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# Markel Syndicate 3000

Annual Accounts
for the year ended 31 December 2022

# Syndicate 3000
# Annual Report and Financial Statements
# for the year ended 31 December 2022

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# Directors and Administration

## Managing Agent

Markel Syndicate Management Limited

## Board of Directors

John W J Spencer (Chair)
Wai-Fong Au
Andrew J Davies
Nicholas J S Line
Kalpana Shah
Anne Whitaker
Simon Wilson

## Company Secretary

Lara Teesdale

## Managing Agent's registered office

20 Fenchurch Street
London
EC3M 3AZ

## Managing Agent's registered number

3114590

## Syndicate

3000

## Active Underwriter

Nicholas J S Line

## Bankers

Bank of New York
Barclays Bank PLC
Citibank N.A.
Royal Bank of Canada
Royal Trust

## Investment Managers

Markel Gayner Asset Management Corporation

## Registered Auditor

KPMG LLP, London

## Lawyers

Norton Rose Fulbright LLP, London

## Directors' Interest

The Syndicate is supported 100% by Markel Capital Limited ("MCAP") and therefore no Director has any participation.

# Report of the Directors of the Managing Agent

The Directors of the Managing Agent submit the annual accounts of Syndicate 3000 for the year ended 31 December 2022.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (‘FRS102’) and Financial Reporting Standard 103: Insurance Contracts (‘FRS103’).

## Review of the business

Markel Syndicate 3000 (“the Syndicate”) is the Lloyd’s platform for Markel International Holdings Limited ("MINT"). MINT also writes business through Markel International Insurance Company Limited (“MIICL”) and Markel Insurance SE ("MISE").

The principal activity of the Syndicate remains the transaction of general insurance and reinsurance business from its offices in London and its overseas operations in Canada, Singapore, Labuan, Hong Kong, Dubai, China and India.

## Business profile and units

The Syndicate operates six London based underwriting units, namely marine and energy, professional and financial risks, equine and livestock, cyber, trade credit, political risk and surety and reinsurance. In Canada, Markel Canada Limited ("Markel Canada"), a wholly owned subsidiary of Markel Corporation ("Markel") underwrites a diverse portfolio of property and casualty coverages for Canadian domiciled insureds, which is placed through the Syndicate. Markel Canada provides casualty, environmental liability, professional and financial risks, Markel connect, property package, life sciences liability, security and protection industry liability, Markel care and Markel play.

The Syndicate's Singapore office operates as a regional hub, supporting the Labuan and Hong Kong offices and underwrites marine and energy, professional and financial and trade credit risks throughout the Asia Pacific region. The Syndicate is also a member of Lloyd's platforms in Dubai, Shanghai, Japan and India.

The Syndicate writes all non-life risks for the European Economic Area ("EEA"), through the Lloyd’s Insurance Company S.A (“Lloyd’s Brussels”). Lloyd’s Brussels is authorised and regulated by the National Bank of Belgium.

The six London based operating units are:

## Marine and Energy

Marine coverage includes primary and excess coverage for liability, hull and war, terrorism, specie and cargo risks worldwide, handling a comprehensive range of risks for multinational companies, national industries and private individuals. Energy offers coverage on a worldwide basis for all aspects of upstream, downstream and midstream oil and gas activities. Coverage includes business interruption or loss of production income, construction of energy related structures, control of wells and physical damage to installations. The team also offers coverage for renewable energy sources including coverage for the full life-cycle of onshore and offshore wind farms and solar photovoltaic installations, from procurement to construction to the completed operations.

The cargo account comprises a broad portfolio of transit and storage risk covering most industries on a global basis. The hull and war account offers a full range of products on a worldwide basis including marine war, specialist tonnage, builders risks, mortgagees interest and port risks. The war account offers coverage for marine war across all vessel types and tonnages. The liability account offers a range of traditional marine liability cover as well as ports and terminals, marine trades, and energy offshore and onshore coverages. The terrorism account provides protection against losses directly caused by acts of war, terrorism and political violence, and losses sustained in the aftermath of an active assailant or hostage event. The specie account includes a range of cover for fine art, specie, jewellers' block, and cash in transit, on a worldwide basis.

## Professional and Financial Risks

The Professional and Financial Risks team provides cover on a worldwide basis. This team underwrites professional indemnity, entertainment, financial institutions insurance, commercial directors' and officers' liability ("D&O"), financial technology cover, technology and media cover and warranty and indemnity ("W&I").

The professional indemnity account services most core, regulated and miscellaneous professions which include architects and engineers, insurance brokers, recruitment agents and more.

The entertainment team writes a broad book of film and media insurance. Advertising agents' insurance, commercial producers' insurance and film production insurance are the mainstays of the book. It also offers both employers' and public liability for companies involved in film shoots.

Financial institutions insurance can provide cover on a stand-alone basis or as a blended package to include bankers blanket bond, professional indemnity and D&O, depending on the client's requirements. The cover is provided on a worldwide basis.

Commercial D&O offer market leading products which provide a wide range of coverage to ensure protection for directors and officers of companies of all types and sizes. It covers companies in the FTSE 100 and the financial services sector along with non-financial industries as well.

Financial technology provides cover for a range of fintech companies, including those offering digital banking, money transfer, trading, investments, lending, account information services, and payment initiation services. The modular policies give clients the flexibility to choose the covers that suit them, including professional liability, D&O liability, theft and cyber liability, and loss.

Technology and media provides modular cover for clients in the technology and telecommunications field, specialising in media, film, television, patent/intellectual property insurance, as well as information technology, telecommunications and cyber/privacy risks.

Warranty and indemnity provides cover to clients in mergers and acquisitions, including both funds and corporations. It covers transactions across most sectors and specialise in professional services, financial institutions, technology, media, consumer and energy.

## Cyber

The Markel Cyber 360 policy is a standalone primary cyber insurance product. Key coverages include, privacy breach notification, extortion costs cover, regulatory investigations and fines, cyber and privacy liability, and E-media.

## Trade Credit, Political Risk, and Surety

Our trade credit, political risk and surety teams have extensive experience and knowledge of commercial counterparty and country risks across a wide variety of trade sectors and markets, providing support with traditional and bespoke surety solutions for our clients.

The trade credit team specialises in insurance solutions with a focus on risk management, providing insurance coverage to help protect businesses. Coverage includes prepayment cover, insolvency and default, trade finance solutions, captive reinsurance, syndicated co-insurance solutions and financial institutions.

The political risk team works with clients to manage their cross-border portfolios and overseas investments with tailored, specialist policies. The key clients include financial institutions, corporates, exporters, and traders. The account has a broad range of coverage including insolvency or default by either a public or privately owned entity, licence cancellation, aircraft and vessel repossession, mortgage rights insurance and currency inconvertibility and exchange transfer.

The surety account provides a range of bonds and guarantees that support clients with their contractual obligations. They support clients with traditional and bespoke surety solutions. While embedded within construction, surety bonds can be utilized across a wide variety of trade sector and international markets. Bonds and guarantees can provide capital-efficient solutions and assist with working capital management.

## Equine and Livestock

The equine account offers a wide portfolio of products including bloodstock and equine liability to suit a broad range of risks, from large stud farms to individual horses.

The livestock account provides a wide range of cover including farm combined, mortality, disease and business interruption across farm, zoo and other animal interests.

## Reinsurance

This unit includes accident and health ("A&H") treaties and international casualty treaty business.

The A&H treaty account offers catastrophe reinsurance covering personal accident, life, medical and workers compensation. In most countries, full terrorism coverage can also be provided, in addition to traditional exposures.

The casualty treaty team underwrites a diversified account, including general liability, professional indemnity, directors' and officers' liability, medical malpractice and transactional liability. The portfolio is worldwide, including United States domiciled business.

## Results and performance

The results for the year, as set out on pages 17 to 18, show a loss for the financial year of £38.9m (2021, £10.5m profit).

The underwriting result is a loss of £1.6m (2021, £20.0m profit). The loss ratio deteriorated in the year driven by losses on catastrophe events of £27.4m. This included loss estimates on the Russia Ukraine conflict (£3.8m) and hurricane Ian (£0.7m), both occurring during 2022. The COVID-19 loss estimates deteriorated by £15.7m in the year. In response to the high inflation environment currently experienced there is also an additional £14.8m of reserve loadings included in the losses reported. Partially offsetting the adverse experience are releases from prior year reserves of £13.6m as a result of more favourable claims development than originally anticipated.

The investment return was a loss of £50.1m (2021, £9.6m loss) generating a yield of (4.2)% (2021, (0.8)%) on the investment portfolio. The unfavourable investment return was driven by unrealised losses on fixed maturities due to higher global interest rates, and unrealised losses on equities as a result of unfavorable price movement.

The loss for the financial year of £38.9m (2021, £10.5m profit) reflects the underwriting loss described above and the negative investment return, partially offset by a £12.8m profit on exchange.

## Events since the reporting date

There have been no material events since the reporting date.

