposals	322.9	(255.6)
Net realised losses on assets	–	(38.6)
Net unrealised (losses)/gains on assets	(64.7)	55.9
At 31 December	2,116.1	1,968.1

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

d) Other debtors

	2022 £m	2021 £m
Receivable from Group companies	152.3	132.0
Other	28.3	43.7
Total	180.6	175.7

Included in amounts receivable from Group companies in the current and prior year is a loan to MS ACS. This loan of £12.6 million (2021: £5.5 million) is to fund change projects MS ACS is managing on behalf of MS Amlin. The loan is on a recurring 1-year term, repayable after a 12-month notice period and does not charge interest. £4.6m of the loan is recoverable within 12 months, with the remainder beyond 12 months.

All other debtor amounts owed are unsecured, have no fixed date of repayment, are payable on demand, are non-interest bearing and are recoverable within 12 months.

e) Other creditors

	2022 £m	2021 £m
Payable to Group companies	13.2	2.2
Accruals and deferred income	6.0	11.0
Other	16.3	9.0
Total	35.5	22.2

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment, are payable on demand and are non-interest bearing.

Other creditors are all current, both in the current and prior years.

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

f) Fair value hierarchy

For financial instruments carried at fair value the Syndicate has categorised the measurement basis into a fair value hierarchy as follows:

- Level 1:* Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide readily and regularly available quoted prices.
- Level 2:* Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3:* Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

Shares and other variable yield securities

Listed equities traded on a primary exchange in an active market are classified as Level 1. Minority shareholdings held by the Syndicate in unlisted companies are classified as Level 3.

Variable yield securities are represented by loans to the Lloyd's Central Fund and are classified as Level 3 (2021: Level 3).

Debt and other fixed income securities

The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets.

Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1. This is typically the case for government bonds. Level 1 also includes bond funds, where fair value is based upon quoted prices. Where the market is inactive or the price is adjusted, but significant market observable inputs having been used by the pricing sources, then these are considered to be Level 2. This is typically the case for government agency debt, corporate debt, mortgage and asset-backed securities and catastrophe bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Participation in investment pools

These are units held in money market funds and the value is based upon unadjusted, quoted and executable prices provided by the fund manager and classified as Level 1.

Holdings in collective investment schemes

These represent investments in open-ended investment unit trusts. The fair value of the investment in unlisted open-ended investments is determined using an unadjusted net asset value, which results in a Level 2 valuation. The unadjusted net asset value is used as the units are redeemable at the reportable net asset value at the measurement date. Level 3 investments in collective investment schemes are valued using net asset statements provided by independent third parties.

Derivatives

Listed derivative contracts, such as futures, that are actively traded are valued using quoted prices from the relevant exchange and are classified as Level 1. Over the counter currency options are valued by the counterparty using quantitative models with multiple market inputs such as foreign exchange rate volatility. The market inputs are observable, and the valuation can be validated through external sources. These are classified as Level 2.

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

f) Fair value hierarchy (continued)

Net financial investments by fair value grouping:

	2022				2021			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Financial assets held for trading at fair value through profit or loss								
Debt and other fixed income securities	334.9	298.1	–	633.0	488.2	314.3	–	802.5
Shares and other variable yield securities	–	–	24.6	24.6	–	–	26.6	26.6
Participation in investment pools	91.6	–	–	91.6	190.2	–	–	190.2
Holdings in collective investment schemes	6.5	1,091.3	253.1	1,350.9	1.3	714.1	223.1	938.5
Deposits with Cedants	–	–	12.2	12.2	–	–	9.7	9.7
Derivative financial instruments	–	3.4	–	3.4	–	–	–	–
Other	0.4	–	–	0.4	0.7	–	–	0.7
Total financial assets	433.4	1,392.8	289.9	2,116.1	680.4	1,028.4	259.4	1,968.2
Liabilities								
Financial liabilities held for trading at fair value through profit or loss	–	–	–	–	–	–	–	–
Derivative financial instruments	–	–	–	–	–	(0.1)	–	(0.1)
Total financial liabilities	–	–	–	–	–	(0.1)	–	(0.1)
Net financial investments	433.4	1,392.8	289.9	2,116.1	680.4	1,028.3	259.4	1,968.1

The table above excludes the Syndicate's holdings of cash and cash equivalents of £2.8 million (2021: £89.6 million). These are measured at fair value and are categorised as Level 1. Additionally, this table also excludes the Syndicate's overseas deposits, of which £50.4 million (2021: £43.9 million) are categorised as Level 1 and £103.5 million (2021: £103.8 million) are categorised as Level 2.

The majority of the Syndicate's investments are valued based on quoted market information or other observable market data. The Syndicate holds 13.7% (2021: 13.2%) of its net financial investments at a fair value based on estimates and recorded as Level 3 investments. Level 3 investments in collective investment schemes are valued using net asset statements provided by independent third parties, and therefore no sensitivity analysis has been prepared. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

Transfers between levels of the fair value hierarchy

The managing agent's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the start of the relevant reporting period during which the transfers are deemed to have occurred.

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

There were no transfers between the levels (2021: no transfers). The table below analyses the movements in assets classified as Level 3 investments during 2022:

	Property funds £m	Hedge fund £m	Unlisted equities £m	Deposits with cedants £m	Lloyd's loans £m	Total £m
At 1 January 2022	199.1	24.0	3.6	9.7	23.0	259.4
Total net gains recognised in investment return in profit or loss	33.2	1.5	–	–	–	34.7
Sales	(28.3)	–	(2.0)	(27.0)	–	(57.3)
Purchases	3.4	20.2	–	29.5	–	53.1
At 31 December 2022	207.4	45.7	1.6	12.2	23.0	289.9

Total net unrealised gain for the year recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting year

42.2

	Property funds £m	Hedge fund £m	Unlisted equities £m	Deposits with cedants £m	Lloyd's loans £m	Total £m
At 1 January 2021	183.0	–	4.5	–	–	187.5
Total net gains recognised in investment return in profit or loss	18.9	–	(0.7)	–	–	18.2
Sales	(23.3)	–	(0.2)	–	–	(23.5)
Purchases	20.5	24.0	–	9.7	–	54.2
Transfers from Level 1	–	–	–	–	23.0	23.0
At 31 December 2021	199.1	24.0	3.6	9.7	23.0	259.4

Total net unrealised loss for the year recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting year

12.9

g) Financial risk management

The following section describes the Syndicate's investment risk management from a quantitative and qualitative perspective.

The Syndicate has two main categories of assets:

- Underwriting assets – premium received and held to meet future insurance claims.
- Capital assets – capital required by Lloyd's to support the underwriting business. These represent funds deposited by the Corporate Member as FIS plus working capital and surplus funds.

Investment governance

The managing agent manages the Syndicate's investments in accordance with the investment governance framework that is set by the Board. The framework is reviewed on a regular basis to ensure that the Board's fiduciary and regulatory responsibilities are being met. Oversight of investments is delegated to the Investment Committee ('IC') and day-to-day management of the investments was delegated to MS Amlin Business Services ('MS ABS') to 31 December 2022. From 1 January 2023, day-to-day management was transferred to MS Amlin Investment Management Limited ("MS AIML").

The IC comprises the Chief Finance Officer as Chairman, with the Chief Executive Officer and Chief Risk Officer as the other members. The IC meets quarterly and supports the Risk & Solvency Committee and the Board in carrying out investment related responsibilities. During the period MS ABS was responsible for asset allocation and the appointment of external investment managers and custodians, within guidelines recommended by the IC and approved by the Board. From 1 January 2023, MS AIML is responsible. The IC is kept updated on relevant issues relating to day-to-day management.

