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Reports and Accounts 2023

Syndicate 218

The specialist motor insurer

ers.com

Contents

Directors and administration

MANAGING AGENT

Managing agent	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, reappointed 9 February 2024) John G Holland (appointed 16 December 2023) David E Morris Nathan R Ott Heather I Thomas Christopher Watson (appointed 28 March 2023)
Company secretary	Renuka S Fernando
Managing agent's registered office	30 Fenchurch Street London EC3M 3BD
Managing agent's company number	426475

SYNDICATE

Active underwriter	Martin Hall
Bankers	National Westminster Bank Plc Citibank NA Royal Bank of Canada Dexia
Investment managers	Conning Asset Management Limited Union Bancaire Privée (UBP)
Independent Auditors	PricewaterhouseCoopers LLP

Annual Report and Accounts 2023 Financial Year

Report of the managing agent

IQUW Syndicate Management Limited (the "Managing Agent"), a company registered in England and Wales, the managing agent of Syndicate 218 (the "Syndicate" or "ERS"), presents its report for the Syndicate for the year ended 31 December 2023 which has been prepared under the regulations outlined in Note 2.

Separate underwriting year accounts for the 2021 year of account that closed at 31 December 2023 are included following these accounts from page 55.

Principal activities

Syndicate 218 remains a specialist motor-only, broker-only insurer, focused on delivering sustainable profits. The Syndicate offers a broad range of specialist motor insurance products to personal lines and to commercial market segments principally in the United Kingdom. It operates under a strong brand, ERS, and is the largest specialist motor insurer in Lloyd's and the only motor-focused Lloyd's syndicate.

The four key elements of the Syndicate's strategy are as follows:

- ERS is deliberately different. It focusses on drivers whose needs are different or more intricate, and who have a passion for their vehicle or depend upon it for their livelihood;
- ERS has strong broker relationships and is committed to distribution partnerships with specialist brokers. Their knowledge and understanding of their customers and market together with ERS's underwriting and claims capabilities continue to foster mutual and sustainable relationships;
- ERS continues to enhance its capabilities and will adopt technology where it improves the customers' experience, the efficacy of underwriting judgement, the efficiency of the insurance process, and the settlement of claims; and
- ERS remains committed to being a sustainable business whose consistent underwriting approach provides to brokers and to their customers protection in what continues to be a volatile market. ERS benefits from the Lloyd's credit ratings, namely an A (Excellent) rating from A.M. Best, AA- (Strong) rating from Standard & Poor's, AA- (Very strong) rating from Kroll Bond Rating Agency, AA- (Very strong) rating from Fitch Ratings.

Review of the Business

The result for Syndicate 218 in calendar year 2023 was a profit of £8.4m (2022 loss of £7.9m). The 2023 results were impacted by continuation of increased claims costs due to inflation on accidental and third party damage settlements. This was offset by favourable frequency experience from small and large injury claims. Premium increased in most classes due to rate increases but not sufficiently across the period to offset the impact of prolonged claims inflation.

Investment profit of £25.9m (2022: loss of £5.8m), has exceeded the impact of the syndicate's underwriting loss of £13.3m (2022: profit of £0.6m).

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

Financial Year £'000	2023	2022	2021	2020
Gross written premium	412,568	359,396	319,212	329,196
Net earned premium	330,876	294,455	282,396	311,932
Profit/(loss) for financial year*	8,364	(7,914)	4,301	32,819
Claims ratio**	72.1%	67.8%	65.8%	58.7%
Commission ratio	13.9%	13.8%	13.8%	14.1%
Expense ratio	18.1%	18.2%	18.4%	18.1%
Combined operating ratio***	104.0%	99.8%	97.4%	90.9%
Profit Commission	4,112	3,294	3,404	3,231

* Profit/(loss) for financial year is inclusive of profit commission.
** The claims ratios are inclusive of claims handling expenses, risk margin and ULAE.
*** The Combined operating ratios are excluding profit commission.

The Syndicate provides specialist motor insurance to commercial and personal customers, principally in the United Kingdom. ERS focusses on drivers and businesses whose needs are different or more intricate, and who have a passion for their vehicle, or who depend upon it for their livelihood. Target markets include agricultural, commercial, larger commercial fleets, passenger transport, prestige, enthusiast and classic cars, non-standard personal risks and vehicle breakdown risks.

Total gross written premium for the calendar year was £412.6m (2022: £359.4m). The Syndicate continued to target pricing discipline so that the account remains adequately funded to cover claims trends. During 2023, traffic levels returned to close to pre-pandemic levels and there was a further increase in the severity of both first party and third party damage claims above expectations caused by inflationary pressures.

Whilst the Syndicate increased its rating requirements through the year, these rating increases have taken time to positively impact the profitability of the business. There is confidence the pricing levels in the second half of the year are adequately funding the account for expected claims costs.

The Syndicate was able to continue the growth of the agriculture account over the course of the year, benefiting from a stable team and consistent proposition in the market.

Retail private car markets saw rating increases not seen for more than 20 years and in the targeted non standard segments of this market, we were also able to increase prices substantially. Enthusiast and classic cars markets also observed rating increases much higher than previous years as a number of competitors struggled to retain capacity and this provided some opportunities to grow this historically profitable account.

Our Prestige product targeting high net worth customers and their vehicles had another strong trading year as our positive underwriting and service reputation with brokers cemented our top 3 position in this market. We did observe an increase in luxury vehicle thefts as organised gangs targeted Ferraris, which have historically not experienced such issues.

Commercial and fleet markets benefited from a full return of demand post the pandemic, especially passenger transport and self-drive hire. ERS focussed on maintaining its pricing discipline and building rate increases as the year developed and also on extending the distribution of the product to a greater number of brokers. The taxi market was slow to react to claims inflation and as ERS increased rates this did have an adverse impact on conversion and retention rates. Competitors reacted towards the end of the year and ERS expects the trend to continue through 2024.

The net claims ratio for the year was 72.1% (2022: 67.8%). Inflation remained at higher levels than originally assumed as the value of used cars continued to increase. This had the same effect on the cost of third party damage payments. This was partly offset by the continued reduction in small injury claims resulting from the Whiplash Reform Programme. Experience of large claims settlements returned to historic levels with frequency continuing marginally higher than long term average, but with a lower proportion of catastrophic injuries.

Business operations have continued to perform well, with the Managing Agent's employees settled into an established hybrid working pattern. The Syndicate maintained high standards of customer and broker service supported by a Trust Pilot score of 4.7. Excluding profit commission the expense ratio was 18.1% (2022: 18.2%) which is a slight reduction on the previous year as a result of higher amounts of written premium and the continued benefit of sharing costs with Syndicate 1856.

The Syndicate recorded an investment profit of 6.0% (2022: 1.5% loss) in the year. The syndicate's investment returns have improved after an uneven first two quarters with Gilt yields fluctuating during the year. Recent months delivered more consistent returns as bonds rallied as a result of falling yields.

The 2021 year of account has closed with a profit of £16.4m representing a profit on underwriting capacity of 3.4%. The underwriting accounts for 2021 closed year are on page 55.

2024 and the future

The Managing Agent sees an opportunity for improved profitability in 2024 as premium rates continue the trend from 2023 and the market corrects to the increased levels of claims severity. There have been a number of competitor exits which will mean an increased level of business to be replaced by brokers which should support sustained pricing.

In addition, the syndicate has been successful in a tender to provide car insurance to the Police Mutual. This is an established arrangement of over £25m of GWP, which will positively impact profitability through both loss and expenses ratios.

There is an expectation of an easing of inflationary pressures on claims, but a degree of uncertainty remains in the assumptions as to the level of inflation. The Syndicate will continue to maintain its underwriting and pricing discipline.

The Syndicate is well reserved, has a strong reinsurance programme, and has a robust investment portfolio providing strong investment returns. With yields now higher for bonds, the business should benefit from increased investment returns.

Outwards Reinsurance

The Syndicate purchased a multi-year structured excess of loss ("XoL") reinsurance contract covering losses up to specified thresholds attached to premium written between 2020 - 2024. These contracts differ from traditional Reinsurance contracts as a margin percentage of RI premium is payable quarterly to reinsurers and the syndicate retains the remaining RI premium to draw down from for future recoveries.

A comprehensive layered schedule of traditional reinsurance contracts cover losses exceeding £1.0m for remaining thresholds to unlimited.

Investment report

The investment profit for Syndicate 218 was £25.9m (2022: £5.8m loss) equating to a return of 6.0% (2022: -1.5%). The Syndicate's invested assets totalled £418.6m at 31 December 2023 (2022: £418.4m).

2023 was a mixed year, with financial markets grappling with ongoing high levels of inflation resulting in interest rate rises with uncertainty about future rate direction due to the risk of potential recession and an economic hard landing.

Following an uneven first two quarters with yields fluctuating, positive investment returns throughout Q3 were driven by a decline in yields as markets anticipated the Bank of England reaching peak interest rates driven by signs of softening inflationary pressures.

This continued during the last two months of the year as broader inflationary pressures continued to ease with a number of central bank's messaging signalling interest rate cuts in 2024.

Capital

For the 2023 year of account, IQUW Corporate Member Limited ("IQUW CML") participated on 79.2% of the Syndicate, with the remainder being owned by non-aligned members. The Managing Agent receives a fee and profit-related remuneration on both the element owned by IQUW CML and the element it does not own.

	Year of Account					
£'000	2024	2023	2022	2021	2020	2019
Syndicate Capacity	480,000	479,850	479,740	479,890	480,000	479,575
IQUW CML Participation	380,628	380,170	376,972	373,722	373,722	324,203
IQUW CML Participation	78.5%	79.2%	78.6%	77.9%	77.9%	67.6%

Each member is required to provide capital sufficient to meet its Economic Capital Assessment ("ECA"). Lloyd's rules require each member to hold sufficient capital across the member's interests at Lloyd's in aggregate, rather than at a syndicate level. A member's capital can be held through a combination of three options. First, capital may be held in trust by Lloyd's, called Funds at Lloyd's ("FAL"). Second, it may be held within and managed as syndicate funds, called Funds in Syndicate ("FIS"). Third, it may be held as a member's share of the members' balances on each syndicate in which the member participates. As a result, because the capital requirement applies at an overall member level, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Syndicate capital is determined through the submission to and agreement by Lloyd's of an ultimate solvency capital requirement ("SCR"), which is subject to an uplift determined by the Franchise Board to arrive at the capital required by Lloyd's. The Managing Agent uses its own internal capital model to measure the Syndicate's SCR, based on a rigorous process of risk identification and quantification, which is reflected in the Managing Agent's Own Risk and Solvency Assessment ("ORSA"). The model is based on regulatory requirements and has been approved by Lloyd's.

