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Agora Syndicate 3268

Syndicate Annual Report and Accounts

31 December 2023

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Directors and Administration

IQUW Syndicate Management Limited

Directors

Francois-Xavier B Boisseau (Chairman)
Peter A Bilsby
Charlotte Constable (appointed 4 July 2023)
Catherine M E Farnworth (resigned 16 December 2023)
Michele J Faull
Daniel P Flueckiger (resigned 28 March 2023)
Martin Hall
David J Harris
Richard A Hextall (resigned 28 July 2023, re-appointed 9 February 2024)
John Giles Holland (appointed 16 December 2023)
David E Morris
Nathan R Ott
Heather I Thomas
Christopher E Watson (appointed 28 March 2023)

Company Secretary

Renuka S Fernando

Managing Agent's Registered Office

30 Fenchurch Street
England EC3M 3BD

Managing Agent's Registered Number

00426475

Run-off Manager

David Morris

Bankers

Barclays Bank Plc
Citibank N.A,
Royal Bank of Canada Dexia

Independent Auditors

PricewaterhouseCoopers LLP

Signing Actuary

Lane Clark Peacock

Report of the managing agent

IQUW Syndicate Management Limited (the "Managing Agent"), the managing agent of Syndicate 1856 (the "Syndicate") presents its report for the year ended 31 December 2023 which have been prepared under the regulations outlined in Note 2 to the annual accounts, using presentational currency of Pound Sterling.

The Syndicate ceased underwriting new business as at 31 December 2021 and its business was renewed into Syndicate 1856, managed by IQUW SML. At the end of 2023 the Syndicate Reinsured to Close into Syndicate 1856, effective 1 January 2024. As such, the Syndicate is no longer considered to be a Going Concern and the financial statements have been prepared on a basis other than Going Concern.

Principal activity

This is the sixth year of the Syndicate's operations. The Syndicate's principal activity was the underwriting of Property Insurance business in the Lloyd's market.

The last underwriting year of account was 2021 with the syndicate now in run-off. On this basis management focus has been limited to endorsements and other mid-term adjustments to continue the ongoing service of the run off of the portfolio efficiently in the interests of members.

Review of the business

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

Financial Year £m	**2023** **Total**	**2022** **Total**
Gross premium written	2.0	1.8
Net premium written	1.3	(5.7)
Net earned premium	5.6	49.4
Net incurred claims	(7.5)	(22.3)
Investment income	2.2	0.7
Operating expenses	(2.3)	(12.2)
Movements on foreign exchange	-	(1.2)
(Loss)/profit for the financial year	(2.0)	14.4
Claims ratio	133.9%	45.0%
Expense ratio	41.1%	24.8%
Combined operating ratio	175.0%	70.8%

The result for the Syndicate in calendar year 2023 was a loss of £(2.0)m (2022: profit of £14.4 million). The 2023 result is driven by risk premium to facilitate the Reinsurance to Close ("RITC") of 3268 and an increase in net claims for exposures related to Chile Riot, Covid-19 and Hurricane Ian.

Net technical provisions have reduced through the year following the decision to renew business into Syndicate 1856 and claims have been settled. The actual results of the Syndicate at 36 months on a year of account basis as a percentage of underwriting capacity are summarised as follows.

	2021 Closed
Capacity (£m)	140.0
Actual loss (£m)	(3.6)
Actual return on capacity (%):	(2.6)

Outwards reinsurance

To reduce gross exposures to within net risk appetite, the Syndicate has historically purchased reinsurance contracts to reduce the impact of individual large losses as well as the accumulation of claims that may arise from the same event. No reinsurance was bought in 2023.

Investment report

Investment income for the Syndicate was £2.2 million (2022: £0.7 million) equating to a return of 7.7% (2022: 1.5%). The Syndicate’s invested assets totalled £28.7 million at 31 December 2023 (2022: £47.4 million).

2023 was a mixed year, with financial markets grappling with ongoing high levels of inflation resulting in interest rate rises continuing with the prospect of “higher for longer” and the risk of potential recession and an economic hard landing. However, the second half of the year saw positive investment returns throughout Q3, driven by a decline in yields as markets reacted to signs of easing inflationary pressures which carried into the last two months of the year as a number of central banks’ messaging signalled interest rate cuts in 2024.

Climate change and environment matters

IQUW Holdings Bermuda Limited and subsidiaries (“the IQUW Group”) are committed to considering sustainability in its business decisions and to intelligently using data and automation to enhance the management of risks from climate change, and to supporting its customers in the move towards a low carbon economy.

The IQUW Group’s (re)insurance products actively support climate change resilience, protecting society from the physical risks of climate change through underwriting classes of business that help rebuild infrastructure and communities after natural disasters. In addition, IQUW is committed to reducing with a view to eliminating by 2030, its exposure to thermal coal-fired power plants, thermal coal mines, oil sands and new arctic energy exploration activities across its insurance offerings and investment holdings.

Employee matters

All staff in the UK are employed by IQUW Administrative Services Limited (“IQUW ASL”) and the full staff cost disclosures are included in the notes to the accounts. Amounts are recharged to the Syndicate depending on the work performed and resources used.

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Syndicate and how it manages risks is set out in note 5. In particular, the note deals with the Syndicate’s exposure to reserving risk, market risk, credit risk, liquidity risk, and climate change risk.

The most material risks are set out below.

Reserving risk

Reserving risk is defined as the risk that reserves set in respect of insurance claim losses are ultimately insufficient to fully settle these claims and associated expenses. The Syndicate's procedures for estimating the outstanding costs of settling insured losses at the balance sheet date, including claims incurred but not yet reported, are detailed in note 2 (iv).

The Syndicate aims to manage reserving risk:

- to minimise reserve volatility through robust reserving and the application of actuarial modelling approaches; and
- to monitor reserve adequacy and performance on an ongoing basis

The Syndicate undertakes both an internal and external actuarial review of the claims' provisions, independent of the underwriting teams. The Statement of Actuarial Opinion ("SAO") on claims reserve adequacy, required by Lloyd's, is provided by an independent external actuarial firm.