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

g) Financial risk management (continued)

Risk tolerance

Investment risk tolerances are set by the Risk & Solvency Committee with recommendation from the IC. The investment process is ultimately driven by risk tolerance which is set with reference to factors such as the capital capacity and the capital management policy. Tolerances may be lower when capital capacity is constrained and vice versa. Investment risk was monitored by MS ABS (now MS AIML) using a market-recognised third-party risk model. Risk reporting is generated appropriate reports circulated to the IC (escalations are to the Risk & Solvency Committee). Further, investment related Risk & Compliance services were provided by MS ABS (now MS AIML) to support the independent oversight activities of the Risk team.

Asset allocation

A Value at Risk ("VaR") value is set by the Board consistent with the risk appetite that maintains the solvency levels in a 1-in-200 year event. MS AIML have discretion to set the asset allocation that they judge will provide the appropriate risk/reward balance, whilst respecting the VaR, asset class, liquidity and counterparty limits in the investment guidelines set by the Board. The expected timescale for future cash flows in each currency is calculated by the Actuarial team for policyholder portfolios, the average of these forms the basis of asset liability duration management. The IC reviews/challenges the MS ABS asset allocation and investment risk stance on a quarterly basis. The IC also recommends the investment guidelines for approval by the Board.

Investment management

Investments are managed on a multi-asset, multi-manager basis. Exposure to the asset classes is achieved using physical holdings of the asset class or derivative instruments and may be managed by MS ABS or by outsourced managers, on a segregated, pooled or commingled basis. Manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers have discretion to manage the investments on a day-to-day basis within investment guidelines and / or prospectuses applicable to their portfolios that ensure that they comply with the investment frameworks. The managers' performance, compliance and risk are monitored on an on-going basis.

The asset allocation of the Syndicate's investments is set out below.

	31 December 2022				31 December 2021			
	Underwriting assets £m	Capital assets £m	Total assets £m	Total %	Underwriting assets £m	Capital assets £m	Total assets £m	Total %
Government securities	362.4	–	362.4	17.1	488.1	–	488.1	24.8
Government agencies/ guaranteed bonds	–	–	–	–	8.7	–	8.7	0.5
Asset-backed securities	–	–	–	–	2.2	–	2.2	0.1
Mortgage-backed securities – Prime	21.8	–	21.8	1.0	53.1	–	53.1	2.7
Corporate bonds	248.8	–	248.8	11.8	250.4	–	250.4	12.7
Debt and other fixed income securities	633.0	–	633.0	29.9	802.5	–	802.5	40.7
Share and other variable yield securities	24.6	–	24.6	1.2	26.6	–	26.6	1.4
Pooled vehicles	559.2	401.5	960.7	45.4	248.3	437.6	685.9	34.8
Property funds	–	207.3	207.3	9.8	–	199.8	199.8	10.2
Other liquid investments & cash	188.5	101.6	290.1	13.7	237.0	15.6	252.6	12.8
Other	0.4	–	0.4	–	0.7	–	0.7	–
Total	1,405.7	710.4	2,116.1	100.0	1,315.1	653.0	1,968.1	100.0

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

h) Market risk

Market risk concerns the risks associated with valuation, interest rates, liquidity and counterparty credit. Foreign exchange risk is described in note 9.

Valuation risk

The Syndicate's earnings are directly affected by changes in the valuations of the investments held in the portfolios. These valuations vary according to the movements in the underlying markets. The Syndicate's assets are marked to market at bid price. Prices are supplied by the custodians, whose pricing processes are covered by their published annual audits. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources. These pricing sources use closing trades, or where more appropriate in illiquid markets, pricing models. Property funds are based on the most recent price available, which in some instances may be a quarter in arrears. Where a property transaction has taken place the transaction price is used if it is the most recent price available.

The managing agent operates an established control framework with respect to fair value measurement which ensures the valuation of financial assets and financial liabilities meets the requirements of FRS 102. As part of this process, the managing agent reviews the valuation policies of its custodians along with the evidence provided by the custodians to support fair value measurement. The prices are also reconciled to the fund managers' records to check for reasonableness. Further details of the fair value measurement of financial assets and financial liabilities are included in note 10(f).

The valuation of investments is sensitive to equity risk. The impact on profit before tax of a 5% improvement/deterioration in the total market value of shares would be a £4.5 million gain/loss (2021: £6.3 million gain/loss) when applying a consistent methodology to the previous year.

Interest rate risk

Investors' expectations for interest rates will impact bond yields. The value of the Syndicate's bond holdings is therefore subject to fluctuation as bond yields rise and fall. If the yield falls the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration. The greater the duration of a security the greater its price volatility. Typically, the longer the maturity of a bond the greater its duration.

The maturity bands of the Syndicate's debt and fixed income securities holdings as at 31 December 2022 are shown below.

	2022 £m	2021 £m
Underwriting assets		
Less than 1 year	12.2	545.1
1-2 years	52.2	177.9
2-3 years	109.1	42.2
3-4 years	233.9	12.0
4-5 years	176.4	–
Over 5 years	49.2	25.3
Total	633.0	802.5

The liabilities are not currently discounted and therefore their value is not impacted by interest rate movements. Cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise and therefore capital values will fall. Included in the above is £3.6 million (2021: £1.4 million) of accrued interest.

The average durations of the bond and cash portfolios for the underwriting assets and associated insurance liabilities as at 31 December were as follows:

	2022		2021	
	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Underwriting assets/liabilities				
Pound sterling	(0.1)	3.3	0.1	2.6
US dollar	1.3	3.3	0.6	3.2
Euro	(0.2)	2.9	0.2	2.9
Canadian dollar	2.9	3.2	0.4	3.9

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

i) Liquidity risk

It is important to ensure that claims are paid as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are also held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Syndicate's assets, which may result in realising prices below fair value, especially in periods of below normal investment market activity. The policy of limiting the extent of duration divergence between the policyholders' assets and the liabilities helps to reduce the risk of a cash flow mismatch.

The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts at 31 December 2022:

31 December 2022	Contractual cash flows (undiscounted)					Carrying amount £m
	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	
Financial assets						
Debt and other fixed income securities	–	34.0	210.2	476.2	7.6	633.0
Shares and other variable yield securities	24.6	–	–	–	–	24.6
Participation in investment pools	91.6	–	–	–	–	91.6
Holdings in collective investment schemes	1,350.9	–	–	–	–	1,350.9
Derivative financial instruments	–	3.4	–	–	–	3.4
Other investments	0.4	–	–	–	–	0.4
Other debtors	–	1,318.5	–	–	–	1,318.5
Deposits with cedants	12.2	–	–	–	–	12.2
Cash	2.8	–	–	–	–	2.8
Total financial assets	1,482.5	1,355.9	210.2	476.2	7.6	3,437.4
Financial liabilities						
Derivative financial instruments	–	–	–	–	–	–
Total financial liabilities	–	–	–	–	–	–
Net financial assets	1,482.5	1,355.9	210.2	476.2	7.6	3,437.4