# Key Performance Indicators

| Annual Accounting Data<br>Income Statement | 2018<br>£'m | 2019<br>£'m | 2020<br>£'m | 2021<br>£'m | 2022<br>£'m |
|---|---|---|---|---|---|
| Gross written premiums | 515.1 | 543.1 | 521.9 | 482.6 | 623.6 |
| Net written premiums | 446.4 | 477.3 | 456.3 | 406.1 | 498.2 |
| Retention rate | 86.7% | 87.9% | 87.4% | 84.1% | 79.9% |
| **Net earned premiums** | **470.1** | **458.0** | **464.4** | **409.0** | **465.3** |
| **Net underwriting result** | **(28.9)** | **(35.7)** | **(145.2)** | **20.0** | **(1.6)** |
| Loss & LAE ratio | 65.5% | 64.8% | 91.3% | 54.5% | 61.6% |
| Expense ratio | 40.7% | 43.0% | 40.0% | 40.6% | 38.7% |
| **Combined ratio** | **106.2%** | **107.8%** | **131.3%** | **95.1%** | **100.3%** |
| Investment return | 8.3 | 40.6 | 33.7 | (9.6) | (50.1) |
| Investment yield | 0.9% | 4.5% | 3.6% | (0.8)% | (4.2)% |
| **Profit/(loss)** | **(15.0)** | **2.5** | **(114.0)** | **10.5** | **(38.9)** |

| Statement of Financial Position | 2018<br>£'m | 2019<br>£'m | 2020<br>£'m | 2021<br>£'m | 2022<br>£'m |
|---|---|---|---|---|---|
| Financial investments and cash | 897.7 | 875.4 | 942.5 | 968.1 | 1,030.9 |
| Gross claims outstanding | 1,231.8 | 1,124.0 | 1,184.6 | 1,146.5 | 1,310.5 |
| Reinsurers' share of claims outstanding | 210.9 | 170.6 | 134.5 | 184.4 | 256.2 |
| Net claims outstanding | 1,020.9 | 953.4 | 1,050.1 | 962.1 | 1,054.3 |

| Three Year Accounting Data | 2018<br>£'m | 2019<br>£'m | 2020<br>£'m | 2021<br>£'m | 2022<br>£'m |
|---|---|---|---|---|---|
| **Syndicate Capacity** | **500.0** | **450.0** | **475.0** | **486.0** | **500.0** |
| Underwriting result | (92.2) | (111.0) | (60.5) | | |
| Investment result | 26.4 | 13.8 | (17.0) | | |
| **Result on closure** | **(65.8)** | **(97.2)** | **(77.5)** | | |
| Forecast return at 12 months | (9.0)% | 1.5% | 0.5% | 6.3% | 6.8% |
| Forecast return at 24 months | (8.0)% | (20.0)% | 0.4% | 9.7% | |
| **Return on capacity at closure** | **(13.0)%** | **(21.6)%** | **(16.3)%** | | |

- Underwriting losses of £191.4m over the period 2018 – 2022, generated an average combined ratio of 108.4%. The 2018 year was impacted by natural catastrophe net losses of £22.8m; California Wildfires; hurricane Florence; hurricane Michael. The 2019 year was impacted by the higher than expected losses on prior years of account. The 2020 year was impacted by £152.7m of COVID-19 losses and £18.4m of natural catastrophe losses on the Derecho storms and hurricane Laura. The 2021 year has been been impacted by £8.2m of natural catastrophe losses, a £7.6m deterioration on the COVID-19 loss estimates and £4.6m of loss estimates for the South Africa Riots large loss. The 2022 year was impacted by losses on the Russia Ukraine conflict of £3.8m, losses on hurricane Ian of £0.7m and a £15.7m deterioration on the COVID-19 loss estimates. In response to the high inflation environment currently experienced there is also an additional £14.8m of reserve loadings included in the losses reported. Partially offsetting the adverse experience are releases from prior year reserves of £13.6m as a result of more favourable claims development than originally anticipated. Excluding COVID-19, the Russia Ukraine conflict and natural catastrophe losses there was an underwriting profit over the period 2018 – 2022 of £37.9m, generating an average combined ratio of 98.3%. The underwriting performance includes results of business lines that were exited in 2018 and 2020 (Open Market Property, Contingency) or heavily restructured (Marine).

- Losses of £154.9m over the period 2018 to 2022 were driven by the COVID-19 and natural catastrophe losses which are partially offset by the investment returns. The COVID-19 losses were predominantly driven by event cancellation impacting our Contingency book. During 2020 the decision was taken to exit this class of business as part of our underwriting assessment.
- The increase in reinsurers' share of claims outstanding during 2022 was primarily due to the impact of the Russia Ukraine conflict; partially offset by the settlement of claims and proactive collection of reinsurance recoveries.
- An average return on capacity of 5.5% for the 2002 to 2020 closed years of account.
- The investment return was a loss of £50.1m (2021, £9.6m loss) generating a yield of (4.2)% (2021, (0.8)%) on the investment portfolio. The unfavourable investment return was driven by unrealised losses on fixed maturities due to higher global interest rates, and unrealised losses on equities as a result of unfavorable price movement.

## Business environment and future prospects

The capital position is subject to internal stress testing and the Syndicate has also taken a number of underwriting actions on its future business. The Syndicate has reacted to the current high inflation environment with reserve loadings to its reserves. There is no intention to liquidate the Syndicate or to cease its operations. The 2023 year of account has been established and the Directors expect to establish a 2024 year of account, and are not aware of any reason why this will not be possible. They have also concluded that the Syndicate's financial position means that this is realistic. Where there are any short term liquidity requirements there is support from Markel Corporation ("the Group") and during 2022, Markel Corporation have made available a loan facility to Syndicate 3000. As a result, the Directors have concluded that there are no material uncertainties that could cast significant doubt over the Syndicate's ability to continue as a going concern for at least a year from the date of approval of the annual accounts ("the going concern period").

With disciplined underwriting and a strong asset base, inclusive of the Funds at Lloyd's supporting the Syndicate's underwriting, the Syndicate is in an excellent position to capitalise on opportunities as they arise. The Syndicate will continue to apply Markel's underwriting discipline of underwriting for profit rather than volume and, accordingly, will decline business where the rates are not acceptable.

The Syndicate will continue to look to develop new lines of business and markets, within the parameters of the overall underwriting strategy. The Syndicate invests in high-quality corporate, government and municipal bonds as well as a diverse equity portfolio and plans to continue this investment strategy in 2023.

The Syndicate capacity for the 2023 year of account has increased to £645.5m (2022, £500.0m).

# Principal risks and uncertainties

Markel International Holdings Limited ("MINT") has a risk register detailing the risks to which it is exposed, which includes all business underwritten by the Syndicate. Risks are grouped under the following categories:

- Underwriting Risk
- Reserving Risk
- Asset Risk
- Credit Risk
- Liquidity Risk
- Capital Risk
- Operational Risk

The risk and capital management note (note 3) provides a detailed explanation of the above risk categories.

The risks arising from climate change, and society’s response to it, are multifaceted, occur over an extended time horizon and are dependent on the severity of the changes in the climate. These risks continue to develop and the relative impact will be dependent on a number of aspects such as industry changes, policy changes and the speed with which those changes are implemented. The Board has ultimate responsibility for the Syndicate's environmental, social and governance, ('ESG'), strategy which includes consideration of climate risks. The Syndicate is working as part of the overall Markel Corporation to develop our approach to ESG and MINT has also developed a plan for managing the financial risks arising from climate change in line with PRA requirements. Climate change and its associated potential risks are regularly reviewed by the Risk & Capital Committee and risks are addressed within underwriting, risk and audit functions, although ESG activity is not segregated from the other work of these functions, but rather embedded in their operations.

We continuously work to strengthen our ESG practices across our insurance operations, with the goal of helping our customers, employees and shareholders win, which we believe produces the ultimate sustainable business. Our plans will continue to develop over time as understanding of climate change and its potential impacts increases.

The risk arising from inflation and the economy’s and insurance industry’s response to it form a key consideration going forward. Inflation risks in the current environment are influenced by both short-to-mid term trends (e.g. state of the economy, geopolitical events and cybercriminal activity), as well as by long-terms trends (e.g. social/excess inflation, other frequency events such as impact of new technology, safety improvements and other severity effects such as repair cost changes out of line with RPI/CPI). We have considered recent trends in inflation throughout our strategic planning and business management activities. The impacts of inflation on open years of account as well as on subsequent years are continuously assessed and considered, with actions and measures presented to Risk & Capital Committee but equally to key committees regarding Claims, Reserving and Finance.

There are currently 30 risks in the Risk Register. A formal review by the Risk and Capital Committee and the Board occurs at least annually to ensure that the risk register identifies all the risks to which the Syndicate is exposed. Key controls are identified to mitigate each risk and quarterly confirmation is sought from the owners of these controls that they are in place and are operating effectively.

The Risk and Capital Committee meets quarterly to consider Key Risk Indicators and any risk issues that have arisen. These are summarised in the Chief Risk Officer's quarterly report to the Board.

An Own Risk and Solvency Assessment report is produced which is a forward looking assessment of the risk profile and adequacy of the Syndicate's capital to meet solvency needs over the business planning time horizon. The Syndicate is in compliance with Solvency II.

# Directors

The Directors of the Managing Agent who served during 2022 and up to the date of this report were as follows:

| | |
|---|---|
| John W J Spencer | (Chair) |
| Wai-Fong Au | |
| Andrew J Davies | |
| Nicholas J S Line | |
| Kalpana Shah | |
| William D Stovin | (Resigned 31/12/22) |
| Anne Whitaker | |
| Simon Wilson | |

Markel maintains liability insurance cover on behalf of the Directors and named officers of the Managing Agent.

The Syndicate is supported 100% by MCAP and therefore no Director has any participation.

# Corporate governance

Markel Syndicate Management Limited ("MSM"), the Lloyd's Managing Agent of the Syndicate, is authorised by the Prudential Regulation Authority ("PRA"). The Board includes four non-executive Directors and meets at least quarterly. Sub-committees of the Board include the Executive Committee, Audit Committee, Risk and Capital Committee, Reserving Committee, Finance Committee, Remuneration Committee, Nominations Committee and Outsourcing Committee. A number of Management Committees, including Committees with a divisional focus, report to the Executive Committee.

# Financial instruments and risk management

Information on the use of financial instruments by the Syndicate and its management of financial risk is disclosed in note 3 of these annual accounts. In particular, the Syndicate's exposures to price risk, credit risk and liquidity risk are separately disclosed in that note. The Syndicate's exposure to cash flow risk is addressed under the headings of 'Market risk', 'Credit risk' and 'Liquidity risk'.