Climate change and environmental matters

IQUW Holdings Bermuda Limited and subsidiaries ("the IQUW Group") is 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. We provide insurance for alternative fuel vehicles, supporting the UK's ambition for all new cars to be zero-emission by 2035.

The Syndicate imposes guidelines on its external investment managers in relation to the constituents of the investment portfolios and acceptable asset classes. The performance of the investment managers is regularly reviewed to confirm adherence to these guidelines along with any appropriate assessment and change to the investment strategy going forward.

Employee matters

All staff in the UK are employed by IQUW Administrative Services Limited 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 those risks is set out in note 5 to the financial statements. In particular, the Syndicate is exposed to Insurance Risk, Financial Risk, Operational Risk and Strategic Risk.

Principal risks

The following summarises the most material risks to which the Syndicate is exposed and discussed in note 5.

Principal risk	Impact	Management and mitigation
Insurance risk, including underwriting risk and reserving risk	The predominant risk to which the Syndicate is exposed is insurance risk, which is assumed through the underwriting process, namely: fluctuations in the frequency, severity and timing of insured events and claims settlements relative to expectation. This risk is categorised into: (a) underwriting risk, including the risk arising from risk selection and pricing, systemic insurance losses, and the insurance cycle and competition; and (b) reserving risk being the risk that provisions held to cover insurance claim losses turn out to be insufficient.	Specific underwriting objectives are prepared and reviewed by management. All underwriting staff are set strict parameters in relation to the levels and types of business they can underwrite. Estimates of losses arising from realistic disaster events using statistical models are used to manage exposures within risk appetite thresholds. The Syndicate purchases reinsurance to manage underwriting risk. Inflation risk has continued to impact Insurance risk during 2023 and there is an expectation that the materiality of this will reduce during 2024. The business is conducting regular reviews of adequacy held within reserves for attritional and long-term claims. This information is used to determine if the inflation factor applied to the pricing remains sufficient to support the business plan. The Syndicate is subject to both an internal and an external, independent actuarial review of the claim provisions. The provision estimates are subject to regular and rigorous review by management and the final provision approved by the Board. Booked reserves include a net margin of £9.0m above the best estimate to mitigate the uncertainty within the estimates.

Principal risk	Impact	Management and mitigation
Financial risk, including credit risk, market risk and liquidity risk	The Syndicate is exposed to financial risk arising from its financial assets, namely that investment income may be insufficient to fund its obligations. This risk is categorised into: (a) credit risk; (b) market risk; and (c) liquidity risk.	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 grouped counterparties, and to geographical and industry segments. Within investments, counterparty credit risk is mitigated by concentrating debt and fixed income investments in high quality instruments. The Syndicate engages an external investment manager to actively manage the market risk associated with financial investments, with defined guidelines. Adequate liquidity is continually assessed by the Syndicate to ensure at least a threshold of liquid assets is always readily available.
Operational Risk including legal and regulatory risk	The Syndicate is exposed to the risk of loss from people, processes or systems, or external events with origins outside the scope of other risk categories. The Managing Agent actively monitors and controls its operational risks.	The Managing Agent actively monitors and controls its operational risks and has an ongoing focus on ensuring its people, systems and processes are effective to support the company in delivering its strategic objectives. The Syndicate's wide policyholder base requires additional focus on ensuring key services are operationally resilient to specific scenarios to ensure policyholder needs are met, in line with Operational Resilience regulations, and specific controls and metrics are in place to deliver this. The Syndicate maintains a well-resourced Compliance function with compliance controls embedded throughout the business and a programme of staff training.
Strategic Risk including capital management, culture, reputation and strategy selection and execution risks.	The Syndicate is exposed to the inability to implement appropriate business plans and strategies, to make decisions, or to adapt to the business environment.	The Syndicate ensures that the strategic objectives are met through a robust Risk Management Framework and Governance Structure. From the strategy, the Risk Owners define key risk appetites that must be met, and any deviation is identified with an action plan implemented. The Syndicate continues to meet the regulatory and internal thresholds of Capital in accordance with Solvency II. The Syndicate conducts regular reviews of emerging risk or horizon scanning across the 1st Line of Defence, the three Lines of Defence are detailed on page 31, that identifies and manages future impacts for which the business must prepare and respond. The Managing Agent has a strategy to achieve a diverse, inclusive, and high performing culture, which is adopted through education, initiatives, and policies. The success of outcomes is seen through data collected, behaviours and pulse surveys.

The most significant risks which have emerged or are emerging, and which are capable of having an impact on the Syndicate are set out below.

Economic uncertainty risk

Following the international events in recent years of COVID-19, the invasion of Ukraine and consequent inflation, there has been a significant economic impact on the financial markets. The accumulation of these events has resulted in rising interest rates and volatility in the capital markets.

Underwriting performance has been impacted through economic inflation that continued into 2023, resulting in record highs not seen since the 1990s. This has led to immediate increases in the costs of repairs and replacements in the event of accidental damage losses and in the charges incurred for credit hire expenses. Long-term claims are experiencing impacts to reserves from material increases in the cost of care.

The 2023 business plans accounted for a higher inflation rate and this has been considered for the 2024 business plan. The business will closely monitor portfolio mix change, impact on claim costs, and price adequacy.

During an extended period of macro-economic stress there is often a heightened frequency of attempted fraud. The Syndicate has strong fraud controls to mitigate the exposure across its Operational processes, and this is supported with heightened awareness across the workforce. It is considered that the potential for an increase in financial leakage from fraud remains manageable.

Sustainability risk

The Syndicate's underwriting performance is not materially exposed to the physical risk of climate change. The frequency or severity of road traffic accidents or other motor insurance loss events are not likely to be impacted by a rise in global temperatures, although poor weather may lead to more hazardous driving conditions.

The portfolio has seen a modest increase in the volume of electric vehicles underwritten and regular reviews are conducted to assess the performance of any claims arising in regard to frequency and severity of claim payments. Syndicate products include features to support a sustainable future, such as coverage from third party liability arising from use of charging cables and inclusion of electric accessories under personal belongings.

Transition risk is developing through the emerging risk process, assessment in the change of portfolio mix to the strategy, an evolving underwriting and investment risk appetite and previously held assumptions used in the business (such the internal model) and the needs of our customers. This is monitored and advanced through the Sustainability Committee that has representation from both the first and second line of defence. First line members include underwriting, investments, exposure management and facilities.

Directors' Interests and Interests in Other Group Companies

The directors of the Managing Agent who were in office during the year and up to the date of signing the financial statements were:

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 reappointed Non-Executive Director 9 February 2024)
John G Holland	Group Chief Risk Officer (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

The Directors of the Managing Agent who held office at the date of approval of the Report of the Managing Agent confirm that, so far as each of them is aware, there is no relevant audit information of which the Syndicate's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Syndicate auditors

The Syndicate's auditors, PricewaterhouseCoopers LLP, are deemed reappointed under the provisions of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Annual general meeting ("AGM")

Notice is hereby given that the managing agent does not propose holding a Syndicate AGM this year unless objections to this proposal or the intention to reappoint the auditors are received from Syndicate members by 30 April 2024.

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.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare annual accounts for each financial year. Under that law, the managing agent is required to prepare the syndicate accounts in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the managing agent must not approve the annual accounts unless it is 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 syndicate annual accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Syndicate annual accounts; and
- prepare the syndicate annual accounts on a going concern basis unless it is inappropriate to presume that the Syndicate will continue in business.

The managing agent is 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 to 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 the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the business's website. Legislation in the UK governing the preparation and dissemination of syndicate annual accounts may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Syndicate 218

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, 218'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 Report and Accounts 2023 (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, statement of comprehensive income – non-technical account, 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 9, we have provided no non-audit services to the syndicate in the period under audit.

Conclusions relating to going concern

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

In auditing the syndicate annual accounts, we have concluded that the Managing Agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the syndicate's ability to continue as a going concern.

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

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 Report of the managing agent (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 it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

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 judgement and 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

	Note	2023 £000	2022 £000
Earned premium, net of reinsurance			
Gross premium written	6	**412,568**	359,396
Outward reinsurance premium		**(63,038)**	(42,450)
Net premium written		**349,530**	316,946
Change in the provision for unearned premium			
Gross amount	13	**(29,465)**	(24,697)
Reinsurers' share	13	**10,811**	2,206
Change in the net provision for unearned premium		**(18,654)**	(22,491)
Earned premium, net of reinsurance		**330,876**	294,455
Allocated investment return transferred from non-technical account	7	**25,887**	(5,793)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	13	**(251,691)**	(194,650)
Reinsurers' share	13	**24,583**	133,350
Net claims paid		**(227,108)**	(61,300)
Change in the provision for claims			
Gross amount	13	**18,382**	(61,988)
Reinsurers' share	13	**(29,995)**	(76,349)
Change in the net provision for claims		**(11,613)**	(138,337)
Claims incurred, net of reinsurance		**(238,721)**	(199,637)
Net operating expenses	8	**(109,584)**	(97,541)
Balance on the technical account for general business		**8,458**	(8,516)

All amounts relate to continuing operations.

The notes on pages 24 to 54 form an integral part of these annual accounts.

Statement of comprehensive income – non-technical account

	Note	**2023 £000**	2022 £000
Balance on the technical account for general business		**8,458**	(8,516)
Investment return			
Investment income	7	**12,770**	5,513
Unrealised gains/(losses) on investments	7	**13,826**	(10,830)
Investment expenses and charges	7	**(709)**	(476)
Allocated investment return transferred to technical account for general business	7	**(25,887)**	5,793
		–	–
Other (charges)/income, including value adjustments	12	**(94)**	601
Profit (loss) for the financial year		**8,364**	(7,915)

There are no differences between the profit/(loss) for the financial year stated above and their historical cost equivalents in the statement of comprehensive income for the financial year.

The notes on pages 24 to 54 form an integral part of these annual accounts.

Balance sheet – assets

	Note	2023 £000	2022 £000
Investments			
Other financial investments	11	**424,009**	423,492
Deposits with ceding undertakings		**606**	315
Reinsurers' share of technical provisions			
Provision for unearned premium	13	**34,841**	21,660
Claims outstanding	5(iii)(b), 13, 15	**267,856**	297,851
		302,697	319,511
Debtors			
Debtors arising out of direct insurance operations	5(iii)(b), 17	**72,671**	62,636
Debtors arising out of reinsurance operations	5(iii)(b)	**12,948**	11,885
Other debtors	18	**39,075**	37,855
		124,694	112,376
Other assets			
Cash at bank and in hand	5(iii)(b)	**47,308**	37,769
Overseas deposits	11	**2**	8
		47,310	37,777
Prepayments and accrued income			
Accrued interest and rent		**83**	83
Deferred acquisition costs	16	**35,851**	31,584
Other prepayments and accrued income	20	**9,322**	8,398
		45,256	40,065
Total assets	5(iv)(a)	**944,572**	933,536

The notes on pages 24 to 54 form an integral part of these annual accounts.