31 December 2022	Expected cash flows (undiscounted)					Carrying amount £m
	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	
Insurance liabilities						
Outstanding claims	–	1,088.2	988.8	452.2	516.1	3,045.3
Less reinsurers' share of outstanding claims	–	(353.5)	(321.2)	(146.9)	(167.7)	(989.3)
Creditors	–	307.0	–	–	–	307.0
Total	–	1,041.7	667.6	305.3	348.4	2,363.0
Difference in contractual cash flows	1,482.5	314.2	(457.4)	170.9	(340.8)	1,074.4

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

i) Liquidity risk (continued)

31 December 2021	Contractual cash flows (undiscounted)					Carrying amount £m
	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	
Financial assets						
Debt and other fixed income securities	–	549.7	212.3	19.1	31.2	802.5
Shares and other variable yield securities	26.6	–	–	–	–	26.6
Participation in investment pools	190.2	–	–	–	–	190.2
Holdings in collective investment schemes	938.5	–	–	–	–	938.5
Derivative financial instruments	–	–	–	–	–	–
Other investments	0.7	–	–	–	–	0.7
Other debtors	–	1,152.1	–	–	–	1,152.1
Deposits with cedants	9.7	–	–	–	–	9.7
Cash	89.6	–	–	–	–	89.6
Total financial assets	1,255.3	1,701.8	212.3	19.1	31.2	3,209.9
Financial liabilities						
Derivative financial instruments	–	(0.1)	–	–	–	(0.1)
Total financial liabilities	–	(0.1)	–	–	–	(0.1)
Net financial assets	1,255.3	1,701.7	212.3	19.1	31.2	3,209.8

31 December 2021	Expected cash flows (undiscounted)					Carrying amount £m
	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	
Insurance liabilities						
Outstanding claims	–	1,125.8	1,025.1	464.2	433.7	3,048.8
Less reinsurers' share of outstanding claims	–	(354.7)	(323.0)	(146.3)	(136.6)	(960.6)
Creditors	–	275.6	–	–	–	275.6
Total	–	1,046.7	702.1	317.9	297.1	2,363.8
Difference in contractual cash flows	1,255.3	655.0	(489.8)	(298.8)	(265.9)	846.0

Liquidity in the event of a major disaster is tested regularly using internal cash flow forecasts and realistic disaster scenarios. In addition, the policyholders' funds investment guidelines require at least 25% of the funds to be held in government bonds and/or cash equivalents, which are highly liquid. If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the corporate funds.

The current and non-current portions of the other non-derivative financial liabilities are available in note 11(c).

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

j) Credit risk

Credit risk is the risk that the Syndicate becomes exposed to loss if a specific counterparty fails to perform its contractual obligations in a timely manner impacting the Syndicate's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. The Syndicate's credit risk is mitigated by the collateral received from counterparties, details of which are given in note 11(g). The Syndicate is exposed to credit risk in its investment portfolio and with its premium and reinsurance debtors. Collateral of £216.1 million (2021: £283.7 million) is held in third party trust funds to guarantee the Syndicate against certain reinsurance counterparties.

31 December 2022	Debt securities		Participation in investment pools		Insurance and reinsurance receivables		Reinsurers' share of outstanding claims	
	£m	%	£m	%	£m	%	£m	%
AAA	358.8	56.7	–	–	–	–	–	–
AA	72.0	11.4	–	–	–	–	158.3	16.0
A	152.5	24.1	–	–	29.7	2.6	667.3	67.5
BBB	49.7	7.8	–	–	–	–	0.1	–
Less than BBB	–	–	–	–	–	–	–	–
Not Rated	–	–	91.6	100.0	1,116.5	97.4	163.6	16.5
Total	633.0	100.0	91.6	100.0	1,146.2	100.0	989.3	100.0

31 December 2021	Debt securities		Participation in investment pools		Insurance and reinsurance receivables		Reinsurers' share of outstanding claims	
	£m	%	£m	%	£m	%	£m	%
AAA	553.6	69.0	–	–	–	–	–	–
AA	54.6	6.8	–	–	–	–	139.9	14.6
A	168.1	20.9	–	–	32.4	3.3	550.3	57.3
BBB	26.2	3.3	–	–	–	–	–	–
Less than BBB	–	–	–	–	–	–	–	–
Not Rated	–	–	190.2	100.0	962.0	96.7	270.4	28.1
Total	802.5	100.0	190.2	100.0	994.4	100.0	960.6	100.0

Insurance and reinsurance

The table above includes premium receivables, representing amounts due from policyholders. The quality of these receivables is not graded but based on historical experience there is limited default risk relating to these amounts. Credit risk in respect of premium debt is overseen by the Syndicate's Broker Committee and managed through a number of controls that include broker approval, annual financial review and internal rating of brokers and regular monitoring of premium settlement performance.

Also included are reinsurance receivables, which represent the amounts due at 31 December 2022, as well as amounts, expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned risks. These are stated net of provisions for impairment. The credit risk in respect of reinsurance receivables, including reinsurers' share of outstanding claims, is primarily managed by review and approval of reinsurance security by the Reinsurance Security Committee prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on the internal ratings for each reinsurer and Standard & Poor's ratings.

The Syndicate holds collateral from certain reinsurers including those that are non-rated as security against potential default. The details of reinsurance collaterals held and placed with third party trust funds are provided in note 10(k). Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The impact on profit for the financial year of a 1% variation in the reinsurance assets would be £9.9 million (2021: £9.6 million). The details of overdue reinsurance assets and insurance receivables are provided in notes 11(a) and 11(e).

Investments

As well as actual failure of a counterparty to perform its contractual obligations, the price of corporate bond holdings will be affected by investors' perception of a borrower's credit worthiness. Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. For each portfolio there are limits to the exposure to single issuers and to the total amount that can be held in each credit quality rating category, as determined by reference to credit rating agencies. At 31 December 2022, directly held bonds accounted for 30.0% of the portfolio (2021: 39.0%), the residual of the portfolio was held mostly in collective investment schemes. The credit ratings on debt securities are BNP Paribas composite ratings based on Standard & Poor's, Moody's and Fitch.

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

k) Offsetting financial assets and financial liabilities

The Syndicate's derivative transactions with respect to over-the-counter options and currency forwards are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. Transactions under such agreements meet the criteria for offsetting in the Syndicate's statement of financial position. The Syndicate also receives and pledges collateral in the form of cash in respect of the derivative transactions. The fair value of the Syndicate's options and currency forwards are not offset by such collaterals as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Syndicate or the counterparties.

The Syndicate listed futures are transacted under Global Principal Clearing agreements and are not subject to offsetting in the statement of financial position.

The disclosure provided in the tables below include derivatives that are set off in the Syndicate's statement of financial position at 31 December 2022, there is no designated hedge accounting relationship (2021: no).

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

	Gross amounts of recognised financial assets/ (liabilities) £m	Gross amounts of recognised financial (liabilities)/assets set off in the statement of financial position £m	Net amounts presented in the statement of financial position £m	Related amounts not set off in the statement of financial position		Net Amount £m
				Financial instruments £m	Cash collateral movements £m	
31 December 2022						
Derivative instruments held for trading asset	339.8	(237.9)	101.9	4.5	(3.1)	98.8
Derivative instruments held for trading liability	(394.5)	296.1	(98.4)	(0.5)	11.1	(87.3)
Net	(54.7)	58.2	3.5	4.0	8.0	11.5

	Gross amounts of recognised financial assets/ (liabilities) £m	Gross amounts of recognised financial (liabilities)/assets set off in the statement of financial position £m	Net amounts presented in the statement of financial position £m	Related amounts not set off in the statement of financial position		Net Amount £m
				Financial instruments £m	Cash collateral movements £m	
31 December 2021						
Derivative instruments held for trading asset	358.0	(362.8)	(4.8)	0.1	(4.9)	(9.7)
Derivative instruments held for trading liability	(196.7)	201.4	4.7	(3.0)	17.3	22.0
Net	161.3	(161.4)	(0.1)	(2.9)	12.4	12.3

l) Restricted funds held by the Syndicate

At 31 December 2022, the Syndicate holds restricted funds in the form of trust fund investments, letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments and collateral received from reinsurance counterparties.