# Carbon policy

As set out in the “Markel Style”, the Syndicate has a commitment to its communities, which we recognise includes environmental responsibilities. Our goal is to minimise our environmental impact whilst still adhering to our other principles as expressed in the "Markel Style" and our company profile. The "Markel Style" is a statement of Markel’s core values which underpin how we do business, influence our behaviour, and govern our actions.

Through the development of best practices in our business, the Syndicate aims to use no more consumables than are necessary and recycle the maximum of those we do use. The Directors also believe that embedding environmental awareness throughout the organisation will be best achieved through a continuous program of employee education.

# Disclosure of information to the Auditor

The Directors of the Managing Agent who held office at the date of approval of this Report of the Managing Agent confirm that, so far as they are each aware, there is no relevant audit information of which the

Syndicate's Auditor is unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's Auditor is aware of that information.

# 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.

# Annual general meeting

As permitted under the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the sole corporate member has agreed that no annual general meeting will be held for the Syndicate.

By order of the Board,

**Andrew Davies**
Director
London

24 February 2023

# Statement of Managing Agent's Responsibilities

The Directors of the Managing Agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 require the Directors of the Managing Agent to prepare Syndicate annual accounts at 31 December for each financial year. Under that law they have elected to prepare the annual accounts 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the Directors of the Managing Agent must not approve the annual accounts 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 annual accounts, the Directors of the Managing Agent are required to:

- select suitable accounting policies which are applied 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 annual accounts;
- 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 Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyds’s Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company 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 Syndicate annual accounts may differ from legislation in other jurisdictions.

By order of the Board,

**Andrew Davies**
Director
London

24 February 2023

# Independent Auditor's Report to the Member of Syndicate 3000

## Opinion

We have audited the annual accounts of Syndicate 3000 ("the Syndicate") for the year ended 31 December 2022 which comprise the Income Statement: Technical Account, Income Statement: Non-Technical Account, Statement of Comprehensive Income and Member’s Balances, Statement of Financial Position: Assets, Statement of Financial Position: Liabilities, Statement of Cash Flows and related notes, including the accounting policies in note 2.

In our opinion the 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 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 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 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.

# 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 included:

- Enquiring of directors, the audit committee, legal, risk and compliance, management and inspection of policy documentation as to the Syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud, and the Syndicate's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board, audit committee, and other relevant committee meeting minutes.
- Considering remuneration incentive schemes.
- Using analytical procedures to identify any usual 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 our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, 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 incurred but not reported ("IBNR") reserves. On this audit we do not believe there is a fraud risk related to revenue recognition because of the limited estimation involved in accruing premium income.

We did not identify any additional fraud risks.
We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing the identified entries to supporting documentation. These included entries posted with key words, entries with unauthorised users, post-closing entries, entries posted by senior management, etc.
- We assessed the appropriateness and consistency of the methods and assumptions used for reserving. For a selection of classes of business we considered to be high risk, we performed alternative reprojections to the actuarial best estimate using our own gross loss ratios and compared these to the Syndicate's results, assessing the results for evidence of 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 annual accounts from our general commercial and sector experience, and through discussion with the directors and others management (as required by auditing standards), and from inspection of the Managing Agent's regulatory and legal correspondence. We 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 annual accounts varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the 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 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 accounts, for instance through the imposition of fines or litigation or the loss of Syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: regulatory capital requirements, corruption and bribery recognising the regulated nature of the Syndicate's activities and its legal form.

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 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 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 fraud 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 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 annual accounts audit work, the information therein is materially misstated or inconsistent with the 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 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 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.

## Responsibilities of the Directors of the Managing Agent

As explained more fully in their statement set out on page 12, the Directors of the Managing Agent are responsible for: the preparation of the 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 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 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 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.

**Timothy Butchart (Senior Statutory Auditor)**
**for and on behalf of KPMG LLP, Statutory Auditor**
Chartered Accountants
London

24 February 2023

# Income Statement: Technical Account

## for the year ended 31 December 2022

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | Notes | £'000 | £'000 | £'000 | £'000 |
| **Earned premiums, net of reinsurance** | | | | | |
| Gross written premiums | 4 | 623,631 | | 482,648 | |
| Outward reinsurance premiums | | (125,445) | | (76,550) | |
| **Net written premiums** | | | **498,186** | | **406,098** |
| Change in the gross provision for unearned premiums | 17 | (44,493) | | (2,386) | |
| Change in the provision for unearned premiums, reinsurers' share | 17 | 11,622 | | 5,298 | |
| Change in the provision for net unearned premiums | | | (32,871) | | 2,912 |
| **Net earned premiums** | | | **465,315** | | **409,010** |
| **Allocated investment return transferred from the non-technical account** | 9 | | **(50,109)** | | **(9,607)** |
| **Claims incurred, net of reinsurance** | | | | | |
| Claims paid | | | | | |
| Gross amount | | (338,410) | | (355,632) | |
| Reinsurers' share | | 73,972 | | 51,646 | |
| Net paid claims | | | (264,438) | | (303,986) |
| Change in the provision for claims | | | | | |
| Gross amount | 17 | (72,164) | | 32,208 | |
| Reinsurers' share | 17 | 49,936 | | 48,723 | |
| Net change in provision | | | (22,228) | | 80,931 |
| **Net claims incurred** | | | **(286,666)** | | **(223,055)** |
| **Net operating expenses** | 6 | | **(180,232)** | | **(165,967)** |
| **Balance on the technical account** | | | **(51,692)** | | **10,381** |

All operations relate to continuing business.

The notes on pages 23 form part of these annual accounts.

# Income Statement: Non-Technical Account

## for the year ended 31 December 2022

| | Notes | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|---|
| **Balance on the technical account** | | **(51,692)** | **10,381** |
| Investment income | 7 | 24,248 | 17,716 |
| Unrealised gains on investments | | 2,151 | 4,448 |
| Investment expenses and charges | 8 | (14,830) | (8,284) |
| Unrealised losses on investments | | (61,678) | (23,487) |
| Allocated investment return transferred to technical account | 9 | 50,109 | 9,607 |
| Profit on exchange | | 12,831 | 115 |
| **(Loss)/profit for the financial year** | | **(38,861)** | **10,496** |

All operations relate to continuing business.

The notes on pages 23 form part of these annual accounts.

# Statement of Comprehensive Income and Member's Balances

## for the year ended 31 December 2022

| | Notes | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|---|
| **(Loss)/profit for the financial year** | | **(38,861)** | **10,496** |
| Net foreign exchange losses on translation of functional currency | | (12,958) | (775) |
| Total comprehensive (losses)/gains for the year | | (51,819) | 9,721 |
| **Member's balance brought forward at 1 January** | | **(92,100)** | **(132,582)** |
| Total comprehensive (losses)/gains for the year | | (51,819) | 9,721 |
| Cash call of payments of loss from/(to) the Member's personal reserve fund on closed years of account | 16 | 22,203 | 30,761 |
| **Member's balance carried forward at 31 December** | | **(121,716)** | **(92,100)** |

The notes on pages 23 form part of these annual accounts.

# Statement of Financial Position: Assets
## as at 31 December 2022

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | **Notes** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Investments** | | | | | |
| Financial investments | 13 | | 908,271 | | 855,255 |
| Deposits with ceding undertakings | 13 | | 11,201 | | 4,853 |
| **Reinsurers' share of technical provisions** | | | | | |
| Provisions for unearned premiums | 17 | 29,052 | | 16,040 | |
| Claims outstanding | 17 | 256,166 | | 184,402 | |
| | | | **285,218** | | **200,442** |
| **Debtors** | | | | | |
| Debtors arising out of direct insurance operations | 14 | 168,919 | | 121,736 | |
| Debtors arising out of reinsurance operations | 14 | 63,861 | | 59,224 | |
| Other debtors | 15 | 9,505 | | 9,850 | |
| | | | **242,285** | | **190,810** |
| Cash at bank | | | 122,623 | | 112,887 |
| **Prepayments and accrued income** | | | | | |
| Accrued interest | | 4,389 | | 4,183 | |
| Deferred acquisition costs | 17 | 50,939 | | 35,997 | |
| | | | **55,328** | | **40,180** |
| **Total Assets** | | | **1,624,926** | | **1,404,427** |

The notes on pages 23 form part of these annual accounts.

# Statement of Financial Position: Liabilities

## as at 31 December 2022

| | | 2022 | | 2021 | |
|---|---|---|---|---|---|
| | **Notes** | **£'000** | **£'000** | **£'000** | **£'000** |
| **Capital and reserves** | | | | | |
| Member's balance | | | (121,716) | | (92,100) |
| **Technical provisions** | | | | | |
| Provisions for unearned premiums | 17 | 241,885 | | 180,456 | |
| Claims outstanding | 17 | 1,310,517 | | 1,146,474 | |
| | | | **1,552,402** | | **1,326,930** |
| **Creditors** | | | | | |
| Creditors arising out of direct insurance operations | 18 | (3,551) | | (7,490) | |
| Creditors arising out of reinsurance operations | 18 | 33,400 | | 19,807 | |
| Other creditors | 19 | 164,391 | | 157,280 | |
| | | | **194,240** | | **169,597** |
| **Total Liabilities** | | | **1,624,926** | | **1,404,427** |

The notes on pages 23 form part of these annual accounts.

The Syndicate annual accounts on pages 1 were approved by the Board of Directors on 24 February 2023 and were signed on behalf of Markel Syndicate Management Limited by Andrew Davies, Company Director.