Balance sheet – liabilities

	Note	**2023 £000**	2022 £000
Members' balances		**(23,224)**	3,319
Technical provisions			
Provision for unearned premium	13	**212,258**	182,793
Claims outstanding	5(ii)(c), 5(v)	**649,253**	667,635
		861,511	850,428
Creditors			
Creditors arising out of direct insurance operations	5(v), 21	**3,077**	3,603
Creditors arising out of reinsurance operations	5(v)	**56,178**	29,174
Other creditors including taxation and social security	5(v), 22	**39,959**	38,608
		99,214	71,385
Accruals and deferred income	5(v)	**7,071**	8,404
Total liabilities	5(iv)(a)	**944,572**	933,536

The notes on pages 24 to 54 form an integral part of these annual accounts.

The Syndicate annual accounts on pages 18 to 54 were approved by the Board on 23 February 2024 and signed on behalf of the Syndicate's managing agent by:

Charlotte Constable
Finance Director

27 February 2024

Statement of changes in members' balances

	2023 £000	2022 £000
Members' balances brought forward at the beginning of the year	**3,319**	26,854
Profit/(loss) for the financial year	**8,364**	(7,915)
Payment of the result from members' personal reserve funds:		
2020 year of account	**(34,608)**	–
2019 year of account	**–**	(15,180)
	(22,925)	3,759
Members' agents' fees paid in year	**(300)**	(440)
Members' balances carried forward at the end of the year	**(23,225)**	3,319

Members participate in syndicates by reference to years of account and their ultimate result. Assets and liabilities are assessed with reference to policies incepting in that year of account.

The notes on pages 24 to 54 form an integral part of these annual accounts.

Cash flow statement

	Note	**2023 £000**	2022 £000
Net cash inflow from operating activities	23	**19,369**	179,207
Cash flow from investing activities			
Purchase of equity and debt instruments		**(197,252)**	(246,027)
Sale of equity and debt instruments		**211,128**	78,285
Investment income received net of expenses paid		**11,493**	4,298
Other		**(291)**	247
Net cash generated from (used in) investing activities		**25,078**	(163,197)
Cash flow from financing activities			
Transfer from members in respect of underwriting participations		**(34,607)**	(15,180)
Members' agents' fees		**(301)**	(440)
Net cash used in financing activities		**(34,908)**	(15,620)
Net increase in cash at bank and in hand		**9,539**	390
Cash and cash equivalents at the beginning of the year		**37,769**	37,379
Cash and cash equivalents at the end of the year		**47,308**	37,769

The notes on pages 24 to 54 form an integral part of these annual accounts.

Notes to the accounts

1. General information

IQUW Syndicate Management Limited (the "Managing Agent") is the managing agent of Syndicate 218 (the "Syndicate"). The principal activity of the Syndicate is to underwrite a broad range of specialist motor insurance business at Lloyd's, and it is regarded as a specialist provider of motor solutions in several niche areas.

2. 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 the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") where applicable.

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

These annual accounts are presented in UK pounds sterling, which is the functional currency of the Syndicate because that is the currency of the primary economic environment in which the Syndicate operates.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these annual accounts are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(i) Gross written premium

Gross premium written comprises premium on contracts incepted during the financial year as well as adjustments made in the year to premium written in prior accounting periods. Premium is shown gross of brokerage payable and exclude taxes and duties levied on them.

Premium written includes an estimate of gross premium written during the year. For certain contracts, premium is initially recognised based on estimates of ultimate premium. This occurs where 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 coverholders, 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, for example due to declarations obtained on binding authority contracts, reinstatement premium on reinsurance contracts, or other policy amendments. Such adjustments are recorded in the period in which they are determined, and impact gross premium written in the income statements and premium received from insureds and cedants recorded on the balance sheet.

(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.

(iii) Reinsurance premium ceded

Outwards reinsurance premium earned is accounted for over the coverage period, and in line with the risk profile to which the inward business being protected relates.

(iv) Investment return

Investment return comprises interest, realised and unrealised gains and losses on assets held at fair value through profit or loss.

Fair value realised gains and losses are calculated as the difference between net sales proceeds and fair value at acquisition.

Fair value unrealised gains and losses are calculated as the difference between the current fair value at the balance sheet date and the fair value at acquisition or at previous remeasurement date, adjusted for by excluding previously recognised unrealised gains and losses of those financial assets disposed of in the accounting period.

The returns on pooled investments arising in each calendar year are apportioned to years of account open during the calendar year in proportion to average funds available for investment on each year of account.

Investment return is initially recorded in the statement of comprehensive income – non technical account. A transfer is made from the statement of comprehensive income non-technical account to the statement of comprehensive income-technical account for general business. Investment return has been wholly allocated to the technical account as all investments relate to underwriting activities.

(v) Operating expenses

Where expenses are incurred by or on behalf of the Managing Agent for the administration of the Syndicate, these expenses are apportioned appropriately based on type of expense. Expenses that are incurred jointly are apportioned between the Managing Agent and the Syndicate on bases depending on the amount of work performed, resources used, and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

The Managing Agent regularly reviews the basis of allocation of such expenses to ensure it remains appropriate and equitable to the Syndicate and each year of account.

(vi) 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 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 balance sheet under the heading 'Members' balances'. No provision has been made for any overseas tax payable by members on underwriting results.

(vii) Foreign currency

The functional currency of the Syndicate is UK pounds sterling which is the currency of the primary economic environment in which the Syndicate operates.

Transactions denominated in foreign currencies are translated into UK pound sterling at the rates of exchange ruling at the date of the transaction. Foreign exchange gains and losses resulting from the settlement of such transactions and from the re-translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the statement of comprehensive income non-technical account for the period.

(viii) Financial instruments

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

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 11 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.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk free interest rate (based on government bonds).

Loans and receivables

Loans and receivables are recognised at amortised cost, being the fair value of consideration paid plus incremental direct transaction costs less any provision for impairments.

(ix) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within current borrowings in liabilities.

(x) 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.

(xi) 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 two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of future claims development, and that the premium rating and other pricing models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The Directors consider that the provision for gross claims and related reinsurance recoveries is 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.

(xii) Discounted claims provision

Large loss injury awards comprise either a lump-sum payment, which is calculated as the present value of the claimant's loss and expense, or as a structured settlement, typically under a Periodic Payment Order ("PPO") awarded by the courts or agreed with the claimant.

With respect to PPOs, due to the long delay between the inception date of the policy and the final settlement of the claim, the outstanding claims provisions are discounted to take account of the expected future investment income on the assets held to cover the payments (see note 4(i) for further details).

(xiii) Unexpired risks provision

A provision for unexpired risks is made where claims, related claims handling costs and other related expenses arising after the end of the financial year in respect of contracts concluded before that date are expected to exceed the unearned premiums on these contracts, after the deduction of any deferred acquisition costs.

The provision for unexpired risks is calculated by reference to classes of business that are managed together. No account is taken of the relevant investment return arising from investments supporting the unexpired premiums and unexpired risk provisions.

(xiv) Pension costs

IQUW Administration Services Limited ("IQUW ASL") operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and are included within net operating expenses.

(xv) Profit commission

The Profit commission calculation is subject to a two-year deficit clause. This means that any reporting year of account losses can be offset against open year of account profits for a maximum of two years for the purpose of calculating the profit commission.

(xvi) Deposit components of reinsurance contracts

Where a deposit component exists in a reinsurance contract it is not unbundled and is recorded as part of the reinsurance assets. Any interest payable on the deposit component is accrued annually at the effective interest rate.

(xvii) Reinsurance assets and liabilities

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.

(xviii) Bad debt

The bad debt provision is calculated for debtors over 90 days outside credit terms using an agreed sliding scale percentage. In addition to the general provision, a top-up is made by way of a specific provision where specific information is available to suggest a debtor may be unable or unwilling to settle its debt to the Syndicate. The provision is calculated on a case-by-case basis. Bad debt provisions are recognised in the profit and loss account.

4. Judgements and key sources of 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. The carrying amount of the liability is disclosed in note 13. For general insurance contracts, estimates are made for the expected ultimate cost of claims notified as 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. The Syndicate's estimate of claims and of related claims handling costs is mainly achieved through the application of several commonly accepted actuarial projection methodologies based on the estimation of the following:

- Paid claims development, where payments to date are extrapolated based on observed development of earlier years;
- estimates based on a projection of claims numbers and average burning cost, which is calculated by dividing incurred claims by exposure;
- incurred claims development, where incurred claims to date for each year are extrapolated based on observed development of earlier years; and
- expected ultimate loss ratios.

The Syndicate uses several statistical methods to incorporate the assumptions made to estimate the ultimate cost of claims. The Syndicate has not applied these methods mechanically. The final selections are not necessarily the result of a single method, and in some cases are selected using a weighted average of different methods. In 2023, inflationary impacts were continued to be over and above experience seen in historic data for damage and injury claims. An excess inflation approach was undertaken, where an uplift was applied based on internal and external data based on second hand parts/car prices on damage claims and case estimates uplift based on rising care costs for large injury claims. The assumptions underlying the ultimate costs were compared to actual claims experience and included in projection models.

The estimation of the ultimate cost of bodily injury claims is a complex process that cannot be done performed using conventional actuarial techniques alone. The cost of bodily injury claims especially for the more serious injuries often involves a legal process where compensation awards are made by the courts. The outcomes in these cases are hard to predict as case law evolves. The process is further complicated by the imposition of periodic payment order ("PPO") settlements by the court or requested by the claimant. PPO settlements have an annuity-type structure, typically paid annually over the claimant's life span. PPO liabilities are analysed separately. For each claim that has settled as a PPO, the future costs are projected based on a medical expert's assessment of life expectancy, adjusted for wage inflation and investment return. The wage inflation assumption is 3.0% (2022: 3.0%) based on publicly available information, such as the Annual Survey of Hours and Earning by the Office for National Statistics. The investment assumption is 3.0% (2022: 3.0%) based on the current yields to maturity of appropriately matched assets held in the investment portfolio.

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 Reserving Committee and at the Audit Committee, 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 at 31 December and present a Statement of Actuarial Opinion ("SAO") against which the Syndicate's booked reserves are assessed.

(ii) Premium earning pattern

The Syndicate recognises written premium on an earned basis, this being the portion of written premium, including, where relevant, those of prior accounting periods, attributable to the risks borne by the Syndicate during the accounting period. Premium is earned on a pro-rata basis across the period the policy is exposed to risk. The carrying value amount of the unearned premium is disclosed in note 13.