Reserve adequacy is monitored through quarterly review by the Actuarial team and the Reserving Committee. Reserves are carried at £3.1m above the actuarial best estimate.

Economic uncertainty risk including inflation risk

Financial markets have been significantly affected in recent years by Covid-19, the invasion of Ukraine, inflation, and the responses of governments and central banks

Central banks around the globe have reacted to the significant rises in inflation by increasing interest rates to record highs not seen since the 1990s. These factors have resulted in volatility in the capital markets leading to the downgrading of corporate bonds and subsequent investment losses.

The Managing Agent have explicitly considered economic and excess inflation in the reserving process when setting the best estimate reserves. Historical data is not likely to be representative of the current environment and traditional reserving techniques do not address this. The Managing Agent has allowed for both increases to outstanding claims and incurred but not reported ("IBNR") claims using the following approach:

- Uplifting outstanding claims reserves by a set factor (at class of business underwriting year level). This factor was derived by weighting calendar year inflation assumptions with the expected proportion of future claims to be paid in each calendar year. The expected pattern of claims payments was derived using relevant market risk code triangles at a class of business level.
- For IBNR claims the Managing Agent has uplifted the initial expected loss ratios ("IELRs") used in the reserving model. This uplift was estimated by projecting relevant market risk code triangles to ultimate, pre an allowance for the estimated inflation shock. This projection was used to derive relevant IELRs at a class of business level. The exercise was then repeated with the same rate of inflation applied (on a calendar year basis), to estimate an uplift to the IELRs used in the reserving model.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk, which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate's core business is to accept insurance risk, while its appetite for other risks is low.

Acceptable levels of credit risk are achieved by placing limits on exposure to singular and group counterparties, and to geographical and industry segments.

Market risk

Market risk relates to asset exposure impacting the Syndicate from fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Syndicate has minimal exposure to changes in interest rates as all funds are held in cash and cash equivalents.

Liquidity risk

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

Operational risk

This is the risk that errors caused by people, processes, systems, and external events lead to losses to the Syndicate. IQUW SML actively monitors and controls its operational risks and has an ongoing focus on safeguarding the well-being of its employees, serving its brokers and policyholders, and preserving operational continuity.

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. IQUW SML is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. IQUW SML has a Compliance Officer who monitors business activity and regulatory developments to assess any effects on the business.

Directors' interests and interests in other Group Companies

Francois-Xavier B Boisseau	Independent Non-Executive Chairman
Peter A Bilsby	Chief Executive Officer
Charlotte Constable	Chief Financial Officer – (appointed 4 July 2023)
Catherine M E Farnworth	Chief Risk Officer – (resigned 16 December 2023)
Michele J Faull	Independent Non-Executive Director
Daniel P Flueckiger	Non-Executive Director – (resigned 28 March 2023)
Martin Hall	Active Underwriter Syndicate 218
David J Harris	Independent Non-Executive Director
Richard A Hextall	Group Chief Financial Officer (resigned as Executive Director 28 July 2023 re-appointed Non-Executive Director 9 February 2024)
John Giles Holland	(appointed 16 December 2023)
David E Morris	Group Director of Underwriting
Nathan R Ott	Non-Executive Director
Heather I Thomas	Independent Non-Executive Director
Christopher E Watson	Non-Executive Director – (appointed 28 March 2023)

Disclosure of information to the auditors

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

Independent auditors

The Managing Agent has appointed PricewaterhouseCoopers LLP as the Syndicate's auditors in 2023.

By order of the Board:

Peter Bilsby

Director

27 February 2024

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the managing agent's report and the annual accounts in accordance with applicable law and regulations comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland".".

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the annual accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate Annual Accounts; and
- prepare the Syndicate Annual Accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate Annual Accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business's website. Legislation in the United Kingdom governing the preparation and dissemination of Annual Accounts may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Syndicate 3268

Opinion

In our opinion, 3268's syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Syndicate Annual Reports and Accounts (the "Annual Report"), which comprise: the Balance sheet- assets and the Balance sheet- Liabilities as at 31 December 2023; the statement of comprehensive income- technical account for general business the statement of comprehensive income- non technical, the statement of other comprehensive income, the cashflow statement, and the statement of changes in members' balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 10, we have provided no non-audit services to the syndicate in the period under audit.

Emphasis of matter – Basis of preparation and closure of syndicate

Without modifying our opinion, we draw attention to note 2 which explains that the 2021 year of account of the syndicate has closed and all assets and liabilities transferred to the 2022 year of account of Syndicate 1856 by reinsurance to close. The Syndicate has no successor year of account.

As a result, the Syndicate is no longer a going concern. The reinsurance to close occurs in the normal course of business for a syndicate year of account at the 36 months stage of development. The syndicate annual accounts have therefore been prepared on a basis other than going concern where the recorded assets and liabilities represent the amounts that would be realised and discharged in the normal course of business were the going concern basis adopted.

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the IQUW Syndicate Management Limited Financial Statement (the "Managing Agent's Report"), we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2023 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts

As explained more fully in the Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also 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.

In preparing the syndicate annual accounts, the Managing Agent is responsible for 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 the syndicate is unable to continue to realise its assets and discharge its liabilities in the ordinary course of business.