**Andrew Davies**
Director
London

24 February 2023

# Statement of Cash Flows

## for the year ended 31 December 2022

| | 2022 | | 2021 | |
|---|---|---|---|---|
| | £'000 | £'000 | £'000 | £'000 |
| Operating result | (38,861) | | 10,496 | |
| Increase/(decrease) in gross technical provisions | 225,472 | | (35,707) | |
| Increase in reinsurers' share of gross technical provisions | (84,776) | | (55,319) | |
| Increase in debtors, prepayments and accrued income | (66,623) | | (12,961) | |
| Increase in creditors, accruals and deferred income | 24,643 | | 93,978 | |
| Investment return | 50,109 | | 9,607 | |
| Other Foreign exchange movement | (92,307) | | 7,047 | |
| **Net cash flows from operating activities** | | **17,657** | | **17,141** |
| Acquisitions of other financial instruments | (1,205,924) | | (877,317) | |
| Proceeds from sale of other financial instruments | 1,149,363 | | 845,468 | |
| Investment income received | 11,388 | | 12,311 | |
| Decrease/(increase) in overseas deposits | 10,448 | | (51,500) | |
| Movement in other deposits | (6,434) | | (7,577) | |
| **Net cash flows from investing activities** | | **(41,159)** | | **(78,615)** |
| Transfer from the Member in respect of underwriting participation | 22,203 | | 30,761 | |
| **Net cash flow from financing activities** | | **22,203** | | **30,761** |
| **Net cash flows in cash and cash equivalents** | | **(1,299)** | | **(30,713)** |
| Cash and cash equivalents at 1 January | | 112,887 | | 147,952 |
| Effect of exchange rate changes on cash and cash equivalents | | 11,035 | | (4,352) |
| Cash and cash equivalents at end of year | | 122,623 | | 112,887 |
| Cash at bank | | 122,623 | | 112,887 |
| **Cash and cash equivalents at 31 December** | | **122,623** | | **112,887** |

# Notes to the Annual Accounts

## 1 Basis of preparation

The annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and with Financial Reporting Standard ("FRS") 102, being the Financial Reporting Standard applicable in the UK and Republic of Ireland, and FRS 103 Insurance Contracts.

The annual accounts have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

All amounts have been rounded to the nearest thousand, unless otherwise indicated.

**Going Concern**

The Directors have continued to review the capital position, business plans, liquidity and operational resilience of the Syndicate. The capital position is subject to internal stress testing and the Syndicate has also taken a number of underwriting actions on its future business. There is no intention to liquidate the Syndicate or to cease its operations. The 2023 year of account has been established and the Directors expect to establish a 2024 year of account, and are not aware of any reason why this will not be possible. They have also concluded that the Syndicate's financial position means that this is realistic. Where there are any short term liquidity requirements there is support from Markel Corporation ("the Group") and during 2022, Markel Corporation have made available a loan facility to Syndicate 3000. As a result, the Directors have concluded that there are no material uncertainties that could cast significant doubt over the Syndicate's ability to continue as a going concern for at least a year from the date of approval of the annual accounts ("the going concern period").

## 2 Accounting policies

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

### a) Use of judgements and estimates

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

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

Further detail on the use of judgements and estimates is detailed in the underwriting result policy.

### b) Underwriting result

The underwriting result is determined using an annual basis of accounting, whereby the incurred cost of claims, commission and expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

i) Written premiums relate to business incepted during the year, together with any difference between booked premiums for prior years and those previously accrued, and include estimates of premiums not yet due or notified. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

ii) Unearned premiums represent the proportion of premiums written in the year that relates to unexpired terms of policies in force at the reporting date, calculated on the basis of established earnings patterns or time apportionment/straight line as appropriate. In the opinion of the Directors, the resulting provision is not materially different from one based on the pattern of incidence of risk.

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

iv) Acquisition costs, which represent commission and underwriters' staff costs related to the production of business, are deferred and amortised over the period in which the related premiums are earned.

v) A provision for unexpired risks is made where claims, related expenses and deferred acquisition costs likely to arise after the end of the financial year in respect of contracts concluded before that date were expected to exceed the unearned premiums receivable under these contracts. Provision for unexpired risks is calculated separately by class and includes an allowance for investment income. Unexpired risk surplus and deficits are offset where, in the opinion of the Directors, the business classes concerned are managed together. In such cases, a provision for unexpired risks is made only where there is an aggregate deficit.

vi) Claims incurred comprise claims and claims handling expenses paid in the year and the change in provisions for outstanding claims, including provisions for claims incurred but not reported and claims handling expenses. The adequacy of the outstanding claims provisions is assessed by reference to projections of the ultimate development of claims in respect of each underwriting year. Management continually attempts to improve its loss estimation process by refining its ability to analyse loss development patterns, claims payments and other information, but many reasons remain for potential adverse development of estimated ultimate liabilities. The process of estimating loss reserves is a difficult and complex exercise involving many variables and subjective judgements. As part of the reserving process, historical data is reviewed and the impact of various factors such as trends in claim frequency and severity, changes in operations, emerging economic and social trends, inflation and changes in regulatory and litigation environments is considered. Significant delays occur in notifying certain claims and a large measure of experience and judgement is involved in assessing outstanding liabilities, the ultimate cost of which cannot be known with certainty at the reporting date. The reserve for claims outstanding is determined on the basis of information currently available. However, it is inherent in the nature of the business written that the ultimate liabilities may vary as a result of subsequent development.

The two most critical assumptions regarding claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the models used for current business are fair reflections of the likely level of ultimate claims to be incurred. However, the Directors believe the process of evaluating past experience, adjusted for the effects of current developments and anticipated trends, is an appropriate basis for predicting future events. The estimation process has required reviewing risks and events which are expected to trigger future reported claims and assessing the potential financial loss of insureds. This has required underwriter, claims and actuarial experience and management’s professional judgement. Management currently believes the Syndicate’s gross and net reserves are adequate. There is no precise method, however, for evaluating the impact of any significant factor on the adequacy of reserves, and actual results are likely to differ from original estimates.

The provisions for claims outstanding, and related reinsurance recoveries, are discounted where there is a long period from incident to claims settlement and where there exists a suitable claims payment pattern from which to calculate the discount. The discount rate used is based upon an investment return expected to be earned by financial assets which are appropriate in value and duration to match the provisions for insurance contract liabilities being discounted during the period expected before the final settlement of such claims.

Reinsurance assets are assessed for impairment at each reporting date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that event has a reliably measurable impact on the amount that the Syndicate will receive from the reinsurer. Impairment losses are recognised in the Income Statement: Technical Account in the period in which the impairment loss is recognised.

vii) Underwriting acquisition costs, general overheads and other expenses are charged as incurred to the Income Statement: Technical Account, net of the change in deferred acquisition costs.

**c) Financial assets and liabilities**

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

*Classification*

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the Income Statement. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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

*Recognition*

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

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

*Measurement*

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

Financial assets at fair value through profit or loss are measured at fair value with changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit and loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income. Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

*Investment Return*

Investment income comprises interest and dividends receivable for the year before investment expenses. Dividends receivable are stated after adding back any withholding taxation deducted at source. Investment expenses are charged to the Income Statement: Non-Technical Account on an incurred basis.

Realised gains or losses represent the difference between net sales proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the current value of investments at the reporting date and their purchase price. The movement in unrealised investment gains/losses includes an adjustment for previously recognised unrealised gains/losses on investments disposed of in the accounting period.

Dividends receivable are accounted for by reference to the date on which the price of the investment is quoted ex-dividend.

The investment return is initially recorded in the Income Statement: Non-Technical Account. A transfer is made from the Income Statement: Non-Technical account to the Income Statement: Technical Account to reflect the investment return on funds supporting underwriting business.

*Cash and cash equivalents*

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

Cash and cash equivalents are carried at amortised cost in the Statement of Financial Position.

**d) Investments**

Financial investments are stated at market value, based on bid price and deposits with credit institutions are stated at cost. Financial investments recorded at market value will fall into one of the three levels in the fair value hierarchy as follows;

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

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

iii) Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

**e) Foreign currency translation**

The Syndicate presents its accounts in sterling (the 'reporting currency') since they are subject to regulation in the United Kingdom. Items included in the annual accounts are measured using the currency of the primary economic environment in which the entity operates (the 'functional currency'). The functional currency of the Syndicate is deemed to be US dollars.

Transactions in foreign currencies are translated at the average rates of exchange for the month of the transactions.

Monetary assets and liabilities are translated at the rate of exchange at the reporting date or if appropriate at the forward contract rate. Non-monetary assets and liabilities are translated at the rate of exchange prevailing on recognition.

All exchange differences arising on the translation of the results and financial position in US dollars (the functional currency) into sterling (the reporting currency) are recognised in the Statement of Comprehensive Income. Exchange differences on all other currencies are recognised in the Income Statement: Non-Technical Account.

**f) Taxation**

Under Schedule 19 of the Finance Act 1993, Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to Members or their Members' Agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States or Canadian Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the Statement of Financial Position under the heading 'other debtors', as the Syndicate is reimbursed by MCAP for any of the Income Taxes paid.

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

# 3 Risk and capital management

**Financial risk management objectives**

The Syndicate is exposed to financial risks primarily through its financial assets, reinsurance assets and policyholder liabilities. The Syndicate's risks are recorded on a risk register and managed through the risk management framework. Solvency II principles are used to manage the Syndicate's capital requirements and to ensure that it has the financial strength to support the growth of the business and meet the requirements of policyholders, regulators and rating agencies.

The key financial risks assessed are underwriting risk, reserving risk, asset risk, credit risk, liquidity risk, capital risk and operational risk.

**a) Underwriting risk**

Underwriting Risk is the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities, focusing on risks that arise from the acceptance of business.

All underwriting at MINT is governed by the "Underwriting Policy" which sets out the imperatives for underwriting. The first core principle within the Underwriting Policy is related to underwriting profitable business and is "The aim of all underwriting decisions is to achieve the target combined ratio for each class in a spirit of honesty and integrity". MINT's fundamental objective is to underwrite profitably on a gross basis and to achieve target combined ratios. A combined ratio is the ultimate loss ratio plus expense ratio. This measure of underwriting performance excludes any benefit from investment return and focuses attention on premium charged, coverage granted, commissions and other deductions and all direct and indirect expenses.