5. Risk management

The Syndicate's overall appetite for accepting and managing varying classes of risk is defined by the Managing Agent's Board ("Board"). The Board has developed a governance framework and has set risk management policies and procedures which include risk identification, risk assessment, risk response, risk monitoring, 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 Managing Agent's 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 Managing Agent's Audit Committee ("AC") and the Board. The Risk Management Function ("RMF") under the stewardship of the Chief Risk Officer ("CRO"), coordinates the risk management policies and procedures and supports the Board and the RCC. The Executive Committee operate regular oversight of the RMF activities and outcomes.

The Board risk appetites and tolerances consider the risk capacity, Solvency II adequacy, prevailing regulatory and legislative adherence, and the fair treatment and protection of customer and stakeholder interests. Risk metrics and measures of the business are monitored against the risk appetites reported to the RCC and Board quarterly.

The Board is ultimately responsible for ensuring that the RMF is in place and adhered to. Responsibilities are then delegated through the Three Lines of Defence Model across IQUW, summarised as follows:

- Line 1: Business units operating within a framework of internal controls underpinned by policies, procedures, and senior management oversight with direct responsibility for risk management and controls;
- Line 2: Risk Management and Compliance functions ensure that the RMF is effective, and that the Syndicate operates within its legal and regulatory boundaries. Employees in Line 2 coordinate, facilitate and oversee the effectiveness and integrity of the RMF. As a key input to decision making, the RMF focusses on assuring the Board that the risk profile is in line with expectations, escalating all material risk and capital issues to the Board, and providing input to, challenge and oversight of Line 1 decision making; and
- Line 3: Internal Audit provides independent assurance to the Board via the Audit Committee as to the effectiveness of the internal control environment. Employees in Line 3 provide independent assurance and challenge across all business functions in respect of the integrity and effectiveness of the RMF.

The Syndicate's cash flows are funded mainly through advance premium collections and the timing of such premium inflows is reasonably predictable.

In addition, most material cash outflows are typically triggered by the occurrence of insured events non-correlated to financial markets, and not by the inclination or will of policyholders.

The principal sources of risk relevant to the Syndicate fall into four broad categories: Insurance Risk, Financial Risk, Operational Risk, and Strategic Risk.

Insurance risk

The predominant risk to which the Syndicate is exposed is insurance risk, which is assumed through the underwriting process. Insurance risk is defined as the risk of fluctuations in the frequency, severity and timing of insured events and claims settlements relative to expectation. Insurance risk can be subcategorised into: (a) underwriting risk including the risk of catastrophe and systemic insurance losses, and the insurance cycle and competition; and (b) reserving risk.

(i) Underwriting risk

Underwriting risk is defined as the risk that insurance premium will not be sufficient to cover future insurance claims and associated expenses. Underwriting risk also encompasses people, process and system risks directly related to underwriting.

The Board sets the Syndicate's underwriting strategy and risk appetite, seeking to benefit from identified opportunities considering other relevant anticipated market conditions.

The Syndicate aims to manage underwriting risk:

- to achieve acceptable profits and return on equity by ensuring that insurance risks are carefully selected in accordance with the underwriting strategy and risk appetite tolerances, underwritten in accordance with risk strategy and priced to reflect the underlying risk; and
- to mitigate insurance risk using optimal reinsurance arrangements.

(i)(a) Underwriting strategy

The Syndicate provides specialist motor insurance to personal and commercial customers, principally in the United Kingdom. The offering focusses on drivers whose needs are different or more intricate, and who have a passion for their vehicle or depend upon it for their livelihood. Target markets include agricultural, commercial, larger commercial fleets, private collections, enthusiast and classic cars, non-standard retail, and vehicle breakdown risks. The underwriting strategy aims to write for profit rather than volumes.

The objective is for underwritten risks to be diversified in terms of type and amount of risk, industry/ demographic profiles and geography, and to contain only risks which meet the approved underwriting criteria. The underwriting strategy is focused on a sophisticated data driven approach to pricing and underwriting. Adherence to the business plan and the pricing of products is reviewed on a regular basis.

Specific underwriting objectives are prepared and reviewed by the Managing Agent's management to translate the underwriting strategy into specific measurable actions and targets. These are reviewed and approved in advance of the underwriting year. Performance against these actions and targets is monitored continually and reported quarterly to the Board.

The Syndicate's underwriters and the Managing Agent's management consider underwriting risk at an individual contract level for material policies and from a portfolio perspective where the risks assumed in similar classes of policies are aggregated and the exposure evaluated considering historical portfolio experience and prospective factors.

Policies are predominantly annual contracts, giving the opportunity to reprice based on latest account experience and external conditions as well as individual risk performance. Unlike many other insurance classes, motor pricing is very closely linked to the individual risk. Experience has shown that the underwriting of many uncorrelated individual risks reduces the variability of the expected outcome. The Syndicate's underwriting strategy seeks to accept a large population of individual risks within each product class to limit the variability of expected outcomes.

The delegation of underwriting authority to specific individuals is subject to regular review. All underwriting staff are set strict parameters in relation to the levels and types of business they can underwrite, based on individual levels of experience and competence.

(i)(b) Claims management

Liabilities arising from motor insurance contracts cover both property and liability indemnities. The overriding objective of claims handling is to ensure all claims are properly scrutinised and paid where they are valid. The scrutiny of claims is facilitated by using various technical aids, such as weather validation and fraud databases, and by using claims specialists.

(i)(c) Reinsurance arrangements

The Syndicate mitigates underwriting risk by purchasing reinsurance. Reinsurance protection, such as excess of loss ("XoL") cover, is purchased to mitigate the effect of individual large losses, especially injury awards where the cost of care required can be significant, and of catastrophes or unexpected concentrations of risk.

The Syndicate purchases motor XoL reinsurance contracts to reduce the impact of individual large claims and the accumulation of claims from a single event. The XoL cover which has been purchased limits the claims arising from any one event up to £1.0m for policies incepting since 2020 onwards.

All purchases of reinsurance are approved, in advance, by the Managing Agent's Board.

Although the Syndicate has reinsurance arrangements in place to reduce its insurance risk, these arrangements do not relieve it of its ultimate liability to policyholders and as such, the Syndicate is exposed to credit risk to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements. The Syndicate's exposure to this credit risk is discussed in note 5(iii).

(ii) 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 4(i).

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.

The Syndicate's estimates are subject to regular and rigorous review by senior management from all areas of the business including independent actuaries. The final provision is approved by the Managing Agent's Board.

Booked reserves include a net margin of £9.0m (2022: £9.0m). This is the margin above the best estimate to mitigate the uncertainty within the reserve estimates. As the best estimate matures and becomes more certain, the management margin is gradually released in line with the reserving policy.

(ii)(a) Sources of uncertainty in the estimation of future claim payments

Claims on motor insurance contracts are payable on a loss-occurrence basis. The Syndicate is liable for all insured events that occur during the term of the contract, even if the loss is reported after the end of the contract term. Policyholders will tend to report a claim relatively soon after a road traffic accident, but it may take longer for claims from third parties to be reported. An element of the claims provision therefore relates to claims which are incurred but not reported ("IBNR"). The Syndicate pays on these contracts the monetary awards agreed or awarded for property damage and bodily injury suffered by third parties involved in road traffic accidents with our policyholders, as well as any property damage suffered by our policyholders (in line with the Road Traffic Act 1988). Bodily injury awards are typically settled over a longer period than property damage claims. Such bodily injury awards cover compensation for temporary or permanent disability together with the lost earnings and rehabilitation expenses that the injured party suffers because of the accident. Recurring annual payments are indexed in line with inflation, to cover the costs of care until the end of the claimant's life.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of any expected subrogation and/or salvage value and other recoveries. All reasonable steps are taken to ensure that appropriate information regarding claims exposures is available. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. The liability for these contracts comprises a provision for IBNR, a provision for reported claims not yet paid, and a provision for unexpired risks at the end of the reporting period. The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified. In estimating the liability of the cost of reported claims not yet paid, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods is considered. Large claims are assessed on a case-by-case basis and projected separately to allow for the possible distortive effect of the development and incidence on the rest of the portfolio. Consideration is given to the operational and systems changes that occur within the business, which would distort the information of how claims have developed and settled across different periods of time.

Where possible, multiple statistical methods are used to estimate the required level of claims provisions. This provides a greater understanding of the trends inherent in the claims experience being projected. The claims projections deriving from the various methodologies also assist in estimating the range of possible outcomes. The most appropriate estimation method is selected considering the characteristics of the risk and the extent of the development each year.

The following key areas of uncertainties have been identified:

- global supply chain pressures: there remains a risk to the supply chain for car manufacturers and car parts suppliers, which has exacerbated claims inflation for damage claims in relation to parts, labour and credit hire. Also, third party injury claims are impacted by increasing care costs due to a severe lack of supply availability to meet demand. Other external factors could continue to increase claim severities, such as exchange rates and availability of core resources;
- Ogden discount rate: this is set by the British government and prescribes the discount rate to be applied in the calculation of bodily injury claims. It was last reviewed in 2019 for England and Wales, being increased from -0.75% to -0.25%, decreasing the lump sum payments paid by insurance companies to injury claimants. The rate is now under review for conclusion by January 2025 at the latest. The average time taken to settle a large injury claim means that the majority of the large claims open at 31 December 2023 will be settled on a future discount rate; and
- propensities for PPOs: While theoretically the propensity for PPO payments could vary based upon the Ogden discount rate with claimants likely to favour lump sum settlements when negative discount rates apply, the claimant's individual circumstances appear to be the predominant driver of the likelihood of a PPO.

The calculation of claims provisions is performed internally on a best estimate basis, meaning that the provisions are intended to represent the probability-weighted average of all possible payment outcomes, and a net margin of £9.0m (2022: £9.0m) is added to help mitigate the uncertainty within the reserve estimates. Independent calculations are performed by an external actuary, who also provides the

Lloyd's Statement of Actuarial Opinion ("SAO"). The booked net claims reserves for business earned at 31 December 2023 exceeds the external actuary's SAO valuation by £14.7m (2022: £16.0m).

(ii)(b) Development of claims provision

Historical claims development information is disclosed to illustrate the uncertainty inherent in the estimation of future claims payments. The tables below show the estimated ultimate cumulative claims, being incurred claims plus IBNR and claims handling costs, for each successive underwriting year at each balance sheet date.

The Syndicate seeks to set robust reserves and to minimise volatility in those reserves over time to mitigate the risk that reserves will be insufficient to meet future claims payments and related expenses. The tables below show the development of the estimated ultimate claims costs over an extended period to provide an illustration of the Syndicate's ability to accurately estimate the ultimate level of claims.

While the information in the tables below provides a historical perspective on the adequacy of unpaid claims estimates established in previous years, readers of these financial statements are cautioned against extrapolating past redundancies or deficiencies to current unpaid loss provisions. The Managing Agent management believes the booked reserves are adequate at the balance sheet date.