Trust funds

The Syndicate holds gross assets of £4,891.1 million (2021: £4,654.0 million), offset by gross liabilities of £4,273.3 million (2021: £4,102.4 million), which are held within individual trust funds. The assets cannot be obtained or used until such time as each Syndicate underwriting year is closed and profits are distributed, or an advance profit release is made. The Funds in Syndicate, as set out on page 26 in the Statement of changes in member's balance as funds deposited by the Corporate Member, represent the restricted capital for regulatory purposes.

Letter of Credit (LOC) collateral

In the prior year, the Syndicate held AU\$146.7 million (£78.8 million) in a National Australia Bank Limited ('NAB') account as cash collateral for Letters of Credit ('LOC') issued by National Australia Bank Limited to the Lloyd's Australian Trust Fund. This is to enable the Syndicate to transact business in Australia. As the LOC facility provided by NAB expired on 10 May 2022, the cash collateral was returned to the Syndicate on that date.

Notes to the financial statements

for the year ended 31 December 2022

10. Financial assets and liabilities (continued)

l) Restricted funds held by the Syndicate (continued)

Derivative margins and collateral

Derivative instruments traded give rise to collateral being placed with, or received from, external counterparties. At 31 December 2022, included in other receivables and other payables are £9.1 million (2021: £13.1 million) margins and collaterals pledged, and £nil (2021: £nil) margins and collaterals held in relation to listed futures margins and other derivatives respectively.

Reinsurance collateral received

Collateral of £435.8 million (2021: £666.7 million) is held in third party trust funds to guarantee the Syndicate against reinsurance counterparties.

Insurance collateral placed

The Syndicate holds £889.5 million (2021: £899.8 million) of collateral in a US trust fund to meet US regulatory requirements, of which £432.6 million (2021: £676.7 million) is recognised as an asset to the Syndicate.

m) Borrowings

Revolving Credit Facility

On 9 October 2020 the Syndicate, through the managing agent, entered into an unsecured £160.0 million multi-currency revolving credit facility with a syndicate of banks led by National Westminster Bank plc. This was a two-year facility. An accordion clause was included, where the facility could be increased to £250.0 million, if required.

On 15 October 2021, the Syndicate, through the managing agent, entered into an amendment and restatement agreement to amend the facility to change the interest rate basis from the departing LIBOR rate regime to the appropriate rate for each drawdown currency and loan type. No changes were made to the other terms of the facility.

On 8 September 2022, the Syndicate, through the managing agent, entered into an amendment and restatement agreement to amend the facility to extend it for an additional two years, plus add two one-year extension options at the end of the extended term, with the accordion clause retained. No changes were made to the other terms of the facility.

As at 31 December 2022, no amounts have been drawn on this facility (2021: £nil).

Letter of Credit Facility

The Syndicate, through the managing agent, has access to two Letter of Credit ('LOC') facilities detailed below.

1. National Australia Bank Limited ('NAB') – AU\$150.0 million

On 12 April 2019, this facility was entered into to provide letters of credit that can be issued as collateral for the Lloyd's Australia Trust Fund ('LATF'). This was a one-year facility, with two one-year extension options at the end of the original term. An accordion clause was included, where the facility could be increased to AU\$175.0 million, if required. During 2021, the second option to extend the facility by one more year was utilised.

On 10 May 2022, the facility expired, and the existing LOC lodged with the trustees of the LATF was released.

2. Australia New Zealand Banking Group Limited – AU\$150.0 million

On 14 April 2022, the Syndicate, through the managing agent, entered into a new facility intended to replace the NAB facility. This is a two-year facility, with two one-year extension options at the end of the original term. An accordion clause is included, where the facility could be increased to AU\$200.0 million, if required.

As at 31 December 2022, AU\$150.0 million (2021: AU\$146.7.0 million) of LOCs have been lodged with the trustees of the LATF.

3. ING Bank N.V. – \$550.0 million

On 20 October 2020, a \$150.0 million facility was entered into to provide letters of credit that can be issued as collateral for the US Credit for Reinsurance Trust Fund ('Situs fund'). This is a two-year facility, with two one-year extension options at the end of the original term. An accordion clause was included, where the facility could be increased to \$300.0 million, if required.

On 28 April 2021, the accordion clause was exercised in full, and a second bank joined the facility. On the same date, the full increase was lodged with the trustees of the Situs fund. No other changes were made to the facility during 2021.

On 10 February 2022, the Syndicate, through the managing agent, entered into an amendment and restatement agreement to amend the facility to increase the total commitments to \$550.0 million and a new accordion clause of \$150.0 million, with two additional banks joining the facility. The original term was extended to 31 December 2022 as part of this agreement. No other changes were made to the other terms of the facility.

The first one-year extension option was not exercised, and the facility is in run off until its termination date of 31 December 2023.

As at 31 December 2022, \$550.0 million (2021: \$300.0 million) of LOCs have been lodged with the trustees of the Situs fund.

Notes to the financial statements

for the year ended 31 December 2022

11. Insurance liabilities and reinsurance assets

a) Net outstanding claims

	2022			2021		
	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
At 1 January	3,048.8	(960.6)	2,088.2	3,340.2	(987.3)	2,352.9
Claims incurred during the current year	1,075.4	(451.4)	624.0	974.9	(365.6)	609.3
Movements arising from prior year claims	(256.3)	118.4	(137.9)	(67.7)	29.1	(38.6)
Claims paid during the year	819.1	(333.0)	486.1	907.2	(336.5)	570.7
Change in provision for claims	(1,063.7)	360.3	(703.4)	(1,199.5)	362.6	(836.9)
Change in provision for claims	(244.6)	27.3	(217.3)	(292.3)	26.1	(266.2)
Foreign exchange (gains)/losses	(244.6)	27.3	(217.3)	(292.3)	26.1	(266.2)
Foreign exchange (gains)/losses	241.0	(56.0)	185.0	0.9	0.6	1.5
At 31 December	3,045.2	(989.3)	2,055.9	3,048.8	(960.6)	2,088.2

Further information on the calculation of outstanding claims and the risks associated with them is provided in note 11(i). The movements arising from prior year claims include the impact of the P&C UK 2019 & Prior YOA RITC as well as other movements in estimates.

Outstanding claims are further analysed between notified outstanding claims and claims incurred but not reported below:

	2022			2021		
	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
Notified outstanding claims	1,436.3	(355.8)	1,080.5	1,500.2	(321.4)	1,178.8
Claims incurred but not reported	1,608.9	(633.5)	975.4	1,548.6	(639.2)	909.4
Total	3,045.2	(989.3)	2,055.9	3,048.8	(960.6)	2,088.2

The total reinsurers' share of outstanding claims is set out in the table below:

	2022 £m	2021 £m
Reinsurers' share of outstanding claims	989.3	960.7
Less provision for impairment of receivables from reinsurers	–	(0.1)
Total	989.3	960.6

The managing agent assesses the Syndicate's reinsurers' share of outstanding claims for impairment on a quarterly basis by reviewing counterparty payment history and credit grades provided by rating agencies. The credit ratings of the Syndicate's reinsurers' share of outstanding claims are shown in note 10(j).