MINT sets prudent maximum linesizes. All underwriters have written underwriting authorities and there are peer reviews/review processes in place to ensure that business underwritten does not exceed authority or is outside the business plan. Risks exceeding 18 months are not permitted to be written without prior, written approval, although certain general exceptions are made. For example, in respect of Marine Construction risks (where matching reinsurance exists) and this has been agreed in advance as part of the underwriting strategy. Compliance with linesize and policy duration is monitored.

Technical pricing has been developed for many classes, and rate movements have been monitored since 2002.There are independent reviews of underwriting.

A key method of monitoring MINT's aggregate exposures is the production of a quarterly "Aggregations pack" which sets out our exposures to various elemental and non elemental perils. For example, for natural catastrophe risk we monitor and report MINT's exposure, both gross and net, to each material region/peril. Units are given aggregate limits for catastrophe business in each zone and adherence to these is monitored within the pack. Natural catastrophe and other exposures form part of Risk Management's quarterly assessment of risk to the Risk & Capital Committee and to the Board

**b) Reserving risk**

Reserving risk is the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities, focusing on risks that arise from the quantification of those liabilities.

The Claims handling procedures set out MINT's approach to claims, including:

• Claims diaries – claims adjusters must ensure that they diarise relevant dates when necessary. There are rules regarding which types of claims are subject to diary management, and targets set are monitored on a monthly basis.

• Panel of third party advisors – a panel of approved third party advisors (Attorneys and Adjusters) has been established. Third party advisors can only be appointed with sign off from a Claims Manager.

• Claims peer review – each underwriting division is subject to a periodic claims peer review of selected claims files for identifying strengths and weaknesses in the handling of claims. Senior independent claims personnel are responsible for the qualitative review of the handling of files.

An Actuarial reserving exercise occurs quarterly for the reserving basis, and bi-annually for the pricing basis. This involves internal review within the Actuarial department and discussions with relevant underwriters and claims staff, including consideration of impact of factors such as trends in claims frequency and severity as well as inflation. Pricing basis represents the actuarial reserving "best estimate". The reserving basis reflects the Markel reserving philosophy of holding reserves that are more likely to be redundant than deficient. Combined Ratio packs are produced which contain gross and net projections for all classes of business written at MINT. The packs are discussed in detail at quarterly "Combined Ratio Meetings", which are attended by the Executive Management, the Divisional Managing Director/Branch Managing Director from each unit and the relevant Actuaries.

### c) Asset risk

Asset risk is the risk of loss resulting from adverse financial market movements including interest rates or exchange rates.

Risk appetites are agreed annually by the Board to limit investment concentration. Adherence to these is monitored at the Risk & Capital Committee through Key Risk Indicators. Any exceptions to risk appetite are reported to the Board.

The Syndicate's investment manager, Markel Gayner Asset Management Corporation ("MGAM") produces a quarterly Investment Report which is reviewed quarterly by Markel's investment committee. MSM's Finance Director participates in this meeting. A quarterly investment report is produced for MSM's Board.

The principal market risks and how exposure to these risks is managed are as follows:

- Interest rate risk: The Syndicate works to manage the impact of interest rate fluctuations on the fixed maturity portfolio. The effective duration of the fixed maturity profile is managed with consideration given to the estimated duration of policyholder liabilities.

The table below sets out the Syndicate's sensitivity to interest rate and equity price movement.

| | 2022<br>£'000 | 2021<br>£'000 |
|---|---|---|
| **Interest rate risk** | | |
| Impact of 50 basis point increase on result | (7,676) | (9,857) |
| Impact of 50 basis point decrease on result | 7,813 | 10,039 |
| Impact of 50 basis point increase on net assets | (7,676) | (9,857) |
| Impact of 50 basis point decrease on net assets | 7,813 | 10,039 |
| **Price risk** | | |
| Impact on result of 5% increase in Stock Market Prices | 1,156 | 1,626 |
| Impact on result of 5% decrease in Stock Market Prices | (1,156) | (1,626) |
| Impact on net assets of 5% increase in Stock Market Prices | 1,156 | 1,626 |
| Impact on net assets of 5% decrease in Stock Market Prices | (1,156) | (1,626) |

- Equity price risk: The Syndicate sets limits on the amount of equities that can be held overall and with any one issuer. The overall equity portfolio is also monitored to ensure that equity risk does not exceed the Syndicate's risk appetite.

- Foreign exchange risk: Foreign exchange risk is managed primarily by matching assets and liabilities in each foreign currency as closely as possible. To assist in the matching of assets and liabilities in foreign currencies the Syndicate may purchase foreign exchange forward contracts or buy and sell foreign currencies in the open market. No foreign exchange forward contracts have been entered into during the year (2021, none).

The table below, as reported in converted sterling, details the matching of material currencies in the Statement of Financial Position.

| 2022 Currency Code | GBP'000 | USD'000 | EUR'000 | CAD'000 | AUD'000 | JPY'000 | Other'000 | Total'000 |
|---|---|---|---|---|---|---|---|---|
| Financial investments | 71,640 | 383,511 | 40,611 | 328,511 | 22,952 | - | 61,046 | 908,271 |
| Reinsurers' share of technical provisions | 32,340 | 193,092 | 8,261 | 35,989 | 13,309 | 767 | 1,460 | 285,218 |
| Insurance and reinsurance receivables | 10,387 | 151,357 | 5,197 | 30,079 | 9,608 | (2,394) | 28,546 | 232,780 |
| Cash at bank | 3,205 | 66,043 | 11,603 | 1 | 16,665 | 1,825 | 23,281 | 122,623 |
| Other assets | 18,705 | 26,149 | 8,009 | 16,787 | 4,389 | 28 | 1,967 | 76,034 |
| **Total assets** | **136,277** | **820,152** | **73,681** | **411,367** | **66,923** | **226** | **116,300** | **1,624,926** |
| Technical provisions | (211,493) | (831,652) | (75,378) | (325,850) | (62,853) | (269) | (44,907) | (1,552,402) |
| Insurance and reinsurance payables | 2,830 | (9,179) | (4,381) | (7,210) | (12,362) | (57) | 510 | (29,849) |
| Other creditors | (439) | (160,952) | (19) | 259 | - | - | (3,240) | (164,391) |
| **Total liabilities** | **(209,102)** | **(1,001,783)** | **(79,778)** | **(332,801)** | **(75,215)** | **(326)** | **(47,637)** | **(1,746,642)** |

| 2021 Currency Code | GBP'000 | USD'000 | EUR'000 | CAD'000 | AUD'000 | JPY'000 | Other'000 | Total'000 |
|---|---|---|---|---|---|---|---|---|
| Financial investments | 89,724 | 352,415 | 48,742 | 273,560 | 26,032 | - | 64,782 | 855,255 |
| Reinsurers' share of technical provisions | 27,920 | 131,816 | 14,611 | 18,821 | 5,896 | 658 | 720 | 200,442 |
| Insurance and reinsurance receivables | 17,424 | 118,758 | 2,271 | 23,819 | 7,191 | (2,131) | 13,628 | 180,960 |
| Cash at bank | 6,311 | 63,061 | 23,024 | - | 3,494 | 1,244 | 15,753 | 112,887 |
| Other assets | 6,464 | 33,641 | 5,373 | 5,465 | 3,013 | 55 | 872 | 54,883 |
| **Total assets** | **147,843** | **699,691** | **94,021** | **321,665** | **45,626** | **(174)** | **95,755** | **1,404,427** |
| Technical provisions | (216,546) | (630,519) | (120,357) | (253,881) | (59,258) | (6,189) | (40,180) | (1,326,930) |
| Insurance and reinsurance payables | 7,255 | (19,150) | (721) | (1,286) | 1,256 | 557 | (228) | (12,317) |
| Other creditors | (694) | (155,235) | (20) | (74) | - | - | (1,257) | (157,280) |
| **Total liabilities** | **(209,985)** | **(804,904)** | **(121,098)** | **(255,241)** | **(58,002)** | **(5,632)** | **(41,665)** | **(1,496,527)** |

### d) Credit risk

Credit risk is the risk of loss arising from the inability of a counterparty to fulfil its payment obligations. Key areas where the Syndicate is exposed to credit risk are:

- Amounts recoverable from reinsurers
- Amounts due from insurance intermediaries and insurance contract holders
- Amounts due from debt securities and other fixed income securities

The Syndicate’s fixed maturity portfolio is monitored to ensure credit risk does not exceed the Syndicate’s risk appetite. In addition, the Syndicate places limits on exposures to a single counterparty or concentrations of exposures to a specific counterparty. At 31 December 2022, 100% (2021, 100%) of the Syndicate's fixed maturity portfolio is rated 'A' or better.

The Syndicate does not hold any financial investments that are past due or impaired as at 31 December 2022.

The Board sets risk appetites for the amount of exposure it is prepared to accept in respect of reinsurers and brokers. These are monitored through reports to Risk & Capital Committee and any exceptions are reported to the Board.

The Syndicate takes a proactive approach to the collection of reinsurance recoveries, including the pursuit of commutations. New reinsurers may be required to post collateral depending on their size, rating and potential debt to the Syndicate. If a reinsurer is not willing to post collateral then their line size may be reduced to an acceptable level in accordance with their applicable rating and capital.