Auditors’ responsibilities for the audit of the syndicate annual accounts

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

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

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd’s, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management’s incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and the posting of inappropriate journals. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, management, internal audit, and the syndicate’s compliance function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of any matters reported on the Managing Agent’s whistleblowing helpline and management’s investigation of such matters;
- Reviewing relevant meeting minutes including those of the Board, the Audit Committee, the Risk Management Committee, the Reserving Committee, and correspondence with regulatory authorities, including Lloyd’s of London, the Financial Conduct Authority and the Prudential Regulatory Authority;
- Reviewing, and challenging where appropriate, the assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the estimation of claims outstanding, with a focus on the incurred but not reported (“IBNR”) claims;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Identifying and testing journal entries based on selected fraud risk criteria, in particular journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the syndicate annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- certain disclosures of Managing Agent remuneration specified by law are not made; or
- the syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Sean Forster (Senior statutory auditor)

for and on behalf of PricewaterhouseCoopers LLP

Chartered Accountants and Statutory Auditors

London

27 February 2024

Statement of comprehensive income - technical account for general business

For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Gross written premium	6	2.0	1.8
Outward reinsurance premium		(0.7)	(7.5)
Net written premium		1.3	(5.7)
Change in the provision for unearned premium			
Gross amount		4.3	59.5
Reinsurers' share		-	(4.4)
	6	4.3	55.1
Earned premium, net of reinsurance		5.6	49.4
Allocated investment return transferred from the non-technical account		2.2	0.7
Claims paid			
Gross amount		(40.2)	(73.4)
Reinsurers' share		15.7	13.6
		(24.5)	(59.8)
Changes in the provision for claims outstanding			
Gross amount		31.7	43.9
Reinsurers' share		(14.7)	(6.3)
	7	17.0	37.6
Claims incurred, net of reinsurance		(7.5)	(22.2)
Net operating expenses	8	(2.3)	(12.2)
Balance on technical account – general business		(2.0)	15.6

The notes on pages 21 to 44 form part of these financial statements.

Statement of comprehensive income - non-technical

For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Balance on technical account – general business		(2.0)	15.6
Investment return:			
Investment income		2.1	0.9
Unrealised gains/(losses) on investments		0.1	(0.2)
Realised gains/(losses) on investments		-	-
Total investment return	12	2.2	0.7
Allocated investment return transferred to the general business technical account		(2.2)	(0.7)
Exchange loss		-	(1.2)
(Loss)/profit for the financial year		(2.0)	14.4

Statement of other comprehensive income

For the year ended 31 December 2023

	2023 £m	2022 £m
(Loss)/profit for the financial year	(2.0)	14.4
Other comprehensive (expense)/income – Currency translation differences	(0.4)	4.7
Total comprehensive (loss)/profit for the year	(2.4)	19.1

Statement of changes in Members' balances

For the year ended 31 December 2023

	2023 £m	2022 £m
At 1 January	(5.9)	(29.6)
Total comprehensive (loss)/profit for the financial year	(2.4)	19.1
Members' Agents fees	(0.1)	(0.1)
Other non-standard personal expenses	(1.0)	-
Loss collection	2.7	4.7
Exchange difference	2.0	-
At 31 December	(4.7)	(5.9)

The notes on pages 21 to 44 form part of these financial statements.

Balance sheet - assets

As at 31 December 2023

	Notes	2023 £m	2022 £m
Assets			
Investments			
Shares and other variable yield securities	13	25.8	47.4
Overseas deposits as investments		-	-
Claims outstanding	7	28.3	45.0
		28.3	45.0
Debtors			
Debtors arising out of direct insurance operations	14	0.8	1.0
Debtors arising out of reinsurance operations	14	14.1	19.9
Other debtors		1.9	3.6
		16.8	24.5
Cash and other assets			
Cash at bank and in hand		8.2	4.2
Other assets	15	2.9	5.8
		11.1	10.0
Prepayments and accrued income			
Deferred acquisition costs	7	-	1.2
Accrued interest and rent		0.1	-
		0.1	1.2
Total assets		82.1	128.1

The notes on pages 21 to 44 form part of these financial statements.

Balance sheet - liabilities

As at 31 December 2023

	Notes	2023 £m	2022 £m
Members balances and liabilities			
Capital and reserves			
Members' balances		(4.7)	(5.9)
Liabilities			
Technical provisions			
Provision for unearned premium	7	-	4.4
Claims outstanding	7	76.1	112.4
		76.1	116.8
Creditors			
Creditors arising out of direct insurance operations	16	-	0.5
Creditors arising out of reinsurance operations	16	9.2	15.5
Other creditors including taxation		1.3	-
		10.5	16.0
Accruals and deferred income		0.2	1.2
Total liabilities		86.8	134.0
Total members' balances and liabilities		82.1	128.1

The notes on pages 21 to 44 form part of these financial statements.

The financial statements on pages 15 to 44 were approved by the Board of Directors on 23 February 2024 and were signed on its behalf by:

Charlotte Constable
Finance Director

27 February 2024

Cash flow statement

For the year ended 31 December 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Profit for the financial year		(2.0)	14.4
Adjustment for movement in general insurance unearned premium and outstanding claims		(47.6)	(117.6)
Movement in reinsurers' share of unearned premium and outstanding claims		19.3	11.9
Investment return	12	(2.2)	(0.7)
Movement in other assets/(liabilities)		9.9	41.1
Net cash inflow from operating activities		(22.6)	(50.9)
Investment income received		2.2	0.9
Foreign exchange		0.1	-
Other		-	-
Net cash inflow from investing activities		2.3	0.9
Net cash flows from financing activities			
Distribution loss/open year cash calls made		2.7	4.7
Net cash inflow from financing activities		2.7	4.7
Net decrease in cash and cash equivalents		(17.6)	(45.3)
Cash and cash equivalents at beginning of year		50.0	84.7
Exchange differences on opening cash		-	10.6
Cash and cash equivalents at end of year *		32.4	50.0

* Cash and cash equivalents includes cash at bank and in hand of £8.2m (2022: £4.2m) and money market funds of £30.7m (2022: £45.8m)

The notes on pages 21 to 44 form an integral part of these annual accounts.

Notes to the financial statements

For the year ended 31 December 2023

1. General information

IQUW Syndicate Management Limited ("IQUW SML" or the "Managing Agent") is the managing agent of Syndicate 3268 (the "Syndicate"). The principal activity of the Syndicate is the transaction of general insurance and reinsurance business at Lloyd's and through the Lloyd's Insurance Company ("LIC") platform.

2. Statement of compliance and basis of preparation

These annual accounts have been prepared in accordance with regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" or "FRS 102") and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103") where applicable.