(ii)(c) Analysis of claims development – gross of reinsurance

Underwriting year	2013 & prior £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
At end of reporting year	4,918.4	131.7	133.0	160.0	147.9	113.1	132.3	118.1	139.7	144.3	146.5	6,285.0
One year later	5,059.0	277.6	309.2	358.4	250.1	232.1	234.8	242.6	254.8	280.1		7,498.7
Two years later	5,043.7	304.5	311.4	352.0	224.3	230.6	227.3	215.9	232.7			7,142.4
Three years later	5,105.7	296.2	288.0	335.5	224.1	214.6	231.9	203.7				6,899.7
Four years later	5,069.9	268.1	291.9	325.3	239.5	216.1	224.2					6,635.0
Five years later	5,011.7	264.0	294.2	320.7	235.4	208.0						6,334.0
Six years later	5,025.4	254.8	280.8	324.0	221.1							6,106.1
Seven years later	5,019.6	256.3	283.4	318.4								5,877.7
Eight years later	5,019.5	257.0	279.7									5,556.2
Nine years later	5,023.7	263.6										5,287.3
Ten years or more later	5,029.6											5,029.6
Current estimate of cumulative claims	5,029.6	263.6	279.7	318.4	221.1	208.0	224.2	203.7	232.7	280.1	146.5	7,407.6
Cumulative payments to date	4,951.5	246.2	265.7	296.2	207.1	191.1	173.4	128.5	124.5	132.8	41.3	6,758.3
Total gross provision included in the balance sheet	78.1	17.4	14.0	22.2	14.0	16.9	50.8	75.2	108.2	147.3	105.2	649.3

(ii)(d) Analysis of claims development – net of reinsurance

Underwriting year	2013 & prior £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
Estimate of ultimate net claims costs*:												
At end of reporting year	4,403.9	126.5	125.0	140.4	110.3	83.7	90.5	63.8	96.7	116.4	130.9	5,488.1
One year later	4,509.8	250.5	275.4	269.4	203.4	182.8	176.3	146.2	190.8	240.1		6,444.7
Two years later	4,452.8	248.0	262.3	280.6	203.9	191.8	180.0	137.0	184.9			6,141.3
Three years later	4,437.2	246.9	260.8	277.8	206.5	188.0	174.6	132.6				5,924.4
Four years later	4,445.8	243.8	264.2	276.4	207.2	190.4	170.4					5,798.2
Five years later	4,446.0	247.0	265.1	274.9	203.6	183.6						5,620.2
Six years later	4,448.6	247.3	263.0	272.5	199.0							5,430.4
Seven years later	4,453.0	246.5	262.6	269.6								5,231.7
Eight years later	4,452.5	246.7	261.5									4,960.7
Nine years later	4,448.7	247.1										4,695.8
Ten years or more later	4,450.4											4,450.4
Current estimate of cumulative claims	4,450.4	247.1	261.5	269.6	199.0	183.6	170.4	132.6	184.9	240.1	130.9	6,470.1
Cumulative payments to date	4,430.4	241.5	252.1	262.7	191.9	170.8	136.2	104.3	124.4	132.7	41.6	6,088.6
Total net provision included in the balance sheet	20.0	5.6	9.4	6.9	7.1	12.8	34.2	28.3	60.5	107.4	89.3	381.5

* The initial estimate of gross and net provision at the end of the reporting year is on an earned basis.

The Syndicate has taken advantage of the exemption in FRS 103 paragraph 6.3 not to disclose information about claims development that occurred before the beginning of the earliest period for which the managing agent presents full comparative information that complies with FRS 103.

(ii)(a) Sensitivity analysis of reserve estimates

Assumptions about future developments, outcomes or events underpin the setting of the Syndicate's booked reserves. The sources of estimation uncertainty are discussed in note 5(ii)(a). Sensitivity analysis of the key assumptions provides an illustration of the inherent uncertainty in the reserves as shown below.

The expected loss ratio is the ratio of expected claims to premium:

- Ogden discount rate change – A 0.5 percentage point decrease from -0.25% to -0.75% in the Ogden discount rate would result in a £3.0m increase in the net reserves. A 1.0. percentage point increase from -0.25% to +0.5% in the Ogden discount rate would result in a £4.3m decrease in the net reserves. Note there is uncertainty over the reporting, timing, and claimant behaviour of large loss settlements prior to the rate review;
- propensity for PPOs – A 5 percentage point decrease/increase in the propensity for claims to settle as a PPO would result in a £0.5m decrease/increase to the net reserves;
- inflation in future care costs – A 1 percentage point decrease/increase in long term rate of wage inflation underlying PPO claims would result in a £1.7m decrease/increase to the net reserves;

- inflation in repair costs – A 5 percentage point decrease/increase in property damage severity would result in a £3.5m decrease/increase to the net reserves;
- current underwriting year loss ratio – A 1 percentage reduction/improvement in the loss ratio for the current underwriting year would result in a +/-£3.5m decrease/increase to the net reserves; and
- previous two underwriting years' loss ratios – A 1 percentage reduction/improvement in the loss ratios for each of the last two underwriting years would result in a +/-£6.0m decrease/increase to net reserves.

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.

(iii) Credit risk

Credit risk is the risk of loss arising from the failure of a counterparty to fulfil its payment obligations, including failing to perform them in a timely manner. The primary sources of credit risk for the Syndicate are:

- brokers and intermediaries – The risk of delayed payment or inability to settle outstanding funds owed to the business by all counterparties;
- reinsurers – The risk that reinsurance counterparties fail to meet their financial obligations to the business; and
- investments – The risk of an issuer default which 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's 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.

(iii)(a) Investment

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 only 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.

(iii)(b) Analysis of counterparty credit risk

An analysis of the Syndicate's major exposures to counterparty credit risk for impacted assets that are not impaired, based on S&P or equivalent rating at 31 December, is presented in the table below:

At 31 December 2023	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Asset classes not subject to rating £000	Total £000
Financial investments	51,235	44,382	180,284	92,584	40,993	14,388	423,866
Insurance debtors	40,456	2,853	4,646	7,294	16,500	922	72,671
Reinsurance debtors	4,183	2,605	3,529	754	1,706	171	12,948
Reinsurers' share of claims outstanding	–	85,427	177,742	–	–	4,687	267,856
Cash at bank and in hand	3,967	944	37,939	–	–	4,458	47,308
Overseas deposits	2	143	–	–	–	–	145
Total	99,843	136,354	404,140	100,632	59,199	24,626	824,794

At 31 December 2022	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Asset classes not subject to rating £000	Total £000
Financial investments	53,869	163,679	106,525	60,505	25,721	12,976	423,275
Insurance debtors	33,378	1,507	5,956	7,475	14,018	302	62,636
Reinsurance debtors	3,466	2,149	3,366	776	1,456	672	11,885
Reinsurers' share of claims outstanding	–	91,384	205,845	–	–	622	297,851
Cash at bank and in hand	–	439	36,373	–	–	–	225
Overseas deposits	5	2	217	1	–	957	37,769
Total	90,718	259,160	358,282	68,757	41,195	15,529	833,641

Financial investments rated <BBB include £40.9m (2022: £25.7m) of investments in the Octagon Senior Secured Credit Fund.The fund seeks to generate high current income consistent with capital preservation and low duration by investing primarily in broadly syndicated floating rate US bank loans.

The tables below provide an analysis of the maximum credit risk exposure to these assets, together with the extent to which they are due, past due and impaired.

An assessment is performed on all assets, based on the ageing maturity of these assets, which may result in an impairment charge in the statement of comprehensive income if the Syndicate considers this to be appropriate.

		Financial assets that are past due but not impaired					
2023	**Neither due nor impaired £000**	**Up to 3 months £000**	**3 to 6 months £000**	**6 months to 1 year £000**	**Greater than 1 year £000**	**Past due and impaired £000**	**Total £000**
Financial investments	**423,866**	**–**	**–**	**–**	**–**	**–**	**423,866**
Cash at bank and in hand	**47,308**	**–**	**–**	**–**	**–**	**–**	**47,308**
Overseas deposits	**145**	**–**	**–**	**–**	**–**	**–**	**145**
Insurance debtors	**61,528**	**10,724**	**940**	**277**	**309**	**(1,107)**	**72,671**
Reinsurance debtors	**12,789**	**–**	**–**	**–**	**222**	**(63)**	**12,948**
Reinsurers' share of claims outstanding	**268,983**	**–**	**–**	**–**	**–**	**(1,127)**	**267,856**
Other debtors	**119,778**	**–**	**–**	**–**	**–**	**–**	**119,778**
Total	**934,397**	**10,724**	**940**	**277**	**531**	**(2,297)**	**944,572**

		Financial assets that are past due but not impaired					
2022	Neither due nor impaired £000	Up to 3 months £000	3 to 6 months £000	6 months to 1 year £000	Greater than 1 year £000	Past due and impaired £000	Total £000
Financial investments	423,275	–	–	–	–	–	423,275
Cash at bank and in hand	37,769	–	–	–	–	–	37,769
Overseas deposits	225	–	–	–	–	–	225
Insurance debtors	49,592	12,267	630	349	474	(676)	62,636
Reinsurance debtors	11,305	–	3	239	362	(24)	11,885
Reinsurers' share of claims outstanding	299,136	–	–	–	–	(1,285)	297,851
Other debtors	99,895	–	–	–	–	–	99,895
Total	921,197	12,267	633	588	836	(1,985)	933,536

(iv) Market risk

Market risk is the risk of a variation in the value of financial institution deposits and financial investments, relative to the variation in the value of liabilities due to market movements. Market risk arises where the value of assets less liabilities changes because of movements in foreign exchange rates, interest rates, inflation rates and/or market prices.

The Syndicate engages external investment managers to actively manage the market risk associated with financial investments. Detailed guidelines imposed on the investment managers are in place and the IQUW SML Board and its investment committee regularly monitor performance and risk metrics.

(iv)(a) Foreign currency risk

The Syndicate is exposed to changes in the value of assets and liabilities due to movements in foreign exchange rates. The Syndicate deals in five main currencies, UK pounds sterling (GBP), Canadian dollars (CAD), Euros (EUR), Australian dollars (AUD) and US dollars (USD). Transactions in all other currencies are converted to UK pounds sterling on initial recognition.

Although over 97% of the insurance premium is GBP-denominated, the Syndicate has some exposure to non-GBP denominated insurance claims from its legacy run-off portfolios. The foreign exchange rate exposure is closely monitored from a liquidity and asset-liability matching standpoint.

The investment managers invest part of the GBP-denominated premium trust fund in non-GBP denominated investments which are fully hedged back to GBP using derivatives, thereby mitigating the foreign exchange rate risk.