At 31 December 2022 and 2021 the reinsurers' share of outstanding claims was not overdue. The Syndicate holds collateral of £435.8 million (2021: £666.7 million) in relation to £215.2 million (2021: £283.7 million) of reinsurers' share of outstanding claims.

Notes to the financial statements

for the year ended 31 December 2022

11. Insurance liabilities and reinsurance assets (continued)

b) Claims development

The tables below illustrate the development of the estimates of cumulative claims for the Syndicate on an underwriting year basis, illustrating how amounts booked have developed from one reporting period to the next. All tables are prepared on an undiscounted basis. Non-pound sterling balances have been converted using 2022 year end exchange rates to aid comparability.

Estimate of cumulative claims	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Total £m
At end of first year	421.2	475.0	408.0	488.5	1,193.2	854.9	503.0	560.2	513.3	559.6	–
One year later	795.4	829.3	836.6	1,123.6	1,987.2	1,568.5	1,127.2	891.8	990.0	–	–
Two years later	787.3	877.8	901.6	1,247.2	2,120.5	1,710.6	1,250.8	953.6	–	–	–
Three years later	834.7	895.9	944.8	1,248.4	2,124.1	1,813.7	1,319.9	–	–	–	–
Four years later	818.8	894.3	921.4	1,251.0	2,093.7	2,036.9	–	–	–	–	–
Five years later	831.0	886.1	930.8	1,271.3	2,258.8	–	–	–	–	–	–
Six years later	825.0	880.3	931.8	1,410.1	–	–	–	–	–	–	–
Seven years later	811.8	881.4	1,051.2	–	–	–	–	–	–	–	–
Eight years later	809.5	982.0	–	–	–	–	–	–	–	–	–
Nine years later	901.1	–	–	–	–	–	–	–	–	–	–
Cumulative payments	887.9	943.1	957.2	1,243.9	1,965.6	1,536.6	934.9	576.2	384.0	108.9	–
Estimated balance to pay	13.2	39.0	94.0	166.2	293.2	500.4	385.0	377.4	606.0	450.7	2,925.1
Gross claim reserve 2012 & prior											120.1
Gross claim reserve											3,045.2

Estimate of cumulative claims	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	Total £m
At end of first year	314.5	356.1	314.9	370.2	568.2	511.3	360.8	362.1	294.3	371.6	–
One year later	580.9	622.6	640.5	812.9	1,115.0	1,034.3	809.0	622.9	569.0	–	–
Two years later	583.3	658.0	627.4	902.3	1,203.2	1,126.5	879.4	678.6	–	–	–
Three years later	614.5	713.8	725.2	906.3	1,190.2	1,225.6	954.8	–	–	–	–
Four years later	600.6	714.5	685.4	918.9	1,199.4	1,287.8	–	–	–	–	–
Five years later	623.0	711.3	700.0	946.1	1,298.3	–	–	–	–	–	–
Six years later	615.3	702.8	703.5	1,059.6	–	–	–	–	–	–	–
Seven years later	606.5	703.8	789.8	–	–	–	–	–	–	–	–
Eight years later	602.0	795.0	–	–	–	–	–	–	–	–	–
Nine years later	667.1	–	–	–	–	–	–	–	–	–	–
Cumulative payments	659.7	761.0	699.0	903.0	1,048.6	995.3	681.7	415.5	255.0	96.0	–
Estimated balance to pay	7.4	33.9	90.8	156.6	249.7	292.5	273.1	263.1	313.9	275.7	1,956.9
Net claim reserve 2012 & prior											99.0
Net claim reserve											2,055.9

The development tables above are distorted by the impact of the P&C UK 2019 & Prior YOA RITC.

Notes to the financial statements

for the year ended 31 December 2022

11. Insurance liabilities and reinsurance assets (continued)

c) Net unearned premium

	2022			2021		
	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
Unearned premium						
At 1 January	767.1	(122.6)	644.5	776.2	(124.1)	652.1
Change in provision for unearned premium	87.1	69.5	156.6	(9.4)	(0.6)	(10.0)
Foreign exchange (gains)/losses	61.0	(20.7)	40.2	0.3	2.1	2.4
At 31 December	915.2	(73.8)	841.4	767.1	(122.6)	644.5

The current and non-current portions for unearned premium are expected to be as follows:

	2022			2021		
	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
Unearned premium						
Current portion	580.4	(38.9)	541.5	685.4	(108.6)	576.8
Non-current portion	334.8	(34.9)	299.9	81.7	(14.0)	67.7
At 31 December	915.2	(73.8)	841.4	767.1	(122.6)	644.5

d) Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:

	Note	2022 £m	2021 £m
At 1 January		173.6	183.3
Change in deferred acquisition costs	5	18.7	(10.4)
Foreign exchange		13.9	0.7
At 31 December		206.2	173.6

The current and non-current portions are expected to be as follows:

	2022 £m	2021 £m
Current portion	132.2	152.5
Non-current portion	74.0	21.1
Total	206.2	173.6

Notes to the financial statements

for the year ended 31 December 2022

11. Insurance liabilities and reinsurance assets (continued)

e) Insurance and reinsurance receivables and payable

Insurance and reinsurance receivables

	2022 £m	2021 £m
Due from intermediaries	1,152.7	1,006.4
Less provision for impairment of receivables	(6.5)	(12.0)
Insurance and reinsurance receivables	1,146.2	994.4

Insurance and reinsurance receivables are all considered to be current liabilities, both in the current and prior years.

Receivables arising from reinsurance contracts are comprised principally of amounts recoverable from reinsurers in respect of paid claims and premium receivables on inward reinsurance business, including reinstatement premium.

The managing agent assesses the Syndicate's insurance and reinsurance receivables for impairment on a quarterly basis by reviewing counterparty payment history and for circumstances which may give rise to a dispute or default. At 31 December 2022, insurance and reinsurance receivables at a nominal value of £20.0 million (2021: £45.6 million) were greater than three months overdue and provided for on the basis of credit rating to the value of £6.5 million (2021: £12.0 million).

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

The ageing analysis of insurance and reinsurance receivables overdue, before impairment provision, is as follows:

	2022 £m	2021 £m
Not overdue or less than 3 months	1,126.2	960.8
3 to 6 months	11.6	16.3
6 months to 1 year	8.7	5.4
Greater than 1 year	6.2	23.9
Total	1,152.7	1,006.4

Movements on the Syndicate's provision for impairment of receivables from contract holders and agents are as follows:

	2022 £m	2021 £m
At 1 January	12.0	21.2
Increase in the provision	(5.5)	(9.2)
At 31 December	6.5	12.0

Insurance and reinsurance payables

	2022 £m	2021 £m
Creditors arising out of direct insurance operations	156.1	116.0
Creditors arising out of reinsurance operations	121.2	148.3
Insurance and reinsurance payables	277.3	264.3

Insurance and reinsurance payables are all current, both in the current and prior years. However, the nature of claims negotiations and broker relationships may mean some of these payables result in non-current settlement. The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date. Insurance payables are comprised principally of premium payable for reinsurance, including reinstatement premium.