The table below provides detail of the credit rating by asset class.

| **2022** | **AAA £'000** | **AA £'000** | **A £'000** | **BBB £'000** | **BBB or less £'000** | **Not rated £'000** | **Total £'000** |
|---|---|---|---|---|---|---|---|
| Shares and other variable yield securities, unit trusts and collective investment schemes | 88,711 | - | 162,804 | - | - | 29,629 | 281,144 |
| Debt securities | 149,679 | 341,160 | 3,713 | - | - | - | 494,551 |
| Overseas deposits as investments | 41,040 | 10,910 | 9,469 | 6,751 | 32,539 | 31,867 | 132,576 |
| Deposits with ceding undertakings | - | - | 11,201 | - | - | - | 11,201 |
| Reinsurers' share of claims outstanding | 584 | 99,765 | 144,219 | - | - | 11,598 | 256,166 |
| Reinsurance debtors | - | - | - | - | - | - | - |
| Cash at bank | - | - | 122,623 | - | - | - | 122,623 |
| **Total credit risk** | **280,014** | **451,835** | **454,029** | **6,751** | **32,539** | **73,094** | **1,298,261** |

| **2021** | **AAA £'000** | **AA £'000** | **A £'000** | **BBB £'000** | **BBB or less £'000** | **Not rated £'000** | **Total £'000** |
|---|---|---|---|---|---|---|---|
| Shares and other variable yield securities, unit trusts and collective investment schemes | 56,919 | 92,054 | 6,508 | - | - | 32,521 | 188,002 |
| Debt securities | 196,006 | 333,357 | 4,200 | - | - | - | 533,563 |
| Overseas deposits as investments | 49,960 | 4,501 | 7,537 | 6,506 | 33,349 | 31,837 | 133,690 |
| Deposits with ceding undertakings | - | - | 4,853 | - | - | - | 4,853 |
| Reinsurers' share of claims outstanding | 755 | 91,032 | 85,118 | - | - | 7,497 | 184,402 |
| Reinsurance debtors | 99 | 34,813 | 22,770 | - | - | 1,193 | 58,875 |
| Cash at bank | 13,372 | - | 99,515 | - | - | - | 112,887 |
| **Total credit risk** | **317,111** | **555,757** | **230,501** | **6,506** | **33,349** | **73,048** | **1,216,272** |

### e) Liquidity risk

Liquidity risk is the risk that sufficient liquid financial resources are not maintained to meet liabilities as they fall due. The Syndicate monitors the projected settlement of liabilities and, in conjunction with MGAM, sets guidelines on the composition of the portfolio in order to manage this risk.

The average duration of liabilities is 4.8 years (2021, 4.9 years). The duration of the Syndicate's investment portfolio is managed to match the expected cash outflows on liabilities.

Each year liquidity stress tests are undertaken to consider possible liquidity pressures which could arise following a significant loss event such as a material natural catastrophe, including trust fund requirements. These tests are considered by the Risk & Capital Committee in order to determine that liquidity risk has been mitigated to a satisfactory level.

The table below, as reported in converted sterling, details the maturity analysis showing remaining contractual maturities.

| 2022 | No stated Maturity £'000 | 0-1 year £'000 | 1-3 years £'000 | 3-5 years £'000 | >5 years £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Claims Outstanding | - | 425,339 | 416,535 | 200,765 | 267,878 | **1,310,517** |
| Creditors | - | 194,240 | - | - | - | **194,240** |
| **Total** | - | **619,580** | **416,535** | **200,765** | **267,878** | **1,504,757** |

| 2021 | No stated Maturity £'000 | 0-1 year £'000 | 1-3 years £'000 | 3-5 years £'000 | >5 years £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Claims Outstanding | - | 388,326 | 370,593 | 177,128 | 210,427 | **1,146,474** |
| Creditors | - | 169,597 | - | - | - | **169,597** |
| **Total** | - | **557,923** | **370,593** | **177,128** | **210,427** | **1,316,071** |

### f) Operational risk

Operational Risk is the risk of loss resulting from inadequate or failed internal processes, people and systems or from external events.

Key controls that mitigate each risk on our risk register have been identified together with the appropriate control owner. Each quarter the control owner is required to confirm that the controls they are responsible for have been in place and operating effectively during the previous quarter. Controls relating to the production of financial information, which is governed by the Sarbanes Oxley Act, are tested annually by our Internal Audit team. Senior managers are also required to answer a quarterly questionnaire designed to identify whether there have been any events which might impact Markel's annual accounts. Each quarter's confirmation process is summarised by Risk Management in a memo to the President, the Finance Director & Chief Operating Officer, and the Chief Underwriting Officer.

An Incident Log (including Operational Losses and Near Misses) has been compiled. This records and quantifies losses and "near misses" arising from or exacerbated by failure of people, processes and systems as well as those caused by external (non insurance) events and assists in identifying Risk Events, Key Risk Indicators and also controls which would mitigate a recurrence of such losses.

The CRO reports on a number of areas of Operational Risk at the quarterly Risk & Capital Committee and material issues are summarised to the Board.

Group risk falls under Operational Risk and is the risk that actions or events within one part of Markel Corporation adversely affect an entity, or all entities, within MINT.

It is considered that being part of a larger, experienced insurance group, with considerable financial resources and sound reputation, is a strength. MINT has a number of controls, such as internal committees that consider the interests of MINT's legal entities and endeavour to communicate the MINT perspective to Markel, with whom an excellent relationship is enjoyed

The risk of the Syndicate being part of MINT is also considered. The policy is always to consider the interests of each legal entity, and this single risk strategy, risk management approach, operational procedures and standards are effective in ensuring that each entity is treated equitably.

**g) Capital risk**

Capital risk is the risk of failing to hold sufficient capital to meet regulatory or rating agency requirements, inefficient allocation of capital, or failure to obtain adequate return on capital.

There is a quarterly process whereby the capital team model held capital against the requirements for the Syndicate and report the results to the Risk & Capital Committee. There is also a margin of capital which is held in excess of the requirements and regular engagement with the regulators and rating agencies.

**Capital management**

The Society of Lloyd's ("Lloyd's") is a regulated undertaking and subject to supervision by the PRA under the Financial Services and Markets Act 2000, and in accordance with Solvency II Framework.

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

Every member is required to hold capital at Lloyd's, which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

# 4 Segmental analysis

## a) Analysis of business by class:

| 2022 Calendar Year | Gross Written Premiums £'000 | Gross Earned Premiums £'000 | Gross Claims Incurred £'000 | Gross Operating Expenses £'000 | Reinsurance Balance £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Direct insurance | | | | | | |
| Accident & health | 2,563 | 2,508 | (841) | (1,036) | (225) | 406 |
| Marine, aviation and transport | 136,627 | 122,242 | (153,870) | (33,971) | 53,363 | (12,236) |
| Fire and other damage to property | 62,022 | 60,614 | (48,922) | (18,538) | (2,747) | (9,593) |
| Third party liability | 277,369 | 258,679 | (186,474) | (75,955) | 11,262 | 7,512 |
| Miscellaneous | 3,393 | 3,954 | (4,686) | (591) | (12,275) | (13,598) |
| **Total direct** | **481,974** | **447,997** | **(394,793)** | **(130,091)** | **49,378** | **(27,509)** |
| Reinsurance | 141,657 | 131,140 | (15,781) | (50,140) | (39,293) | 25,926 |
| **Total** | **623,631** | **579,137** | **(410,574)** | **(180,231)** | **10,085** | **(1,583)** |

| 2021 Calendar Year | Gross Written Premiums £'000 | Gross Earned Premiums £'000 | Gross Claims Incurred £'000 | Gross Operating Expenses £'000 | Reinsurance Balance £'000 | Total £'000 |
|---|---|---|---|---|---|---|
| Direct insurance | | | | | | |
| Accident & health | 8,284 | 9,697 | (14,230) | (3,144) | (57) | (7,734) |
| Marine, aviation and transport | 72,883 | 73,522 | (95,591) | (21,290) | 42,664 | (695) |
| Fire and other damage to property | 67,110 | 62,958 | (26,823) | (21,680) | (997) | 13,458 |
| Third party liability | 214,118 | 204,828 | (121,541) | (76,131) | 9,924 | 17,080 |
| Miscellaneous | 8,665 | 10,317 | (17,674) | (3,409) | 1,849 | (8,917) |
| **Total direct** | **371,060** | **361,322** | **(275,859)** | **(125,654)** | **53,383** | **13,192** |
| Reinsurance | 111,588 | 118,940 | (47,565) | (40,312) | (24,267) | 6,796 |
| **Total** | **482,648** | **480,262** | **(323,424)** | **(165,966)** | **29,116** | **19,988** |

All premiums are derived from business within the Lloyd's Market.

## b) Analysis of premium by destination:

| | Gross Written Premiums | |
|---|---|---|
| | **2022 £'000** | **2021 £'000** |
| UK | 111,140 | 74,167 |
| Europe (excluding UK) | 42,444 | 32,344 |
| USA | 102,298 | 97,423 |
| Canada | 145,866 | 116,727 |
| Rest of the world | 221,883 | 161,987 |
| **Total** | **623,631** | **482,648** |

# 5 Claims outstanding

Net reserves for claims outstanding at 31 December 2021 were reduced by £25.4m in calendar year 2022. Net reserves for claims outstanding at 31 December 2020 were reduced by £17.4m in calendar year 2021.

# 6 Net operating expenses

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Commission costs | 130,596 | 104,001 |
| Other acquisition costs | 10,238 | 9,637 |
| Change in deferred acquisition costs | (11,163) | 3,415 |
| Administrative expenses | 65,169 | 51,774 |
| **Gross operating expenses** | 194,840 | 168,827 |
| Reinsurance commissions and profit participations | (14,608) | (2,860) |
| **Net operating expenses** | **180,232** | **165,967** |

Commission paid during the year in respect of direct insurance business amounted to £103.5m (2021, £83.4m).

During 2022, there was a change in accounting estimate, in relation to deferring underwriters' staff costs. This has resulted in recognising £3.9m (2021, Nil) additional deferred acquisition costs on the balance sheet. This amount has been included in the change in deferred acquisition costs in the income statement.