The following table summarises the carrying value of total assets and total liabilities categorised by currency:

At 31 December 2023	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Other £000	Total £000
Financial investments	**423,866**	**-**	**-**	**-**	**-**	**-**	**423,866**
Cash in hand and at bank	**45,485**	**311**	**862**	**650**	**-**	**-**	**47,308**
Overseas deposits	**-**	**-**	**-**	**145**	**-**	**-**	**145**
Insurance and Reinsurance receivables	**77,055**	**-**	**7,095**	**12**	**1,457**	**-**	**85,619**
Reinsurers' share of technical provisions	**302,600**	**-**	**-**	**97**	**-**	**-**	**302,697**
Other Assets	**84,209**	**-**	**665**	**-**	**63**	**-**	**84,937**
Total assets	**933,215**	**311**	**8,622**	**904**	**1,520**	**-**	**944,572**
Technical provisions	**(860,231)**	**(35)**	**(866)**	**(100)**	**(279)**	**-**	**(861,511)**
Insurance and Reinsurance payables	**(57,544)**	**-**	**(1,239)**	**-**	**(472)**	**-**	**(59,255)**
Other creditors	**(47,031)**	**-**	**-**	**-**	**-**	**-**	**(47,031)**
Total liabilities	**(964,806)**	**(35)**	**(2,105)**	**(100)**	**(751)**	**-**	**(967,797)**
Currency Adjustments	**-**	**-**	**-**	**-**	**-**	**-**	**-**
Members' balances by currency	**31,591**	**(276)**	**(6,517)**	**(804)**	**(769)**	**-**	**23,225**

At 31 December 2022	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Other £000	Total £000
Financial investments	422,840	–	–	435	–	–	423,275
Cash in hand and at bank	36,201	323	1,111	134	–	–	37,769
Overseas deposits	–	–	–	225	–	–	225
Insurance and Reinsurance receivables	67,971	–	5,949	8	593	–	74,521
Reinsurers' share of technical provisions	319,537	(77)	–	51	–	–	319,511
Other Assets	77,918	–	317	–	–	–	78,235
Total assets	924,467	246	7,377	853	593	–	933,536
Technical provisions	(850,258)	(42)	(6)	(52)	(70)	–	(850,428)
Insurance and Reinsurance payables	(32,354)	–	(423)	–	–	–	(32,777)
Other creditors	(47,012)	–	–	–	–	–	(47,012)
Total liabilities	(929,624)	(42)	(429)	(52)	(70)	–	(930,217)
Currency Adjustments	–	–	–	–	–	–	–
Members' balances by currency	5,157	(204)	(6,948)	(801)	(523)	–	(3,319)

(iv)(b) Interest rate risk

Most of the Syndicate's investments comprise debt securities and other fixed income securities. The fair value of these securities is normally inversely correlated to interest rate movements. If interest rates fall, the fair value of the Syndicate's securities would tend to rise and vice versa if credit spreads remain constant.

Fixed income assets are predominantly invested in high quality corporate, government, supranational and asset backed securities. The investments typically have relatively short durations and terms to maturity.

The fair values of the Syndicate's debt and fixed income securities are stated in note 11.

(iv)(c) Sensitivity analysis on market risk

The sensitivity analysis for interest rate risk and market price risk in the table below illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates or market prices at the reporting date.

	2023 increase/ (decrease) on profit and net assets £000	2022 increase/ (decrease) on profit and net assets £000
Interest rate risk		
50 basis points increase in yield curve	**(2,542)**	(2,993)
50 basis points decrease in yield curve	**2,543**	3,038
100 basis points increase in yield curve	**(5,085)**	(6,062)
100 basis points decrease in yield curve	**5,086**	6,064
Price risk		
5% increase in stock market prices	**709**	581
5% decrease in stock market prices	**(709)**	(581)

With the exception of PPO's, insurance contract liabilities are not directly sensitive to the level of market interest rates as they are undiscounted and contractually non-interest bearing.

(v) Liquidity risk

Liquidity risk arises where cash may not be available at a reasonable cost to pay obligations when due . The Syndicate is exposed to daily cash outflows on its available cash resources, mostly for the settlement of claims arising from insurance contracts. Limits on the minimum level of cash and maturing funds available to meet such outflows are set to cover unexpected levels of claims and other cash demands. A sizeable proportion of the Syndicate's investments is in highly liquid assets that can be converted to cash at short notice without any significant capital loss or material expense. These funds are monitored by management daily.

At 31 December 2023	**No stated maturity £000**	**0-1 year £000**	**1-3 years £000**	**3-5 years £000**	**> 5 years £000**	**Total £000**
Gross claims outstanding	**-**	**(166,383)**	**(171,268)**	**(81,238)**	**(230,364)**	**(649,253)**
Insurance creditors	**-**	**(3,077)**	**-**	**-**	**-**	**(3,077)**
Reinsurance creditors	**-**	**(56,178)**	**-**	**-**	**-**	**(56,178)**
Other creditors	**-**	**(39,959)**	**-**	**-**	**-**	**(39,959)**
Accruals and deferred income	**-**	**(7,071)**	**-**	**-**	**-**	**(7,071)**
Total	**-**	**(272,668)**	**(171,268)**	**(81,238)**	**(230,364)**	**(755,538)**

At 31 December 2022	No stated maturity £000	0-1 year £000	1-3 years £000	3-5 years £000	> 5 years £000	Total £000
Gross claims outstanding	–	(175,044)	(186,618)	(78,990)	(226,983)	(667,635)
Insurance creditors	–	(3,603)	–	–	–	(3,603)
Reinsurance creditors	–	(29,174)	–	–	–	(29,174)
Other creditors	–	(38,608)	–	–	–	(38,608)
Accruals and deferred income	–	(8,404)	–	–	–	(8,404)
Total	–	(254,833)	(186,618)	(78,990)	(226,983)	(747,424)

(vi) Climate change risk

The Syndicate's underwriting performance is not materially exposed to the physical risk of climate change. The frequency or severity of road traffic accidents or other motor insurance loss events are not likely to be impacted by a rise in global temperatures, although poor weather may lead to more hazardous driving conditions.

(vii) Operational risk (including legal and regulatory risk)

Operational risk is the risk of loss from people, processes or systems, or external events with origins outside the scope of other risk categories. IQUW actively monitors and controls its operational risks. Examples of key operational risks for the Syndicate include IT performance and stability, cyber security, data integrity and the delivery of major projects.

Regulatory risk is the failure to identify or advise the business of legal and regulatory requirements and to ensure appropriate implementation and adherence. Given the nature and size of the Syndicate's customer base, a key area of focus for the Compliance function during 2023 was the implementation of the FCA's rules on Consumer Duty, which were delivered within the required timelines.

(viii) Strategic risk

The risk of a change in value due to the inability to implement appropriate business plans and strategies, make decisions, allocate resources, or adapt to changes in the business environment. Examples of key strategic risks for the Syndicate include reputation, strategic selection and execution, culture, and capital management risk.

(ix) Capital management risk

The Syndicate's objectives, policies, and processes for managing capital are disclosed in the Report of the Managing Agent.

6. Segmental analysis

All premium was received in the UK and their geographical destination was largely the UK.

For the year ended 31 December 2023	**Gross written premium £000**	**Gross premium earned £000**	**Gross claims incurred £000**	**Gross operating expenses £000**	**Reinsurance balance £000**	**Total £000**
Direct insurance						
Accident and health	**–**	**–**	**(82)**	**–**	**–**	**(82)**
Motor (other classes)	**393,912**	**373,432**	**(222,947)**	**(107,714)**	**(59,102)**	**(16,331)**
Fire and other damage to property	**–**	**–**	**(11)**	**–**	**(7)**	**(18)**
Other	**4,939**	**4,591**	**(4,049)**	**(1,854)**	**(89)**	**(1,401)**
	398,851	**378,023**	**(227,089)**	**(109,568)**	**(59,198)**	**(17,832)**
Reinsurance accepted	**13,717**	**5,080**	**(6,220)**	**–**	**1,543**	**403**
Total	**412,568**	**383,103**	**(233,309)**	**(109,568)**	**(57,655)**	**(17,429)**
Investment return						**25,887**
Technical account balance						**8,458**

For the year ended 31 December 2022	Gross written premium £000	Gross premium earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance						
Accident and health	–	–	118	–	8	126
Motor (other classes)	347,315	326,139	(250,231)	(94,911)	16,247	(2,756)
Fire and other damage to property	–	–	129	131	(57)	203
Other	4,152	3,884	(2,876)	(1,650)	23	(619)
	351,467	330,023	(252,860)	(96,430)	16,221	(3,046)
Reinsurance accepted	7,929	4,676	(3,779)	–	(574)	323
Total	359,396	334,699	(256,639)	(96,430)	15,647	(2,723)
Investment return						(5,793)
Technical account balance						(8,516)

Premium and claims reported under reinsurance accepted relate to inwards reinsurance business which commenced in 2021.

7. Investment return

All the Syndicate's investments are recognised at fair value through the profit and loss.

	2023 £000	2022 £000
Investment income		
Income from financial assets at fair value through profit and loss	**14,665**	9,878
Net losses on realisation of investments	**(1,895)**	(4,365)
	12,770	5,513
Unrealised gains/(losses) on investments	**13,826**	(10,830)
Investment expenses and charges	**(709)**	(476)
Total investment return	**25,887**	(5,793)

8. Net operating expenses

	2023 £000	2022 £000
Gross		
Acquisition costs – commission expenses	**49,290**	42,273
Acquisition costs – operating expenses	**23,547**	22,057
Change in deferred acquisition cost	**(4,267)**	(2,995)
Administrative expenses	**29,958**	24,749
Lloyd's personal expenses and other charges	**11,040**	10,347
	109,568	96,431
Reinsurers' share		
Acquisition costs – commission expenses	**16**	(357)
Change in deferred acquisition costs – commission expenses	**–**	1,467
	16	1,110
Total	**109,584**	97,541

9. Auditors' remuneration

During the year, the Syndicate obtained the following services from the Syndicate's auditors and its associated costs (exclusive of VAT) are detailed below:

	2023 £000	2022 £000
Auditors' remuneration		
Fees payable to the auditors for the audit of the syndicate's annual accounts and Lloyd's returns	**551**	445
Fees payable to the auditors for other services pursuant to legislation	**27**	85
Total	**578**	530

10. Staff Costs

All Syndicate staff are employed by IQUW ASL. The following salary related costs were charged to the Syndicate:

	2023 £000	2022 £000
Wages and salaries	**24,019**	22,507
Social security costs	**3,070**	2,570
Other pension costs	**1,772**	1,591
Other	**3,538**	1,087
Total	**32,399**	27,755

The average number of staff employed by IQUW ASL to work for the Syndicate was:

	2023	2022
Underwriting	**265**	251
Claims	**193**	184
Administration	**99**	112
Total	**557**	547

The following emoluments of the Managing Agent's executive directors were charged to the Syndicate:

	2023 £000	2022 £000
Aggregate emoluments	**1,347**	783
Pension contributions	**30**	44
Total	**1,377**	827

Emoluments of the highest paid the Managing Agent's executive director charged to the Syndicate were:

The following emoluments of the Active Underwriter were charged to the Syndicate:

	2023 £000	2022 £000
Aggregate emoluments	**493**	357
Total	**493**	357

Key management includes directors and senior management. The following emoluments were charged to the Syndicate:

	2023 £000	2022 £000
Aggregate emoluments	**1,881**	1,237
Pension contributions	**44**	46
Total	**1,925**	1,283

11. Other financial investments

All financial instruments are designated at fair value through profit or loss on initial recognition.