Notes to the financial statements

for the year ended 31 December 2022

11. Insurance liabilities and reinsurance assets (continued)

f) Underwriting risk

The Syndicate accepts underwriting risk in a range of classes of business through two underwriting divisions and manages the discontinued lines portfolio separately. The portfolio includes both short tail property risk and longer-tail liability coverage.

In underwriting insurance or reinsurance policies the underwriters use their skill and knowledge to assess each risk. Exposure information and data on past claims experience is used to evaluate the likely claims cost and therefore the premiums that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premiums charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premiums being calculated and charged or result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to target the amount of insurance exposure underwritten to be in line with management appetite. Each year a business plan is prepared and agreed which is used to monitor the amount of premium income, and exposure, to be written in total and for each class of business. Progress against this plan is monitored during the year. These premiums and exposures can be exceeded in exceptional circumstances but only with the approval of senior management. Apart from the UK, and some of the international, comprehensive motor liability portfolio, which has unlimited liability, all policies have a per loss limit which caps the size of any individual claims. For larger sum insured risks, reinsurance coverage may be purchased. The managing agent uses line guides that determine the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) by each underwriter. The Syndicate is also exposed to catastrophe losses which may impact many risks in a single event. Reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described below.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby the Syndicate is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that use their judgement to write risks on the Syndicate's behalf under clear authority levels.

The insurance liabilities underwritten by the Syndicate are reviewed on an individual risk, or contract, basis and through review of portfolio performance. All claims arising are reserved upon notification. Reserves are set for the portfolio by the Actuarial Function based on a cycle of quarterly reviews.

Levels of paid and outstanding (advised but not paid) claims are reviewed and potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. Whilst a detailed and disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried.

Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which, in aggregate, exceed the reserve provision established. This is partly mitigated by the margin policy adopted by the Syndicate which is to carry reserves in excess of the mean actuarial best estimate.

The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risk already underwritten which cannot be re-priced until renewal at the end of the policy period.

The Syndicate is exposed to the impact of large catastrophe events such as windstorms, earthquakes or terrorist incidents. Exposure to such events is controlled and measured through loss modelling. It is possible that a catastrophe event could exceed the maximum expected event loss. This is particularly the case for the direct property proportion of the loss exposure, where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values from a particular scenario. Errors, or incorrect assumptions in the damage factor calculation, can result in incurred catastrophe event claims higher, or lower, than predicted due to unforeseen circumstances, inadequacies in data, or shortcomings in the models used.

In addition to catastrophe risk the Syndicate is exposed to systemic risks. This includes, but is not limited to, the potential for excess inflation to impact a range of risks or legislative changes to result in claims from a previously unforeseen source.

g) Reinsurance and other risk mitigation arrangements

The Syndicate purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks. A part of the premiums ceded under such facilities is placed with MS Amlin AG under variable quota share agreements. The Syndicate also purchases a number of excess of loss reinsurances to protect itself from severe frequency or size of losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

Additionally, for 2022 year of account, a 7.5% (all previous years: 17.5%) whole account quota share arrangement of the net book of the Syndicate, excluding the P&C UK Business, is written by MS Amlin AG (Bermuda branch), commuting after three years in line with the Lloyd's year of account reporting cycle.

Notes to the financial statements

for the year ended 31 December 2022

11. Insurance liabilities and reinsurance assets (continued)

h) Realistic Disaster Scenario (RDS) analysis

The Syndicate has a defined event risk tolerance, which determines the maximum net loss that the Syndicate intends to limit its exposure to major catastrophe event scenarios. At 31 December 2022 the maximum net loss was £205.2 million (2021: £141.0 million). The aforementioned numbers are based on the reporting period's closing FX rates.

These maximum losses are expected only to be incurred in extreme events – with an estimated occurrence probability for the elemental losses of approximately 1 in 50 years for each relevant natural peril region. The Syndicate also adopts risk tolerance maximum net limits for a number of other non-elemental scenarios including aviation collision, North Sea rig loss, terrorism, cyber and casualty events.

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include changes in rates of exchange, reduced order amount or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements.

Detailed deterministic and probabilistic analyses of catastrophe exposures are carried out every quarter and measured against the event risk tolerances, the business plan, and regulatory guidelines e.g. Lloyd's Franchise Guidelines. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Syndicate by insureds and ceding companies. The data is checked for any limitations e.g. data completeness, data quality, and exposures that could develop during the period e.g. binders. Adjustments are made in accordance with the underwriters that are subsequently reviewed and ratified by the Catastrophe Risk Management Committee (CRMC).
- Exposures are modelled using a mixture of stochastic models and underwriter input to arrive at damage factors – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors are reviewed on a continual basis to ensure assumptions remain appropriate.
- Once Gross numbers are gathered, the in force reinsurance programme is then applied – a provision for reinsurer counterparty failure is analysed to ensure we capture any risks from this perspective.
- Reinstatement premiums both payable and receivable are included in our loss estimates.

Due to the severe nature of these events, there is no guarantee that the assumptions and techniques deployed in calculating the impact of these events are 100% accurate. We review our assumptions when new information comes to light, e.g. post event analysis, scientific or academic research.

Notwithstanding, there could be a situation where the Syndicate experiences a loss from a severe event that exceeds the loss estimate or tolerance. The likelihood of a very severe catastrophe is considered to be remote e.g. beyond the 1 in 100, however these scenarios are modelled simulated events that have considerable uncertainty associated with them but are captured within the probabilistic modelling numbers.

i) Claims reserving and IBNR

The Syndicate adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish reserves at a best estimate and that there is consistency from year to year. The overall reserves are set at a level above the mean actuarial 'best estimate' position in accordance with the margin policy. However, there is a risk that, due to unforeseen circumstances, the reserves carried are not sufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

Process and methodology

The reserving process commences with the proper recording and reporting of claims information which consists of paid and notified or outstanding claims. For the Lloyd's market most claims notifications are received through the Lloyd's market bureau (operated by DxC Technology Company on behalf of Lloyd's), with others received directly. Claims records are maintained for each policy and class. For notified or outstanding claims, a case reserve is established based on the views of underwriting management and claims managers, using external legal or expert advice where appropriate. This reserve is expected to be sufficient to meet the claim payment when it is finally determined. For some classes of business, particularly liability business, settlement may be several years after the initial notification of the claim, as it may be subject to complexities or court action. For claims received from the Lloyd's market bureau, the market reserve is generally set by the lead underwriter, but there are circumstances with larger claims where the Syndicate will post higher reserves than those notified.

To assist with the process of determining the reserves, triangulation statistics for each class are produced which show the historical development of premium, as well as paid and incurred losses, for each underwriting year. In all cases, the different potential development of each class of business is fully recognised. The development period varies by class, by method of acceptance and is also determined by the deductible of each policy written. For casualty business, the policy form will determine whether claims can be made on a claims made (as advised) or on a loss occurring (determined by date of loss) basis. This has a significant impact on the reporting period in which claims can be notified.

Management obtains a Statement of Actuarial Opinion from an external provider which also assists in the challenge of best estimate reserves.

Notes to the financial statements

for the year ended 31 December 2022

11. Insurance liabilities and reinsurance assets (continued)

i) Claims reserving and IBNR (continued)

IBNR

To establish a provision for IBNR claims, the actuarial team uses their experience and knowledge of the classes of business to estimate the potential future development of the incurred claims for each class for each underwriting year. This is known as the 'best estimate'. In setting the IBNR provision, estimates are made for the ultimate premium and ultimate gross claims value for each underwriting year. Allowance is then made for anticipated reinsurance recoveries to reach a net claim position. Reinsurance recoveries are calculated for outstanding and IBNR claims, sometimes through the use of historical recovery rates or statistical projections, and provisions are made as appropriate for bad debt or possible disputes.