# 7 Investment income

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Income from investments | 21,701 | 17,404 |
| Gains on the realisation of investments | 2,547 | 312 |
| **Total** | **24,248** | **17,716** |

# 8 Investment expenses and charges

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Investment management expenses, including interest | 2,175 | 2,092 |
| Losses on the realisation of investments | 12,655 | 6,192 |
| **Total** | **14,830** | **8,284** |

# 9 Investment return

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Investment income | 24,248 | 17,716 |
| Net unrealised losses on investments | (59,527) | (19,039) |
| Investment expenses and charges | (14,830) | (8,284) |
| **Actual return on investments** | **(50,109)** | **(9,607)** |

# 10 Staff numbers and costs

Staff are employed by Markel International Services Limited ("MISL"). For a full breakdown of employment costs, please refer to the MISL Annual Accounts.

# 11 Auditor's remuneration

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Audit of these annual accounts | 491 | 412 |
| Audit-related assurance services | 174 | 134 |
| **Total Auditor's remuneration** | **665** | **546** |

Auditor's remuneration is included as part of administrative expenses in note 6 of these annual accounts.

# 12 Directors' remuneration

The Directors' remuneration is paid by Markel International Services Limited ("MISL") to Directors for their services to the Syndicate, the following remuneration was charged as a Syndicate expense:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Aggregate remuneration | **1,808** | **1,852** |

| **Highest paid Director** | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Aggregate remuneration and benefits under long-term incentitives (excluding gains on excercise of share options and value of shares received) | **515** | **514** |

| | | |
|---|---|---|
| Remuneration of the active underwriter | **379** | **370** |

In previous years, aggregate directors' remuneration in relation to their roles across all Markel group companies was presented in the MIICL accounts and cross-referred to from these accounts. We have this year presented remuneration split by each entity across the group and have therefore also included comparative amounts for 2021.

# 13 Financial Investments

| | Market Value | | Cost | |
|---|---|---|---|---|
| | **2022 £'000** | **2021 £'000** | **2022 £'000** | **2021 £'000** |
| Shares and other variable yield securities and units in unit trusts | 29,629 | 39,029 | 19,758 | 22,240 |
| Holdings in collective investment schemes | 251,515 | 148,973 | 251,515 | 148,973 |
| Debt securities and other fixed income securities | 494,551 | 533,563 | 540,682 | 526,779 |
| Overseas deposits | 132,576 | 133,690 | 132,576 | 133,690 |
| **Total** | **908,271** | **855,255** | **944,531** | **831,682** |
| Deposits with ceding undertakings | 11,201 | 4,853 | 11,201 | 4,853 |
| **Total** | **919,472** | **860,108** | **955,732** | **836,535** |

The following table shows financial investments recorded at Market Value analysed between the three levels in the Market Value hierarchy as detailed in note 2(c).

| **2022** | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total £'000** |
|---|---|---|---|---|
| Shares and other variable yield securities and units in unit trusts | 23,121 | - | 6,508 | 29,629 |
| Holdings in collective investment schemes | 251,515 | - | - | 251,515 |
| Debt securities and other fixed income securities | 161,626 | 332,925 | - | 494,551 |
| Overseas Deposits | 29,592 | 102,984 | - | 132,576 |
| Deposits with ceding undertakings | 11,201 | - | - | 11,201 |
| **Total** | **477,055** | **435,909** | **6,508** | **919,472** |

| **2021** | **Level 1 £'000** | **Level 2 £'000** | **Level 3 £'000** | **Total £'000** |
|---|---|---|---|---|
| Shares and other fixed income securities and units in unit trusts | 32,521 | - | 6,508 | 39,029 |
| Holdings in collective investment schemes | 148,973 | - | - | 148,973 |
| Debt securities and other fixed income securities | 31,110 | 502,453 | - | 533,563 |
| Overseas deposits | 30,616 | 103,074 | - | 133,690 |
| Deposits with ceding undertakings | 4,853 | - | - | 4,853 |
| **Total** | **248,073** | **605,527** | **6,508** | **860,108** |

# 14 Debtors arising out of direct insurance operations and reinsurance operations

| | Direct insurance operations | | Reinsurance operations | |
|---|---|---|---|---|
| | **2022 £'000** | **2021 £'000** | **2022 £'000** | **2021 £'000** |
| Amounts owed by intermediaries within one year | 168,913 | 121,736 | 63,836 | 59,222 |
| Amounts owed by intermediaries after more than one year | 6 | - | 25 | 2 |
| **Total** | **168,919** | **121,736** | **63,861** | **59,224** |

# 15 Other debtors

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Amounts due from group undertakings | 2,270 | 4,682 |
| Other debtors | 7,235 | 5,168 |
| **Amounts due within one year** | **9,505** | **9,850** |

# 16 Year of Account development

| Year of Account | 2016 £'000 | 2017 £'000 | 2018 £'000 | 2019 £'000 | 2020 £'000 | 2021 £'000 | 2022 £'000 | Profit to Member at 36 months £'000 |
|---|---|---|---|---|---|---|---|---|
| **2015 & prior** | 105,286 | 37,621 | | | | | | 142,907 |
| **2016** | (69,313) | 18,395 | 44,173 | | | | | (6,745) |
| **2017** | | (128,714) | 19,255 | 49,260 | | | | (60,199) |
| **2018** | | | (83,484) | 9,594 | 8,131 | | | (65,759) |
| **2019** | | | | (53,234) | (66,496) | 22,527 | | (97,203) |
| **2020** | | | | | (57,095) | 32,916 | (53,348) | (77,527) |
| **2021** | | | | | | (45,722) | 54,376 | |
| **2022** | | | | | | | (52,847) | |
| **Calendar Year Result** | **35,973** | **(72,698)** | **(20,056)** | **5,620** | **(115,460)** | **9,721** | **(51,819)** | |

A cash call of £77.5m from the corporate member, to be collected in 2023, has been proposed in relation to the 2020 year of account (2022, £22.2m cash call from the corporate member in relation to the 2019 year of account following an open year cash call of £75.0m paid during 2019).

# 17 Technical provisions

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| **Provision for claims outstanding** | **Gross £'000** | **Reinsurance £'000** | **Net £'000** | **Gross £'000** | **Reinsurance £'000** | **Net £'000** |
| At 1 January | 1,146,474 | 184,402 | 962,072 | 1,184,606 | 134,475 | 1,050,131 |
| Movement in provision | 72,164 | 49,936 | 22,228 | (32,208) | 48,723 | (80,931) |
| Movement due to foreign exchange | 91,879 | 21,828 | 70,051 | (5,924) | 1,204 | (7,128) |
| Total movement in reserves | 164,043 | 71,764 | 92,279 | (38,132) | 49,927 | (88,059) |
| **At 31 December** | **1,310,517** | **256,166** | **1,054,351** | **1,146,474** | **184,402** | **962,072** |

| | 2022 | | | 2021 | | |
|---|---|---|---|---|---|---|
| **Provision for unearned premiums** | **Gross £'000** | **Reinsurance £'000** | **Net £'000** | **Gross £'000** | **Reinsurance £'000** | **Net £'000** |
| At 1 January | 180,456 | 16,040 | 164,416 | 178,031 | 10,647 | 167,384 |
| Movement in provision | 44,493 | 11,622 | 32,871 | 2,386 | 5,298 | (2,912) |
| Movement due to foreign exchange | 16,936 | 1,390 | 15,546 | 39 | 95 | (56) |
| Total movement in reserves | 61,429 | 13,012 | 48,417 | 2,425 | 5,393 | (2,968) |
| **At 31 December** | **241,885** | **29,052** | **212,833** | **180,456** | **16,040** | **164,416** |

| **Deferred acquisition costs** | **2022 £'000** | **2021 £'000** |
|---|---|---|
| At 1 January | 35,997 | 39,336 |
| Change in deferred acquisition costs | 11,163 | (3,415) |
| Movement due to foreign exchange | 3,779 | 76 |
| **At 31 December** | **50,939** | **35,997** |

The following tables have been revalued to reflect the current year end rates of exchange.

## Gross outstanding claims provision as at 31 December 2022

Before the effect of reinsurance, the loss development table is:

| Underwriting year | All prior years £'000 | 2013 £'000 | 2014 £'000 | 2015 £'000 | 2016 £'000 | 2017 £'000 | 2018 £'000 | 2019 £'000 | 2020 £'000 | 2021 £'000 | 2022 £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Estimate of cumulative claims incurred** | | | | | | | | | | | | |
| At end of underwriting year | | 158,605 | 117,773 | 110,420 | 131,931 | 337,162 | 197,451 | 127,039 | 139,350 | 120,673 | 167,239 | |
| One year later | | 309,424 | 240,468 | 237,367 | 299,336 | 514,132 | 372,821 | 431,976 | 324,795 | 296,706 | | |
| Two years later | | 355,344 | 268,599 | 248,081 | 325,434 | 553,523 | 415,103 | 450,612 | 351,756 | | | |
| Three years later | | 319,021 | 248,604 | 258,110 | 326,749 | 568,000 | 411,678 | 491,997 | | | | |
| Four years later | | 334,621 | 269,981 | 247,923 | 321,728 | 547,722 | 464,417 | | | | | |
| Five years later | | 324,186 | 272,734 | 245,302 | 347,744 | 558,724 | | | | | | |
| Six years later | | 326,723 | 268,181 | 268,531 | 370,686 | | | | | | | |
| Seven years later | | 328,217 | 270,950 | 268,358 | | | | | | | | |
| Eight years later | | 333,693 | 287,434 | | | | | | | | | |
| Nine years later | | 274,979 | | | | | | | | | | |
| **Cumulative paid claims** | | | | | | | | | | | | |
| At end of underwriting year | | (14,527) | (9,030) | (11,740) | (22,933) | (43,151) | (20,575) | (17,146) | (18,099) | (7,806) | (9,665) | |
| One year later | | (95,000) | (70,189) | (78,388) | (107,259) | (209,663) | (122,416) | (130,557) | (72,406) | (47,668) | | |
| Two years later | | (192,840) | (116,002) | (131,492) | (191,977) | (335,384) | (231,516) | (270,539) | (124,882) | | | |
| Three years later | | (213,400) | (157,311) | (162,244) | (236,019) | (401,952) | (307,724) | (337,823) | | | | |
| Four years later | | (226,383) | (183,757) | (185,735) | (270,612) | (440,419) | (347,643) | | | | | |
| Five years later | | (244,962) | (219,212) | (205,267) | (289,037) | (482,242) | | | | | | |
| Six years later | | (254,523) | (232,640) | (221,178) | (314,620) | | | | | | | |
| Seven years later | | (265,730) | (230,948) | (237,455) | | | | | | | | |
| Eight years later | | (277,147) | (237,476) | | | | | | | | | |
| Nine years later | | (271,249) | | | | | | | | | | |
| **Gross outstanding claims provision at 31 December 2022** | **188,944** | **3,730** | **49,958** | **30,903** | **56,066** | **76,482** | **116,774** | **154,174** | **226,874** | **249,038** | **157,574** | **1,310,517** |