	2023		2022	
	Fair Value £000	Cost £000	Fair Value £000	Cost £000
Designated at fair value through profit or loss				
Shares, other variable yield securities and units in unit trusts	**46,594**	**44,224**	31,095	31,624
Debt securities and other fixed income securities	**377,272**	**374,103**	391,745	403,713
Participation in investment pools	**-**	**-**	435	441
Overseas deposits as investments	**143**	**143**	217	217
Total	**424,009**	**418,470**	423,492	435,995

All financial investments in the current and prior financial year were carried at fair value through profit or loss. No financial assets in the current or prior financial year were classified as 'held for trading' under FRS 102.

Fair value hierarchy

The Syndicate has classified its financial investments using the fair value hierarchy in accordance with the FRS 102 amendments to "Fair value hierarchy disclosures" issued by the Financial Reporting Council on 8 March 2016.

The fair value hierarchy classifies financial instruments into Levels 1 through 3 based on the significance of the inputs used in measuring their fair value with Level 1 being the most reliable. The classifications within the fair value hierarchy are defined as follows:

- Level 1 – Quoted price for an identical asset in an active market. This includes securities and financial investments that are priced based on unadjusted quoted prices in an active market for identical assets that can be accessed at the measurement date;
- Level 2 – Price of a recent transaction for an identical asset and valuation technique using observable market data. This includes securities and financial investments that are priced using valuation techniques based on direct or indirect observable market data, including market prices from recognised exchanges, broker-dealers, recognised indices, or pricing vendors; and
- Level 3 – Valuation technique using unobservable market data. This includes securities which are not actively traded, the pricing service uses common market valuation pricing models. Observable inputs used in common market valuation pricing models including, but are not limited to, broker quotes, credit ratings, interest rates, and yield curves, prepayment speeds, default rates, and other such inputs which are available from market sources.

At 31 December 2023	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares, other variable yield securities and units in unit trusts	**–**	**–**	**46,594**	**46,594**
Debt securities and other fixed income securities	**13,090**	**364,182**	**–**	**377,272**
Participation in investment pools	**–**	**–**	**–**	**–**
Overseas deposits	**–**	**143**	**2**	**145**
Total	**13,090**	**364,325**	**46,596**	**424,011**

At 31 December 2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares, other variable yield securities and units in unit trusts	–	–	31,095	31,095
Debt securities and other fixed income securities	11,622	380,123	–	391,745
Participation in investment pools	–	435	–	435
Overseas deposits	–	225	–	225
Total	11,622	380,783	31,095	423,500

Shares, other variable yield securities in Level 3 above include £40.9m (2022: £25.7m) of investments in Octagon Senior Secured Credit Fund. Level 3 investments also consist of loans made to the Lloyd's Central Fund to which a fair value adjustment has been applied based on the Lloyds RT1 valuation model resulting in an impairment of £0.3m. The fund has been classed as an equity instrument as it is not tradeable and the repayment of the loan, and payment of interest thereon are at the discretion of the Corporation of Lloyd's.

Overseas deposits comprise of other financial investments of £0.1m (2022: £0.2m), and cash and cash equivalents of £2k (2022: £8k).

12. Other (charges)/income, including value adjustments

	2023 £000	2022 £000
Foreign exchange (loss)/gain	**(94)**	601
Total	**(94)**	601

13. Technical provisions

	2023		2022	
	Gross technical provisions £000	**Reinsurers' share of technical provisions £000**	Gross technical provisions £000	Reinsurers' share of technical provisions £000
Provision for unearned premium				
Balance at 1 January	**182,793**	**(21,661)**	158,096	(19,454)
Change in unearned premium	**29,465**	**(13,180)**	24,697	(2,206)
Balance at 31 December	**212,258**	**(34,841)**	182,793	(21,660)
Claims outstanding				
Balance at 1 January	**667,635**	**(297,851)**	605,647	(374,200)
Claims paid	**(251,691)**	**24,583**	(194,650)	133,350
Claims incurred	**233,309**	**5,412**	256,638	(57,001)
Balance at 31 December	**649,253**	**(267,856)**	667,635	(297,851)
Claims outstanding				
Claims notified	**556,887**	**(214,188)**	570,882	(236,096)
Claims incurred but not reported	**92,366**	**(53,668)**	96,753	(61,755)
Balance at 31 December	**649,253**	**(267,856)**	667,635	(297,851)

14. Movement in calendar year as a provision for prior year's claims

	2023 £000	2022 £000
Net claims release	**12,240**	13,003
Risk margin reserve release	**5,022**	5,788
Loss adjustment expense reserve release	**5,196**	3,855
Total	**22,458**	22,646

15. Discounted claims

The claims relating to PPOs have been discounted at the following rate. The period that will elapse before claims are settled is determined using impaired mortality tables.

	Discount rate		**Mean of liabilities**	
	2023	2022	**2023**	2022
Motor	**3.0%**	3.0%	**20.4 years**	16.4 years

The effect of discounting credits on claims provisions is shown as follows:

	2023		2022	
	Gross £000	**Reinsurers' share £000**	Gross £000	Reinsurers' share £000
Claims provisions before discounting	**775,619**	**381,016**	794,426	412,446
Discounting credits	**(126,366)**	**(113,160)**	(126,791)	(114,595)
Claims provisions after discounting	**649,253**	**267,856**	667,635	297,851

16. Deferred acquisition costs

	2023 £000	2022 £000
Balance at 1 January	**31,584**	30,057
Change in deferred acquisition costs – gross	**4,267**	2,994
Change in deferred acquisition costs – reinsurers' share	**–**	(1,467)
Foreign exchange	**–**	–
Balance at 31 December	**35,851**	31,584

17. Debtors arising out of direct insurance operations

	2023 £000	2022 £000
Due within one year		
Intermediaries	**72,671**	62,636
Total	**72,671**	62,636

18. Other debtors

	2023 £000	2022 £000
Due within one year		
Related parties	**39,075**	37,647
Other	**–**	208
Total	**39,075**	37,855

19. Overseas deposits

Overseas deposits are amounts lodged as a condition of conducting underwriting business in certain countries. These comprise cash and cash equivalents.

20. Other prepayments and accrued income

	2023 £000	2022 £000
Prepaid administrative expenses	**5,826**	4,957
Prepaid Lloyd's personal expenses and other charges	**3,496**	3,441
Total	**9,322**	8,398

21. Creditors arising out of direct insurance operations

	2023 £000	2022 £000
Due within one year		
Intermediaries	**3,077**	3,603
Total	**3,077**	3,603

22. Other creditors including taxation and social security

	2023 £000	2022 £000
Due within one year		
Tax authorities	**15,136**	12,044
Related parties	**20,711**	17,795
Profit commission payable to managing agent	**4,112**	8,769
Total	**39,959**	38,608

23. Reconciliation of operating profit/(loss) to net cash flow from operating activities

	2023 £000	2022 £000
Profit/(loss) for the financial year	**8,364**	(7,915)
Increase in gross technical provisions	**11,083**	86,685
Decrease in reinsurers' share of technical provisions	**16,815**	74,143
Increase in debtors	**(16,033)**	(8,148)
Increase in creditors	**25,021**	27,146
Movements in other assets/liabilities	**6**	1,503
Investment return	**(25,887)**	5,793
Net cash inflow from operating activities	**19,369**	179,207

24. Related Parties

All related party transactions are at arm's length.

IQUW Corporate Member Limited ("IQUW CML")

IQUW CML is a wholly owned subsidiary of IQUW IGL through which IQUW UK conducts its underwriting business at Lloyd's. IQUW CML provides dedicated corporate capacity for the Syndicate as follows:

Year of account	Stamp participation £000
2024	380,628
2023	380,170
2022	376,972
2021	373,722

IQUW CML's share of the syndicate profit for the year is £6.6m. IQUW CML's share of the syndicate's 2021 closed year of account profit is £12.8m.

IQUW Syndicate Management Limited (The "Managing Agent")

The Managing Agent is a wholly owned subsidiary of IQUW IGL and acts as managing agent for the Syndicate. The Managing Agent charged the following managing fees to the Syndicate:

	Closing balance receivable/ (payable) £000	In-year expense/ (income) transactions £000
2023 calendar year	–	4,317
2022 calendar year	–	4,318

	Closing balance receivable/ (payable) £000	Cumulative expense/ (income) transactions £000
2021 closed year	–	4,319
2020 closed year	–	4,320

IQUW Administration Services Limited ("IQUW ASL")

IQUW ASL is a wholly owned subsidiary of IQUW IGL and provides services for all activities of IQUW Holdings Bermuda Limited. All expenses not paid directly by the Syndicate or by IQUW SSL are paid for by IQUW ASL and recharged accordingly. In accordance with the Managing Agent's current syndicate expense policy, which complies with the Lloyd's Code of Practice:

- Directly attributable expenses are recharged fully to the Syndicate; and
- non-directly attributable expenses are recharged to the Syndicate on an allocation basis across all other IQUW IGL group companies. These allocations are on an equitable basis, to ensure no gain or loss arises from these accounting treatments.

IQUW ASL recharged the following expenses to the Syndicate:

	Closing balance receivable/ (payable) £000	In-year expense/ (income) transactions £000
2023 calendar year	(1,114)	552
2022 calendar year	(562)	189

	Closing balance receivable/ (payable) £000	Cumulative expense/ (income) transactions £000
2021 closed year	(1,096)	365
2020 closed year	(729)	187

IQUW Syndicate Services Limited ("IQUW SSL")

IQUW SSL is a wholly owned subsidiary of the Managing Agent and acts as a service company for the Syndicate.

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

IQUW SSL recharged the following expenses to the Syndicate:

	Closing balance receivable/ (payable) £000	In-year expense/ (income) transactions £000
2023 calendar year	17,909	53,457
2022 calendar year	20,347	48,217

	Closing balance receivable/ (payable) £000	Cumulative expense/ (income) transactions £000
2021 closed year	26,573	48,267
2020 closed year	28,852	51,370

25. Syndicate structure

IQUW UK Insurance Group Limited ("IQUW IGL") is the immediate parent undertaking of the Managing Agent of the Syndicate.