The component of ultimate IBNR provision estimates and reinsurance recoveries that relates to future events occurring to the existing portfolio is removed in order to reflect generally accepted accounting practice. Meetings are initially held for each business unit in which underwriters, claims professionals and actuaries discuss the initial proposed estimates and revise them if it is felt necessary. At the next round of meetings, management discuss reserving issues with the actuaries and underwriters and challenge the proposed estimates. At this meeting, management propose the 'margin' for risk to be added to the best estimate. The margin for risk can be used to offset deterioration in best estimate reserves and is established by reference to diagnostics produced from the internal model and management judgement of future reserving risk. The reserves are finally challenged at the audit committee meeting which will recommend approval by the Board.

Areas of uncertainty

The reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR claims. The impact on profit of a 1% improvement/deterioration in the total net claims reserves would be £20.6 million gain/loss (2021: £20.9 million).

Property catastrophe claims, such as earthquake or hurricane losses can take several years to develop as adjusters visit damaged property and agree claim valuations. Until all the claims are settled it requires an analysis of the area damaged, contracts exposed and the use of models to simulate the loss against the portfolio of exposure in order to arrive at an estimate of ultimate loss to the Syndicate. There is uncertainty over the adequacy of information and modelling of major losses for a period that can range from several months to a number of years after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased repair cost inflation or a change in law.

The long tail liability classes represent the most difficult classes to project because often claims are notified and settled several years after the expiry of the policy concerned. This is particularly the case for liability business written on a loss occurring basis. The use of historical development data is fundamental to reserving these classes. It is used in conjunction with the advice of lawyers and third party claims adjusters on material single claims. Known changes to wordings or the claims environment are also considered.

Any trends that are not captured in the historical loss development are considered and adjustments applied if necessary. At 31 December 2022 the risk of claims inflation has been considered in detail as a particular risk to the adequacy of reserves given the current economic and legislative environment.

The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made.

The estimated premium income in respect of facility contracts, for example, binding authorities and line slips, are deemed to be written in full at the inception of the contract but actual premium may exceed or fail to meet initial estimates. The magnitude of claims arising from such facilities may differ from estimates as a result of differences between estimated and actual premium.

Russia – Ukraine War

The Syndicate has potential exposures to the Russia-Ukraine conflict across a number of lines of business. Estimates of the loss levels have been based on a combination of exposure analysis, scenario consideration and claims notifications. The key areas of uncertainty impacting the estimate are:

- The difficulty of understanding the geographical and individual physical damage losses whilst the war is ongoing.
- Ongoing litigation of aviation losses, overlaid with the potential for Russian government decrees.
- The safety and security of the Safe Passage Corridor which impacts Marine Hull losses.
- Political risk and contract frustration risks which are longer term in nature and therefore subject to changes in the status over a longer time horizon.
- Implications of the sanctions imposed following the invasion.
- Finally, reinsurance coverage will be dependent upon the nature, timing and potential aggregation of the losses themselves.

At 31 December 2022, reserves in relation to the losses for this event were £164.4 million gross and £53.3 million net.

Notes to the financial statements

for the year ended 31 December 2022

11. Insurance liabilities and reinsurance assets (continued)

i) Claims reserving and IBNR (continued)

Inflation

The economic inflation environment introduces uncertainty into the level of claims payments. This has been subject to extensive analysis in 2022 with explicit provisions held to cover this risk. These provisions are held in addition to those derived using actuarial techniques, which assume a continuation of historical inflation into the future. There is significant uncertainty associated with the ultimate impact of heightened economic inflation as a result of:

- The excess level and duration of inflation across different global economies.
- The level of impact that economic inflation has on insurance claims, which is expected to vary significantly by class of business.
- The timing of the impact of inflation and consideration throughout the claims reserve setting process.

COVID-19

A significant number of claims have been settled relating to the COVID-19 pandemic. The remaining uncertainties are driven by a number of specific areas and our reserve estimates taking account of them are based on the latest available information and input from a range of experts:

- Ongoing legislative uncertainties as well as uncertainties arising in connection with legal proceedings brought by policyholders against insurers associated with certain types of claims. As at 31 December 2022 there were four such cases in which policyholders have issued proceedings against the Syndicate.
- Uncertainty over how reinsurers will respond to claims under our outwards reinsurance. We remain confident, based on the legal advice we have received, that our Cat XL Program will respond and are proceeding accordingly. We are now progressing collection under the program and discussions with reinsurers continue.

The Board believes that the loss estimates included for the above particular sources of uncertainty within these financial statements represents a reasonable best estimate based upon the information available at this time. At 31 December 2022, the remaining reserves in respect of the Covid claims were £77.2 million (2021: £175.8 million) and the net reserve asset was £8.2 million (2021: net liability £28.6 million).

12. Capital

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 2001 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but no other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operate on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate to ultimate SCR. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining a SCR which reflects the capital requirement to cover a to ultimate 1 in 200 year net loss for that member. Over and above this, Lloyd's applies capital uplift to the member's capital requirement, known as the Economic Capital Assessment ('ECA').

The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied was 35% (2021: 35%) of the member's to ultimate SCR.

Notes to the financial statements

for the year ended 31 December 2022

12. Capital (continued)

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's, 'FAL'), held within and managed within a syndicate (Funds in Syndicate, 'FIS') or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balance reported on the statement of financial position on page 24, represent resources available to meet the member's and Lloyd's capital requirements. The Syndicate has only one member, MS Amlin Corporate Member Limited, and all of its capital for the 2022 and prior years of account is provided as both FIS and FAL.

13. Other risk disclosures

a) Regulatory risk

Regulatory risk is the risk that the Syndicate fails to meet the regulatory requirements of the Financial Conduct Authority, Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The managing agent has a Compliance Officer who monitors regulatory developments and assesses the impact on agency policy.

b) Operational risk

Operational risk is the risk that failure of people, systems or processes leads to losses to the Syndicate. These risks are managed through the use of detailed procedure manuals and monitoring of compliance. In addition, the MSI Group has both a Risk and Internal Audit function which assist the managing agent to meet the strategic and operational objectives for the Syndicate through the provision of independent appraisal of the adequacy and effectiveness of internal controls in operation and to provide reasonable assurance as to the adequacy of systems and procedures to enable compliance with all relevant regulatory and legal requirements.

c) Reinsurance to Close (RITC)

The Syndicate entered a "Split" Reinsurance to close ("RITC") contract on specific classes within its 2019 and prior years of account reserves in 2022. The Syndicate paid a reinsurance to close premium to another Lloyd's member to assume its ongoing liabilities. The nature of this arrangement is that of a reinsurance contract and as such the Syndicate retains liability in the event of any failure of this Lloyd's member and the Lloyd's chain of security. There is no mechanism for the Syndicate to quantify its exposure in this regards and the directors consider that the possibility of having to assume these liabilities is remote.

14. Related parties

Ultimate parent company

The smallest group of undertakings of which the managing agent is a member, and for which group financial statements are prepared is Mitsui Sumitomo Insurance Company, Limited, a company incorporated in Japan. The ultimate parent company and controlling party is MS & AD Insurance Group Holdings, Inc., a company incorporated in Japan and is the largest group of undertakings in which the managing agent is a member, and for which group financial statements are prepared.