## Net outstanding claims provision as at 31 December 2022

After the effect of reinsurance, the loss development table is:

| Underwriting year | All prior years £'000 | 2013 £'000 | 2014 £'000 | 2015 £'000 | 2016 £'000 | 2017 £'000 | 2018 £'000 | 2019 £'000 | 2020 £'000 | 2021 £'000 | 2022 £'000 | Total £'000 |
|---|---|---|---|---|---|---|---|---|---|---|---|---|
| **Estimate of cumulative claims incurred** | | | | | | | | | | | | |
| At end of underwriting year | | 152,126 | 111,811 | 100,795 | 123,883 | 208,251 | 153,216 | 117,326 | 121,893 | 82,660 | 88,700 | |
| One year later | | 273,923 | 216,313 | 218,852 | 271,881 | 383,944 | 320,661 | 379,922 | 263,110 | 216,799 | | |
| Two years later | | 311,112 | 214,738 | 204,795 | 298,278 | 416,803 | 252,229 | 386,331 | 294,366 | | | |
| Three years later | | 267,834 | 209,671 | 214,959 | 300,953 | 417,088 | 343,849 | 403,185 | | | | |
| Four years later | | 290,130 | 225,719 | 206,323 | 310,191 | 396,733 | 397,474 | | | | | |
| Five years later | | 278,063 | 232,520 | 204,778 | 341,492 | 412,949 | | | | | | |
| Six years later | | 280,894 | 230,420 | 224,441 | 353,827 | | | | | | | |
| Seven years later | | 282,556 | 222,228 | 223,772 | | | | | | | | |
| Eight years later | | 287,709 | 238,317 | | | | | | | | | |
| Nine years later | | 237,872 | | | | | | | | | | |
| Ten years later | | | | | | | | | | | | |
| **Cumulative paid claims** | | | | | | | | | | | | |
| At end of underwriting year | | (12,482) | (8,862) | (11,355) | (22,722) | (34,314) | (20,380) | (17,860) | (17,860) | (5,719) | (8,995) | |
| One year later | | (77,627) | (66,738) | (74,858) | (102,305) | (158,065) | (107,343) | (109,170) | (71,116) | (34,696) | | |
| Two years later | | (154,642) | (107,091) | (124,063) | (179,134) | (254,943) | (191,562) | (213,374) | (116,750) | | | |
| Three years later | | (170,542) | (137,736) | (153,577) | (221,845) | (283,926) | (254,643) | (259,935) | | | | |
| Four years later | | (181,892) | (155,999) | (175,876) | (255,709) | (320,615) | (287,328) | | | | | |
| Five years later | | (200,271) | (184,626) | (194,507) | (273,221) | (343,672) | | | | | | |
| Six years later | | (209,783) | (197,582) | (210,376) | (298,563) | | | | | | | |
| Seven years later | | (220,869) | (196,808) | (222,710) | | | | | | | | |
| Eight years later | | (230,612) | (202,761) | | | | | | | | | |
| Nine years later | | (236,121) | | | | | | | | | | |
| Ten years later | | | | | | | | | | | | |
| **Net outstanding claims provision at 31 December 2022** | **198,621** | **1,751** | **35,556** | **1,062** | **55,264** | **69,277** | **110,146** | **143,250** | **177,616** | **182,103** | **79,705** | **1,054,351** |

# 18 Creditors arising out of direct insurance operations and reinsurance operations

| | Direct insurance operations | | Reinsurance operations | |
|---|---|---|---|---|
| | **2022 £'000** | **2021 £'000** | **2022 £'000** | **2021 £'000** |
| Amounts owed to intermediaries within one year | (3,551) | (7,490) | 33,400 | 19,807 |
| **Total** | **(3,551)** | **(7,490)** | **33,400** | **19,807** |

The debit balances within amounts owed to intermediaries results from cash paid after the closure of our underwriting system, which occurs prior to year end. This cash represents paid claims which, when the Underwriting Signing Messages are recognised in the following period, will reduce insurance reserves and hence reduce the liabilities on the Statement of Financial Position.

# 19 Other creditors

| | **2022 £'000** | **2021 £'000** |
|---|---|---|
| Amounts due to other group undertakings | 158,852 | 105,431 |
| Inter-Group loan payable | - | 51,849 |
| Other Creditors | 5,539 | - |
| **Total** | **164,391** | **157,280** |

The inter-group loan of £51.8m representing a loan facility provided by Markel Corporation, was settled during the year.

# 20 Discounted claims

The claims relating to Payment Protection Orders "PPOs" have been discounted as follows:

| | Discount rates | | Mean term of liabilities | |
|---|---|---|---|---|
| **Class of business** | **2022** | **2021** | **2022** | **2021** |
| Motor | 3.0% | 3.0% | 20.2 years | 20.1 years |

The period that will elapse before claims are settled is determined using adjusted mortality tables.

The claims provisions before discounting are as follows:

| | **2022 £'000** | **2021 £'000** |
|---|---|---|
| Total claims provisions before discounting | 90,029 | 85,849 |
| Reinsurers' share of total claims provisions before discounting | - | - |
| **Net claims provisions before discounting** | **90,029** | **85,849** |
| Discount credit | (44,827) | (44,160) |
| **Net claims provisions post discounting** | **45,202** | **41,689** |

# 21 Related parties

MISL and Markel Services Incorporated ("MSI") provides services to the Syndicate. The amounts charged to and balances due from the Syndicate at the year end are:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| Expenses recharged | (72,550) | (41,161) |
| Expenses settled in the year | 73,520 | 29,599 |
| Year end balance due from the Syndicate | (18,336) | (19,307) |

The Syndicate pays Income Tax for various territories, the most notable being Canadian and United States Income Tax, which is reimbursed by MCAP. The Syndicate has paid the following amounts and balances due to the Syndicate at the year end are:

| | 2022 £'000 | 2021 £'000 |
|---|---|---|
| United States and Canadian Income Tax paid by the Syndicate in the year | 3,187 | 3,461 |
| United States and Canadian Income Tax reimbursed by MCAP in the year | - | - |
| Other Income Taxes paid to the Syndicate in the year | 2 | 2 |
| Year end balance due to the Syndicate | 6,649 | 3,464 |

The following companies provide services to the Syndicate. The amounts charged to and balances due (from) / to the Syndicate at the year end are:

| | Management Fees Charged 2022 £'000 | Management Fees Settled 2022 £'000 | YE balance due from the Syndicate 2022 £'000 | Management Fees Charged 2021 £'000 | Management Fees Settled 2021 £'000 | YE balance due from the Syndicate 2021 £'000 |
|---|---|---|---|---|---|---|
| Markel International Singapore PTE Limited | (4,807) | 4,587 | (1,619) | (5,134) | 4,675 | (1,399) |
| Markel International Hong Kong Limited | (1,163) | 1,112 | (478) | (787) | 742 | (426) |
| Markel International Labuan Limited | (138) | 135 | (13) | (267) | 265 | (10) |
| Markel International Dubai Limited | (1,506) | 1,488 | (34) | (871) | 875 | (16) |

The Syndicate has a reinsurance arrangement with MIICL in relation to its US Wind and Quake, Japanese Wind and Quake and European Wind exposure.

The Syndicate has recognised the following amounts in the year and the balances due to/(from) the Syndicate at the end of the year relating to these are:

| | **2022 £'000** | **2021 £'000** |
|---|---|---|
| Premiums ceded to MIICL | - | (1,478) |
| Incurred claims movement | (7,689) | - |
| Year end balance due to the Syndicate | 1,629 | 9,318 |

The Syndicate has an internal reinsurance in place on the 2021 year of account, which transfers liability from the Syndicate to MIICL. It has limits of $8m xs $2m and covers all Marine and Energy classes.

The Syndicate has an additional internal reinsurance in place on the 2022 Year of account, which transfers liability from the Syndicate to MIICL. It has limits of $7.5m xs $2.5m and covers all Marine and Energy classes , as well as 80% of Trade Credit, Political Risk, and Surety classes.

The following reinsurance amounts in the year and balances due to the Syndicate at the end of the year relating to these are:

| | **2022 £'000** | **2021 £'000** |
|---|---|---|
| Premiums ceded to MIICL | (18,173) | (16,228) |
| Incurred claims movement | 11,333 | 3,720 |
| Year end balance due to the Syndicate | 42,046 | 11,284 |

MGAM is the Syndicate investment manager. The following amounts have been charged to the Syndicate:

| | **2022 £'000** | **2021 £'000** |
|---|---|---|
| Fees paid | 2,175 | 2,092 |
| Year end balance due from the Syndicate | - | - |

During 2022, Kalpana Shah was a Director of Just Group Plc. Syndicate 3000 has a 1.5% line on a declaration in respect of Just Group Plc.

During 2022, Kalpana Shah was also a director of Asta Managing Agency Limited. Various syndicates under the Asta Managing Agency umbrella are reinsurers of the Company, but there is no recoverable balance with any of those syndicates at 31st December 2022.