These financial statements are prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value. These annual accounts are presented in UK pounds sterling.

The Syndicate ceased underwriting new business as at 31 December 2021 and its business was renewed into Syndicate 1856. At the end of 2023 the Syndicate Reinsured to Close into Syndicate 1856, effective 1 January 2024. As such, the Syndicate is no longer considered to be a Going Concern and the financial statements have been prepared on a basis other than going concern. Claims and expense provisions have been made, based on information available at this date, with a view to the Reinsurance to Close at 31 December 2023. No further adjustments are necessary to the amounts at which the net assets are included in these financial statements and the business is expected to run-off in a solvent manner. FRS 102 and 103 have been consistently applied to all years presented. Since the 2022 financial statements, balances are now presented in rounded millions, to the nearest hundred thousand, with comparative values represented.

3. Summary of significant accounting policies

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

i) Gross premium written

Gross written premium comprises the total premium receivable for the whole period of cover provided by the contracts incepted during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premium receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premium is stated gross of brokerage payable and excludes taxes and duties levied on it.

ii) Unearned premium

Written premium is recognised as earned according to the risk profile of the policy. The provision for unearned premium comprises the proportion of gross and outwards reinsurance premium written, which is estimated to be earned in the following or subsequent financial years, computed using the daily pro-rata method weighted by the risk profile of the underlying policies. Premiums are now fully earned.

iii) Reinsurance premium ceded

Outward reinsurance premium comprises the total premium payable for the reinsurance contracts entered into during the period, including portfolio premium payable, and is recognised on the date on which the policy incepts. Premium includes any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. They are recognised on the date on which the policy commences. No reinsurance contracts were entered into during the period.

iv) Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

v) Foreign currency

The Syndicate's functional currency is US Dollars (USD) and presentational currency is Great British Pound Sterling (GBP).

Transactions in foreign currencies are translated into US Dollars using the exchange rates at the date of the transactions. The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. All assets and liabilities arising from insurance contracts are treated as monetary items. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

Foreign exchange differences arising from transactions in foreign currency are included in the non-technical account.

The foreign currency translation differences arising on conversion to the presentation currency of Pound Sterling from the US dollar functional currency are recognised in the Statement of Other Comprehensive Income. The balance sheet is converted at the closing exchange rate and the profit and loss account is translated at average exchange rates.

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

	2023	**2022**
	Year End	**Year End**
GBP	1.00	1.00
USD	1.27	1.20
EUR	1.15	1.13
CAD	1.68	1.63

vi) Financial instruments

The managing agent has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Syndicate 3268 currently hold's it's investments reserves in cash and other liquid investments. Financial instruments are recognised in the balance sheet at such time as the Syndicate becomes a party to the contractual provisions of the financial instrument. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the Syndicate's obligations specified in the contract expire, are discharged or cancelled.

Purchases and sales of financial assets are recognised on the trade date, which is the date the Syndicate commits to purchase or sell the assets.

Financial assets

The Syndicate has classified these assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

Financial investments

Financial investment assets are designated at fair value through profit or loss on initial recognition where it is the Syndicate' s strategy to manage those financial investments on a fair value basis. Internal reporting and performance measurement of these assets are also on a fair value basis. Note 13 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss.

Investments carried at fair value through profit or loss are initially recognised at fair value with any associated transactions costs being expensed through the statement of comprehensive income – non-technical account.

If the market for an investment is not active, the valuation is based upon the net asset values of underlying holdings, which are independently sourced. The fair value of listed equity and debt securities is determined by reference to their quoted bid price at the balance sheet date.

Fair values for unlisted debt securities are estimated at the present value of their future cash flows, discounted at the market rate of interest at the reporting date.

vii) 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.

viii) Deferred acquisition costs

The costs of acquiring new business, which are incurred during the financial year, but where the benefit of such costs will be obtained in subsequent accounting periods, are deferred, and recognised as an asset to the extent that they are recoverable out of margins in future matching revenues. All other costs are expensed when they are incurred.

In respect of insurance contracts, acquisition costs comprise direct and indirect costs incurred in writing new contracts. Deferred acquisition costs are amortised over the life of the policy in line with the recognition of earned premium.

All deferred acquisition costs are tested for recoverability at each reporting date. The carrying values are adjusted to recoverable amounts and any resulting impairment losses are charged through the profit and loss account. There were no acquisition costs at year end as the premium is fully earned.

ix) Claims provision and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims incurred from previous years.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with a provision for related claims handling costs. The provision also includes an estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from premium rating and other pricing models of business accepted, together with assessments of underwriting conditions.

The reinsurers' share of provision for claims is based on the amount of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current rating of the reinsurance companies involved. Several statistical methods are used to assist in making these estimates.

The Directors consider that the provision for gross claims and related reinsurance recoveries are fairly stated based on the information currently available to them. However, the ultimate liability will vary because of subsequent information and future events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

x) Reinsurance assets

Amounts due to and from reinsurers are accounted for in a manner consistent with the insured policies and in accordance with the relevant reinsurance contract. Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, because of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. Objective factors that are considered when determining whether a reinsurance asset or group of reinsurance assets may be impaired include, but are not limited to the following:

- negative rating agency announcements of reinsurers;
- significant reported financial difficulties of reinsurers;
- actual breaches of credit terms such as persistent late payment or actual default; and
- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability.

Impairment losses on reinsurance assets are recognised in the profit and loss account.

xi) Insurance and reinsurance receivables

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

xii) Insurance and reinsurance payables

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

xiii) Syndicate operating expenses

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

xiv) Reinsurance to close “RITC”

Each Syndicate’s underwriting year of account is normally closed after the end of the third year by means of reinsurance into the following underwriting year of account, which reinsures all liabilities for the closed year in return for a premium determined by the Syndicate’s managing agent. In this case, the closing year of the syndicate will RITC into 1856.

xv) Use of estimates

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

For certain contracts, premium is initially recognised based on estimates of ultimate premium. This occurs when pricing is based on variables, which are not known with certainty at the point of binding the policy. In determining the estimated premium, use is made of information provided by brokers and cover holders, past underwriting experience, the contractual terms of the policy, and prevailing market conditions. Subsequently, adjustments to those estimates arise as updated information relating to those pricing variables becomes available.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the annual accounts. Estimates may be based in part on output from premium rating and other pricing models of business accepted, together with assessments of underwriting conditions. The methods used, and the estimates made, are reviewed regularly.