Consolidated financial statements for the smallest and largest group undertakings are available to the public and may be obtained from the Company Secretary at The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG.

The ultimate parent company address is Tokyo Sumitomo Twin Building (West Tower), 27-2, Shinkawa 2 Chome, Chuo-ku, Tokyo, Japan. The address of Mitsui Sumitomo Insurance Company, Limited is 9, Kanda-Surugadai 3 Chome, Chiyoda-ku, Tokyo, Japan.

Mitsui Sumitomo Insurance Company, Limited (MSI)

MSI provides capital in support of the Syndicate through FAL. The amount provided as at 31 December 2022 was £672.2 million (2021: £524.9 million). The current total is made up of Japanese corporate & municipal bonds of £563.7 million (2021: £524.9 million) and cash of £108.5 million (2021: £nil).

Notes to the financial statements

for the year ended 31 December 2022

14. Related parties (continued)

MS Amlin Corporate Member Limited

MS Amlin Corporate Member Limited (the 'Corporate Member') is the sole corporate member to the Syndicate. As per note 12, it provides capital to the Syndicate as FAL and FIS.

The amount provided as FIS as at 31 December 2022 was £722.4 million (2021: £670.1 million), including accrued income. The net increase is due to movements occurring through Lloyd's capital testing processes. The amount provided as FAL as at 31 December 2022 was provided through letters of credit to the value of \$287.7 million (£239.2 million) (2021: \$469.7 million, £346.8 million), sourced from a syndicated £250.0 million letter of credit facility led by Barclays Bank plc (2021: £550.0 million).

MS Amlin Underwriting Limited

Managing agent's fees of £16.0 million (2021: £16.8 million) were charged to the Syndicate during the year, of which £nil (2021: £nil) was outstanding as at 31 December 2022.

There have been no transactions entered into or carried out during the year by the managing agent on behalf of the Syndicate in which it or any of its executives had directly or indirectly a material interest.

MS Amlin Corporate Services Limited

MS Amlin Corporate Services Limited ('MS ACS') was paid £129.9 million during the year (2021: £120.7 million) for expenses incurred directly and indirectly on behalf of the Syndicate. This included a management charge of £30.5 million (2021: £31.2 million) for central costs of the MSI Group that are attributable to the Syndicate. These expenses are shown in administrative expenses net of the allocation to claims handling costs. There is no profit element in the amounts paid to MS ACS. At 31 December 2022 the amount payable to MS ACS is £3.5 million (2021: £1.0 million payable). These amounts do not include the loan receivable from MS ACS as disclosed in note 10(d).

MS Amlin AG (Bermuda branch)

The Syndicate placed a 7.5% whole account quota share reinsurance contract (WAQS) with MS Amlin AG (Bermuda branch) (AB) for the 2022 year of account excluding P&C UK Business. (2021: 17.5%). All reinsurance contracts are agreed on an arm's length basis with terms that are consistent with those negotiated with third parties. The total premiums (less commissions retained) payable to AB in respect of 2022 were £65.3 million (2021: £132.0 million), of which £19.5 million (2021: £36.1 million) were outstanding as at 31 December 2022. The share of claims incurred receivable from AB in respect of 2022 was £90.0 million (2021: £87.0 million), of which £57.4 million (2021: £57.7 million) were outstanding as at 31 December 2022. In March 2022, 2018 and 2019 year of account balances were commuted and a total of £148.5 million was received into the Syndicate.

MS Amlin AG (Zurich branch)

During 2021, P&C UK renewed a quota share arrangement of 100% of its Employee's Liability and General Liability books with MS Amlin AG Zurich. The total premiums for the year were £0.3 million (2021: £0.4 million) with £nil million (2021: £nil) outstanding as at 31 December 2022. The share of claims incurred receivable in respect of 2022 was £4.9 million (2021: £4.8 million), of which £7.9 million (2021: £7.9 million) were outstanding as at 31 December 2022.

Leadenhall Capital Partners LLP

The Syndicate wrote £15.5 million (2021: £111.3 million) of gross premium and received £0.7 million (2021: £5.0 million) of commissions through an arrangement with Leadenhall Capital Partners LLP (including its insurance vehicle Horseshoe Re) during 2022. As at 31 December 2022, the Syndicate had £48.4 million (2021: £67.2 million) receivable, all of which is collateralised, and £102.8 million payable to Leadenhall Capital Partners (2021: £86.1 million).

Notes to the financial statements

for the year ended 31 December 2022

14. Related parties (continued)

Service companies and brokers

Service companies and brokers and the income received, and expenses incurred by the Syndicate are summarised below:

Service company	2022 Gross written premium £m	2021 Gross written premium £m	2022 Claims incurred £m	2021 Claims incurred £m	2022 Net balance receivable £m	2021 Net balance receivable £m
Amlin UK Limited	–	0.1	(0.1)	0.1	–	–
MS Amlin (MENA) Limited	7.6	2.9	0.1	1.4	(0.4)	0.4
MS Amlin Asia Pacific Pte Limited	64.7	34.9	40.8	15.3	150.0	141.7
MS Amlin Labuan Limited	1.7	2.7	0.3	2.6	9.8	8.3
MS Amlin Marine N.V.	1.8	8.4	10.4	4.3	(3.6)	4.3
MS Amlin Reinsurance Managers Inc.	2.8	5.6	34.0	47.5	3.1	4.9
MS Amlin Underwriting Services Limited	0.9	33.3	3.9	19.2	0.7	2.4

No fees are paid by these companies to any of the directors of the managing agent.

Toro Prism Trust

During the year, the Syndicate invested in the Toro Prism Trust (the 'Trust') which is an open-ended investment unit trust authorised by the Central Bank of Ireland as a UCITS (Undertakings for Collective Investment in Transferable Securities) regulated by the European Union. The Trust is controlled by the MSI Group. The market value of the investments in the Trust at December 2022 is £1,091.5 million (2021: £713.5 million).

15. Events after the reporting period

Following the completion of the 2022 "Split" RITC transaction with RiverStone, the managing agent commenced a further and much larger project to secure a further "Split" RITC contract for all associated liabilities for 2018 year of account and prior, across all product lines. The split RITC contract relates to £954.6 million of net reserves, of which £392.5 million relate to discontinued classes.

Given the size and nature of the deal, approval from both Lloyd's and the PRA was required. With this permission received, the RITC contract and associated transitional services agreement were signed on 13 February 2023 but, again, take effect from 1 January 2023. Transition is planned to take approximately 9 months with full operational control expected to transfer to RiverStone on 1 October 2023, although this date may change subject to the detailed operational planning of the project currently being undertaken.

For operational reasons the reserves for a small number of books of business, as well as certain Covid liabilities have been reinsured back to Syndicate 2001. Some of the now discontinued books of business continued to write business into the 2019 and 2020 YOAs. To protect these reserves, management have agreed a Loss Portfolio Transfer contract with RiverStone. The subject reserves amount to £149.5 million.

These transactions will have a significant impact on the balance sheet, and therefore associated financial risk, of the Syndicate. With the removal or reinsurance of the loss reserves, reserving risk is eliminated on the 2018 & Prior YOA reserves and reduced for 2019 and 2020 YOAs. Investment risk and credit risk will reduce as a result of the payment of the premium and the transfer of reinsurance debtors as part of the transactions. The disclosure of the risks in notes 10 and 11 will therefore be materially different in 2023.