4. Critical accounting judgements and estimation uncertainty

In the application of the accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

The following judgements, estimations and assumptions have had the most significant effect on amounts recognised in the financial statements.

i) Valuation of general insurance contract liabilities

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. For general insurance contracts, estimates are made for the expected ultimate cost of claims notified at the balance sheet date and the cost of claims incurred but not yet reported. It can take a significant period before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided. The estimation of these claims is based on historical experience projected forward, and where the syndicate does not have sufficient historical experience this is supplemented with other data sources such as relevant market loss data. Since 2021, the Syndicate has aligned with the updated strategy of the Managing Agency, meaning historic experience is less reliable as an indicator for future trends. Due to this lack of relevant historical experience, reserving rely on LMA benchmark data to determine the Actuarial Best Estimate's for the 2021 year of account onwards. The Syndicate's estimate of claims and related claims handling costs is mainly assessed through the application of several commonly accepted actuarial projection methodologies based on the following:

- paid claims development, where payments to date are extrapolated based upon market data and observed development of earlier years;
- the development of claims based on seasonally adjusted exposure curves;
- incurred claims development, where incurred claims to date for each year are extrapolated based upon observed development of earlier years; and
- expected ultimate loss ratios, which are estimated using an average of (developed) years, the averaging period varies depending on reserving subclass, but is based on historic claims trends and risk characteristics;
- Quarterly underwriter updates on expected premium and associated rating assumptions.
- Inflationary assumptions are set so as to allow for both exposure inflation and claims inflation, the former is set for economic inflation, and the latter with additional excess inflation (2%) and social inflation (1%)

The claims provisions are initially calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts recoverable from all the Syndicate's reinsurance arrangements, having due regard to collectability. Claims provisions are subject to regular review, both within the Syndicate and externally.

The Syndicate's management discusses and challenges the actuarial best estimate and selected booked claims provisions at the quarterly Reserve Committee ("RC") and at the Audit Committee ("AC"), whose membership includes non-executive directors with significant insurance experience. External actuaries are also engaged to calculate an independent best estimate of the ultimate cost of claims as at each 31 December and present a Statement of Actuarial Opinion ("SAO") against which the Syndicate's best estimate is assessed.

The total gross estimate for incurred but not reported losses as at 31 December 2023 is £34.6m (2022: £39.3m). The total net estimate for incurred but not reported losses as at 31 December 2023 is £20.5m (2022: £18.6m)

Major catastrophe's, both man-made and natural, and specific large losses are reviewed separately, and specific reserves are set. These reserves are set with input from the actuarial, claims and underwriting teams using market knowledge and historical experience.

A management margin is set, over and above the actuarial best estimate net reserves, non-cat only, to allow for inherent uncertainty within the reserves. The management margin is set at an uplift above actuarial best estimate claims reserve and is based on analysis of the reserve risk distributions and quantified uncertainties.

We have explicitly considered economic and excess inflation in the reserving process when setting the best estimate reserves as historical data is not likely to be representative of the current environment and traditional reserving techniques do not address this. The US CPI twelve month inflation to 31 December 2023 was 3.4%. We have allowed for both increases to outstanding claims and IBNR claims using the following approach:

1. Uplifting outstanding claims reserves by a set factor (at class of business underwriting year level). This factor was derived by weighting calendar year inflation assumptions with the expected proportion of future claims to be paid in each calendar year. The expected pattern of claims payments was derived using relevant market risk code triangles at a class of business level.
2. IBNR claims have been uplifted from the Initial expected loss ratios ("IELRs") used in the reserving model. This uplift was estimated by projecting relevant market risk code triangles to ultimate, pre an allowance for the estimated inflation shock. This projection was used to derive relevant IELRs at a class of business level. The exercise was then repeated with the inflation shock applied (on a calendar year basis), to estimate an uplift to the IELRs used in the reserving model.

ii) Valuation of general insurance contract liabilities

Premium in respect of insurance contracts underwritten under binding authorities is booked as the underlying contracts incept. Premium is earned on a pro-rata basis that is seasonally adjusted for the risk exposure of the policy.

Gross premium written includes an estimation for reinstatement premium which is determined based on incurred losses held in the technical provisions. Reviews of the reinstatement premiums held is carried out on a regular basis as part of the reserve review process.

5. Risk management

Governance framework

The Syndicate's overall appetite for accepting and managing varying classes of risk is defined by the IQUW SML Board. The Board has developed a governance framework and has set risk management policies and procedures which include risk identification, risk measurement, risk management and mitigation, and risk reporting. The objective of these policies and procedures is to protect the Syndicate's members, policyholders and other stakeholders from negative events that could hinder the Syndicate's delivery of its contractual obligations and its achievement of sustainable profitable performance.

The Board exercises oversight of the development and operational implementation of its risk management policies and procedures through the Risk and Compliance Committee ("RCC"). Ongoing compliance is monitored through the Internal Audit function, which is shared with other IQUW entities, and which has operational independence, a charter and clear upwards reporting structures back into the Audit Committee ("AC") and Board. The Risk Management Function ("RMF") coordinates the risk management policies and procedures and supports the Board and the RCC.

Capital framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements applies at overall and member level respectively, not at Syndicate level. Accordingly, the capital requirement in respect of 3268 is not disclosed in these financial statements.

Provision of capital by members

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

Insurance risk

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

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

Sub committees of the managing agent's board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

Reserving risk

Reserving risk is defined as the risk that reserves set in respect of insurance claim losses are ultimately insufficient to fully settle these claims and associated expenses. The Syndicate's procedures for estimating the outstanding costs of settling insured losses at the balance sheet date, including claims incurred but not yet reported, are detailed in note 2 (ix).

The Syndicate aims to manage reserving risk:

- to minimise reserve volatility through robust reserving and application of actuarial modelling approaches; and
- to monitor reserve adequacy and performance on an ongoing basis

The Syndicate undertakes both an internal and external actuarial review of the claims' provisions, independent of the underwriting teams. The Statement of Actuarial Opinion ("SAO") on claims reserve adequacy, required by Lloyd's, is provided by an independent external actuarial firm.

Key assumptions

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

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

Sensitivities

The claim liabilities are sensitive to these key assumptions. It has not been possible to quantify the sensitivity of certain assumptions, such as legislative changes, uncertainty in the estimation process or reliability of the reserving information provided.

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

	2023	2022
Gross	**£m**	**£m**
Five percent increase in claim liabilities	(3.8)	(5.6)
Five percent decrease in claim liabilities	3.8	5.6
Net		
Five percent increase in claim liabilities	(2.4)	(3.4)
Five percent decrease in claim liabilities	2.4	3.4

Concentration risk

The Syndicate writes worldwide property insurance and reinsurance through the UK Lloyd’s platform. The key concentration risk arises through insurance risk, which is predominantly US property classes of business, albeit this is now fully earned. The loss reserves are therefore inherently denominated in US dollars with investments assets held in currencies to match these liabilities. These investments are held in low-risk short-term US situs money market fund.

Claims development table

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

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

Underwriting year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Estimate of cumulative gross claims incurred:							
At end of first underwriting year	6.1	49.1	50.5	46.7	62.1	70.1	284.6
One year later	29.0	92.4	73.6	92.2	107.6	93.4	488.2
Two years later	32.0	101.1	78.8	97.0	113.5	102.4	524.8
Three years later	33.7	104.5	77.2	97.4	111.9	-	424.7
Four years later	34.6	102.6	75.1	100.6	-	-	312.9
Five years later	34.6	101.4	72.4	-	-	-	208.4
Six years later	34.7	101.8	-	-	-	-	136.5
Seven years later	34.6	-	-	-	-	-	34.6
Less cumulative gross paid	(33.5)	(98.7)	(69.2)	(83.7)	(89.3)	(73.2)	(447.6)
Liability for gross outstanding claims (prior years)	1.1	3.1	3.2	16.8	22.6	29.3	76.1
Total gross outstanding claims (all years)							76.1

Underwriting year	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**Total**
	£m	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Estimate of cumulative net claims incurred:							
At end of first underwriting year	3.7	26.0	38.6	34.6	47.3	57.8	208.0
One year later	17.5	48.9	55.5	70.8	74.1	77.5	344.3
Two years later	19.3	53.5	61.7	74.3	75.4	81.7	365.9
Three years later	30.3	94.8	60.9	74.3	75.1		335.4
Four years later	31.9	94.0	60.0	77.6			263.5
Five years later	32.0	92.9	58.9				183.8
Six years later	31.9	93.4					125.3
Seven years later	31.9						31.9
Less cumulative gross paid	(30.9)	(91.0)	(56.4)	(65.4)	(65.8)	(61.3)	(370.8)
Liability for gross outstanding claims (prior years)	1.0	2.4	2.5	12.2	9.3	20.4	47.8
Total gross outstanding claims (all years)							47.8

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development. Due to the uncertainty inherent in the claims estimation process, initial reserves may not always be in surplus. This is particularly so for large catastrophe claims where uncertainty is initially greater. This risk is mitigated by reinsurance.

Financial risk

The Syndicate is exposed to financial risk through its ownership of financial instruments including financial liabilities. The Syndicate invests in financial assets to fund obligations arising from its insurance contracts and other liabilities.

The key financial risk for the Syndicate is that the proceeds from its financial assets and investment result generated therefrom are not sufficient to fund the obligations. The most important variables that could result in such an outcome relate to credit risk, market risk, and liquidity risk.

Credit risk

Credit risk is the risk that a counterparty will suffer a deterioration in solvency or be unable to pay amounts in full when due. The primary sources of credit risk for the Syndicate are:

- brokers and intermediaries – whereby counterparties fail to pass on premiums collected or claims paid on behalf of the Syndicate.
- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract.
- investments – where issuer default results in the Syndicate losing all or part of the value of a financial instrument.

The Syndicate has a relatively low appetite for credit risk, as its principal business is to accept insurance risk. This approach is intended to protect the Syndicate' capital from erosion from credit risk so that it can meet its insurance liabilities. The Syndicate structures the acceptable levels of credit risk by placing limits on its exposure to singular and group counterparties, to geographical and industry segments and by reviewing the creditworthiness of reinsurers through credit ratings provided by rating agencies and other publicly available financial information detailing their financial strength and performance. Risk limits are subject to regular review. The Syndicate also mitigates credit risk through the requirement for certain counterparties to hold high-credit quality collateral in segregated accounts.

The IQUW SML credit control function monitors the ageing and collectability of debtor balances, with credit evaluations performed on all relevant counterparties.

The Syndicate is exposed to counterparty risk with respect to cash and cash equivalents, and investments and other deposits.

The Syndicate mitigates counterparty credit risk by ensuring appropriate diversification of total invested assets across high-quality instruments. Investments are to be fully admissible for Lloyd's/PRA solvency purposes, primarily in liquid securities and with counterparties that have a credit rating equal to investment grade or better.

The Syndicate imposes guidelines on its external investment managers in relation to the constituents of the investment portfolios. These guidelines specify the acceptable asset classes, duration, and credit ratings. The performance of the investment managers is regularly reviewed to confirm adherence to these guidelines.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives.

2023	**£m**			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	25.8	-	-	25.8
Overseas deposits	2.9	-	-	2.9
Deposits with ceding undertakings	-	-	-	-
Reinsurers share of claims outstanding	28.3	-	-	28.3
Debtors arising out of direct insurance operations	0.8	-	-	0.8
Reinsurance debtors	14.1	-	-	14.1
Other debtors	2.0	-	-	2.0
Cash at bank in hand	8.2	-	-	8.2
Total	82.1	-	-	82.1

2022	**£m**			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	47.4	-	-	47.4
Overseas deposits	5.8	-	-	5.8.
Deposits with ceding undertakings	-	-	-	-
Reinsurers share of claims outstanding	45.0	-	-	45.0
Debtors arising out of direct insurance operations	1.0	-	-	1.0
Reinsurance debtors	19.9	-	-	19.9
Other debtors	4.8	-	-	4.8
Cash at bank in hand	4.2	-	-	4.2
Total	128.1	-	-	128.1

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

2023				£m			
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	9.4	-	-	-	-	16.4	25.8
Overseas deposits	1.4	0.3	0.2	0.2	0.5	0.3	2.9
Reinsurers share of claims outstanding	-	4.5	13.6	-	-	10.2	28.3
Reinsurance debtors	-	2.2	6.8	-	-	5.1	14.1
Cash at bank in hand	-	-	8.2	-	-	-	8.2
Total	10.8	7.0	28.8	0.2	0.5	32.0	79.3

2022				£m			
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	47.4	-	-	-	47.4
Overseas deposits	3.0	0.6	0.4	0.4	0.8	0.6	5.8
Reinsurers share of claims outstanding	-	10.5	26.1	-	-	8.4	45.0
Reinsurance debtors	-	2.9	9.0	-	-	8.0.	19.9
Cash at bank in hand	-	-	4.2	-	-	-	4.2
Total	3.0	14.0	87.1	0.4	0.8	17.0	122.3

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio.

This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

Liquidity risk

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

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

2023			**£m**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	34.4	23.2	7.1	11.4	76.1
Creditors	-	10.5	-	-	-	10.5
Total	36.5	38.3	9.4	2.4	-	86.6

2022			**£m**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	64.6	36.0	7.8	4.0	112.4
Creditors	-	16.0	-	-	-	16.0
Total	-	80.6	36.0	7.8	4.0	128.4

Market risk

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

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

Currency risk

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

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

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

2023			**£m**		
	GBP	**EUR**	**CAD**	**USD**	**Total**
Total assets	7.3	0.9	7.8	66.1	82.1
Total liabilities	(8.2)	(4.9)	(1.9)	(71.8)	(86.8)
Net (liabilities)/assets	(0.9)	(4.0)	5.9	(5.7)	(4.7)

2022				**£m**	
	GBP	**EUR**	**CAD**	**USD**	**Total**
Total assets	14.5	5.0	6.6	102.0	128.1
Total liabilities	(12.0)	(7.2)	(3.2)	(111.6)	(134.0)
Net (liabilities)/assets	2.5	(2.2)	3.4	(9.6)	(5.9)

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of the US Dollar against the value of all other currencies simultaneously. The analysis is based on the information as at 31st December 2023.

	Impact on profit and member's balance	
	2023	**2022**
	£m	**£m**
10% strengthening of the US Dollar	0.1	0.4
10% weakening of the US Dollar	(0.1)	(0.4)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk. Money market funds are deemed to be similar to cash: low yield with minimal exposure to market volatility and there is an inherently low associated interest rate risk.

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

6. Segmental analysis

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

2023	**Gross written premium**	**Gross premium earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Total**
Direct Insurance:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Property	(0.2)	(0.7)	0.9	0.2	-	0.4
Property Reinsurance	2.2	7.0	(9.4)	(2.5)	0.3	(4.6)
Total	2.0	6.3	(8.5)	(2.3)	0.3	(4.2)

2022	**Gross written premium**	**Gross premium earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Total**
Direct Insurance:	**£m**	**£m**	**£m**	**£m**	**£m**	**£m**
Property	(1.4)	38.4	(19.2)	(8.1)	(2.7)	8.4
Property Reinsurance	3.2	22.9	(10.4)	(4.1)	(1.9)	6.5
Total	1.8	61.3	(29.6)	(12.2)	(4.6)	14.9

Commissions on direct insurance gross written premium during 2023 were £0.0m (2022: £7.8m).

The Syndicate stopped underwriting at the end of 2021. Gross written premium comprises adjustments processed in 2023. No new policies have been underwritten in the year.

Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2023 and 2022.

7. Technical provisions

2023

	Gross provisions £m	Reinsurance assets £m	Net £m
Claims outstanding			
Balance at 1 January	112.4	(45.0)	67.4
Change in claims outstanding	(31.7)	14.7	(17.0)
Effect of movements in exchange rates	(4.6)	2.0	(2.6)
Balance at 31 December	76.1	(28.3)	47.8
Claims notified	41.2	(14.2)	26.7
Claims incurred but not reported	34.9	(14.1)	21.1
Balance at 31 December	76.1	(28.3)	47.8
Unearned premium			
Balance at 1 January	4.4	-	4.4
Change in unearned premium	(4.3)	-	(4.3)
Effect of movements in exchange rates	(0.1)	-	(0.1)
Balance at 31 December	-	-	-
Deferred acquisition costs			
Balance at 1 January	1.2	-	1.2
Change in deferred acquisition costs	(1.2)	-	(1.2)
Effect of movements in exchange rates	-	-	-
Balance at 31 December	-	-	-

2022

	Gross provisions £m	Reinsurance assets £m	Net £m
Claims outstanding			
Balance at 1 January	144.1	(46.7)	97.4
Change in claims outstanding	(43.9)	6.3	(37.6)
Effect of movements in exchange rates	12.2	(4.6)	7.6
Balance at 31 December	112.4	(45.0)	67.4
Claims notified	72.7	(24.3)	48.4
Claims incurred but not reported	39.7	(20.7)	19.0
Balance at 31 December	112.4	(45.0)	67.4
Unearned premium			
Balance at 1 January	64.3	(3.9)	60.4
Change in unearned premium	(59.5)	4.4	(55.1)
Effect of movements in exchange rates	(0.4)	(0.5)	(0.9)
Balance at 31 December	4.4	-	4.4
Deferred acquisition costs			
Balance at 1 January	12.0	-	12.0
Change in deferred acquisition costs	(10.8)	-	(10.8)
Effect of movements in exchange rates	-	-	-
Balance at 31 December	1.2	-	1.2

8. Net operating expenses

	2023	2022
	£m	£m
Acquisition costs	0.1	(0.2)
Change in deferred acquisition costs	1.2	10.8
Administration expenses	1.0	1.6
Net operating expenses	2.3	12.2

There were no members' standard personal expenses included in administrative expenses (2022: nil).

9. Staff costs

The Syndicate and the managing agent have no employees. Staff are employed by IQUW ASL. The Syndicate did not directly incur staff costs during the year (2022: nil). The following salary and related costs were recharged to the syndicate during the year:

	2023	2022
	£m	£m
Wages and salaries	0.2	0.5
Social security costs	-	0.1
Other pension costs	-	-
	0.2	0.6

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

	2023	2022
	Number	Number
Administration and finance	3	3
Underwriting	-	1
Claims	2	2
	5	6

10. Directors' Emoluments

The Directors of IQUW SML received the following aggregate remuneration recharged to the Syndicate and included in net operating expenses:

	2023	2022
	£m	£m
Director's emoluments	-	-
Pension Contributions	-	-
	-	-

In 2023 no emoluments of Directors or staff of IQUW SML were directly charged to the syndicate.

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate cost:

	2023	2022
	£m	£m
Active Underwriter's emoluments	-	0.1
	-	0.1

The Syndicate is in run-off and, therefore, does not have an active underwriter and is managed by the Managing Agent.

No other compensation was payable to key management personnel.

11. Auditors' remuneration

	2023	2022
	£m	£m
Audit of the Financial Statements	0.1	0.1
Other services pursuant to Regulations and Lloyd's Byelaws	0.1	0.1
	0.2	0.2

Auditors' remuneration is included as part of the administrative expenses in note 8 to the financial statements.

12. Investment income

All the Syndicates investments are recognised at fair value through the profit and loss.

	2023 £m	2022 £m
Income from investments, cash, and other deposits	2.1	0.9
Total Investment Income	2.1	0.9
Unrealised losses on investments at fair value through profit or loss	0.1	(0.2)
Net investment income	2.2	0.7

	2023 £m	2022 £m
Income on investments	1.4	-
Interest on cash at bank	0.7	0.8
Income on overseas deposits	-	-
Interest on Syndicate Loan	-	0.1
Unrealised gains/(losses) on investments at fair value through profit or loss	0.1	(0.2)
Net investment return	2.2	0.7

13. Investments

	2023	2022
	£m	£m
Unit investments in money market funds	24.2	45.8
Loan to central fund	1.6	1.6
Shares and other variable yield securities	25.8	47.4

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

2023			£m	
	Level 1	Level 2	Level 3	Total Fair Value
Shares and other variable yield securities	24.2	-	1.6	25.8
Overseas deposits	0.3	2.6	-	2.9
Total	24.5	2.6	1.6	28.7

2022			£m	
	Level 1	Level 2	Level 3	Total Fair Value
Shares and other variable yield securities	-	45.8	1.5	47.4
Overseas deposits	0.6	5.2	-	5.8
Total	0.6	51.0	1.5	53.2

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

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

Level 3 investments consist of loans made to the Lloyd’s Central Fund to which a fair value adjustment has been applied based on the Lloyd’s RT1 valuation model. The fund has been classed as equity as it is not tradeable and the repayment of the loan, and payment of interest thereon is at the discretion of the Corporation of Lloyd’s.

The table below sets out a reconciliation of the opening and closing balances for financial instruments classified under level 3 of the fair value hierarchy:

	2023	2022
	£m	**£m**
Balance at 1 January	1.5	1.7
Unrealised gains/(losses) in the year	0.1	(0.2)
Balance at 31 December	1.6	1.5

14. Debtors arising out of insurance and reinsurance operations

	2023	2022
	£m	**£m**
Due from direct intermediaries within one year	0.8	1.0
Due from reinsurance intermediaries within one year	14.1	19.9
	14.9	20.9

15. Other assets

	2023	2022
	£m	**£m**
Overseas deposits	2.9	5.8
	2.9	5.8

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and therefore are restricted assets.

16. Creditors arising out of insurance and reinsurance operations

	2023	2022
	£m	**£m**
Due to direct intermediaries within one year	-	(0.5)
Due to reinsurance intermediaries within one year	(9.2)	(15.5)
	(9.2)	(16.0)

17. Related parties

Agora Syndicate Services Limited ("ASSL") provided services up until its novation on May 13th 2022. As at the year-end there is an outstanding loan payable to ASSL of £0.0m (2022: £0.4m).

IQUW Syndicate Services Limited ("IQUW SSL") is a wholly owned subsidiary of IQUW SML and acts as a service company for the Syndicate.

IQUW SSL became an appointed representative of the managing agent IQUW SML on 14 January 2005 and is authorised by the PRA and regulated by the Financial Conduct Authority ("FCA") and PRA. The managing agent IQUW SML does not receive any direct income from IQUW SSL. No director of the managing agent IQUW SML has received any benefit for acting as a director of IQUW SSL.

IQUW SSL recharged the following expenses to the Syndicate:

	2023 **£m**	**2022** **£m**
Closing balance receivable/(payable)	0.1	0.7
In-year expense/(income)	0.1	0.7

18. Syndicate structure

The managing agent of the Syndicate is IQUW Syndicate Management Limited whose immediate parent undertaking is IQUW Insurance Group Limited ("IQUW IGL"), a company registered in England and Wales.

19. Post balance sheet events

Following agreement of the board of the managing agent, the closing underwriting year of 2021 was reinsured to close ("RITC") into Syndicate 1856 on 9 February 2024, with effect from 1 January 2024. The amounts transferred as part of the RITC were £47.8m consisting of RITC payables of £76.1m and RITC receivables of £28.3m.