The ultimate UK parent undertaking of the largest and smallest group of companies for which group accounts are drawn up is IQUW UK Limited ("IQUW UK"). Copies of IQUW UK's financial statements can be obtained from the Company Secretary at 30 Fenchurch St, London EC3M 3BD.

26. Post Balance Sheet Event

The closing underwriting year of 2021 was reinsured to close ("RITC") into the Syndicate on 1 January 2024.

Underwriting Accounts 2021 Closed Year of Account

Report of the managing agent

IQUW Syndicate Management Limited (the "Managing Agent"), the managing agent of Syndicate 218 ("the Syndicate") presents its report for the 2021 closed underwriting year of account as at 31 December 2023.

This report is prepared in accordance with Lloyd's regulations and the Syndicate Accounting Byelaw.

Review of the 2021 closed year of account

The 2021 account has closed with a profit of £16.4m after personal expenses representing a profit on underwriting capacity of 3.4%. The profit attributable to business reinsured into the 2021 year of account was £21.8m representing a profit on underwriting capacity of 4.5%. The pure 2021 underwriting year has generated a loss of £5.3m representing -1.1% of underwriting capacity.

Review of the business

This is available in the Report of the Managing Agent within the Annual Report and Accounts for the 2023 Financial Year.

Disclosure of information to the auditors

The directors of the Managing Agent who held office at the date of approval of the Report of the Managing Agent confirm that, so far as each of them is aware, there is no relevant audit information of which the syndicate's auditors are unaware, and each director has taken all steps that they ought to have taken as a director to make himself / herself aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information.

Syndicate auditors

The syndicate's auditors, PricewaterhouseCoopers LLP, are deemed reappointed under the provisions of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

By order of the Board:

Peter Bilsby
Director

6 March 2024

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the managing agent's report and the syndicate underwriting year accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the managing agent to prepare syndicate underwriting year accounts at 31 December, in respect of any underwriting year which is being closed by reinsurance to close, which give a true and fair view of the results of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland ("FRS 102"), as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No.8 of 2005).

In preparing these syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies and apply these consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts.

The managing agent is 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 it to ensure that the syndicate underwriting year accounts comply with the Regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the business's website. Legislation in the United Kingdom governing the preparation and dissemination of the syndicate underwriting year accounts may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Syndicate 218 – 2021 closed year of account

Report on the audit of the syndicate underwriting year financial statements

Opinion

In our opinion, 218's syndicate underwriting year financial statements for the 2021 year of account for the three years ended 31 December 2023 (the "underwriting year financial statements"):

- 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 2021 closed year of account;
- 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 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the underwriting year financial statements included within the Underwriting Accounts 2021 Closed Year of Accounts (the "Underwriting Year Accounts"), which comprise: the Balance sheet for the 2021 closed year of account as at 31 December 2023, the statement of comprehensive income-technical account for general business, the statement of comprehensive income- non-technical account, the cash flow statement, and the statement of changes in members' balances for the three years then ended; and the notes to the underwriting year financial statements, 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 underwriting year financial statements* 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 underwriting year financial statements 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.

Emphasis of matter – Basis of preparation

Without modifying our opinion, we draw attention to note 1 of the underwriting year financial statements, which describes the basis of preparation. In particular, as these underwriting year financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these underwriting year financial statements. The underwriting year financial statements are prepared in accordance with a special purpose framework for the specific purpose as described in the *Use of this report* paragraph below. As a result, the underwriting year financial statements may not be suitable for another purpose.

Reporting on other information

The other information comprises all of the information in the Underwriting Year Accounts other than the underwriting year financial statements and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the underwriting year financial statements 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 underwriting year financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the underwriting year financial statements 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 underwriting year financial statements 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.

Responsibilities for the underwriting year financial statements and the audit

Responsibilities of the Managing Agent for the underwriting year financial statements

As explained more fully in the Statement of managing agent's responsibilities, the Managing Agent is responsible for the preparation of the underwriting year financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2021 closed year of account. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of underwriting year financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' responsibilities for the audit of the underwriting year financial statements

Our objectives are to obtain reasonable assurance about whether the underwriting year financial statements 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 underwriting year financial statements.

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 underwriting year financial statements. We also considered those laws and regulations that have a direct impact on the underwriting year financial statements 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 underwriting year financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journals and management bias in accounting estimates). 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 underwriting year financial statements. 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 underwriting year financial statements 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 Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), 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
- the underwriting year financial statements 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

6 March 2024

Statement of comprehensive income – technical account for general business

	Note	£000
Syndicate allocated capacity		**479,890**
Earned premium, net of reinsurance		
Gross premium written	2	**317,642**
Outward reinsurance premium		**(40,039)**
Earned premium, net of reinsurance		**277,603**
Reinsurance to close premium received, net of reinsurance	3	**194,535**
Allocated investment return transferred from non-technical account	5	**8,268**
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		**(208,363)**
Reinsurers' share		**24,672**
Net claims paid		**(183,691)**
Reinsurance to close premium payable, net of reinsurance	4	**(184,740)**
Claims incurred, net of reinsurance		**(368,431)**
Net operating expenses	6	**(95,488)**
Balance on the technical account for general business		**16,487**

Statement of comprehensive income – non-technical account

	Note	£000
Balance on the technical account for general business		**16,487**
Investment return		
Investment income	5	**7,727**
Unrealised gains on investments	5	**1,175**
Investment expenses and charges	5	**(634)**
Allocated investment return transferred to technical account for general business	5	**(8,268)**
Other income		**–**
Other charges, including value adjustments		**(40)**
Profit for the 2021 closed year of account		**16,447**

There are no differences between the profit for the financial year stated above and the historical cost equivalents in the statement of comprehensive income for the period.

The notes on pages 67 to 72 form an integral part of these underwriting accounts.

Balance sheet

	Note	£000
Assets		
Investments	7	**162,047**
Deposits with ceding undertakings		**606**
Debtors	9	**44,942**
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	4	**212,168**
		419,763
Other assets		
Cash at bank and in hand		**18,294**
Overseas deposits	10	**3**
Accrued interest and rent		**83**
Deferred acquisition costs		**–**
		18,380
Total assets		**438,143**
Members' balances		**16,003**
Liabilities		
Gross reinsurance to close premium payable	4	**396,908**
Creditors	11	**24,665**
Accruals and deferred income		**567**
		422,140
Total liabilities		**438,143**

The notes on pages 67 to 72 form an integral part of these underwriting accounts.

The underwriting year accounts on pages 62 to 66 were approved by the Board on 23 February 2024 and signed on behalf of the syndicate's managing agent by:

Charlotte Constable
Finance Director

6 March 2024

Statement of changes in members' balances

	£000
2020 year of account	
Members' balances brought forward at 1 January 2023	34,607
Receipt of loss from members' personal reserve funds	(34,607)
Members' balances carried forward at 31 December 2023	–
2021 year of account	
Profit/loss for the closed 2021 year of account	16,447
Members' agents' fees paid in year	(445)
Amounts due to members carried forward at 31 December 2023	16,002
Combined amount due to members carried forward at 31 December 2023	16,002

The notes on pages 67 to 72 form an integral part of these underwriting accounts.

Cash flow statement

	Note	£000
Net cash inflow from operating activities	12	**24,529**
Cash flow from investing activities		
Purchase of equity and debt instruments		**(94,882)**
Sale of equity and debt instruments		**115,973**
Investment income received net of expenses paid		**7,726**
Net cash generated in investing activities		**28,817**
Cash flow from financing activities		
Transfer from members in respect of underwriting participations		**(34,607)**
Members' agents' fees		**(445)**
Net cash used in financing activities		**(35,052)**
Net increase in cash at bank and in hand		**18,294**
Cash and cash equivalents at the beginning of the period		**–**
Cash and cash equivalents at the end of the period		**18,294**
Cash and cash equivalents consist of:		
Cash at bank and in hand		**18,294**
Cash and cash equivalents		**18,294**

The notes on pages 67 to 72 form an integral part of these underwriting accounts.

Notes to the accounts

1. Accounting policies

Basis of preparation

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable accounting standards in the United Kingdom, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate in a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2021 year of account which has been closed by reinsurance to close as at 31 December 2023. Consequently, the balance sheet represents the assets and liabilities of the 2021 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three year period from date of inception until closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown.

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

Accounting policies

The accounting policies adopted are the same as those disclosed in the annual report and accounts except for:

RITC premium

The RITC premium 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 the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

2. Segmental analysis

2021 closed year of account	Gross premium written and earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance					
Accident and health	–	(82)	–	–	(82)
Motor (third party liability)	–	–	–	–	–
Motor (other classes)	309,361	(197,255)	(93,650)	(10,004)	8,452
Fire and other damage to property	–	(11)	–	(7)	(18)
Other	3,644	(2,606)	(1,822)	(40)	(824)
	313,005	(199,954)	(95,472)	(10,051)	7,528
Reinsurance accepted	4,637	(4,616)	1	669	691
Total	**317,642**	**(204,570)**	**(95,471)**	**(9,382)**	**8,219**
Investment return					8,268
Technical account balance					**16,487**

3. RITC premium received, net of reinsurance

2020 year of account closure at 31 December 2022	£000
Gross	
Provision for reported claims	**357,032**
Provision for IBNR	**43,669**
Gross RITC received	**400,701**
Reinsurers' share	
Provision for reported claims	**(188,350)**
Provision for IBNR	**(17,816)**
Reinsurance recoveries anticipated on gross RITC premium received	**(206,166)**
RITC premium received, net of reinsurance	**194,535**

4. RITC premium paid, net of reinsurance

2021 year of account closure at 31 December 2023	£000
Gross	
Provision for reported claims	**362,334**
Provision for IBNR	**34,574**
Gross RITC payable	**396,908**
Reinsurers' share	
Provision for reported claims	**(197,000)**
Provision for IBNR	**(15,168)**
Reinsurance recoveries anticipated on gross RITC premium payable	**(212,168)**
RITC premium payable, net of reinsurance	**184,740**

5. Investment return

	£000
Investment income	
Income from financial assets at fair value through profit and loss	**11,189**
Net loss on realisation of investments	**(3,462)**
	7,727
Unrealised gains on investments	**1,175**
Investment expenses and charges	**(634)**
Total investment return	**8,268**

Investment returns are allocated from the non-technical to the technical account as the entire investment portfolio supports the general insurance business.

6. Net operating expenses

	£000
Gross	
Acquisition costs – commission expenses	**37,877**
Acquisition costs – operating expenses	**21,660**
Administrative expenses	**22,721**
Lloyd's personal expenses and other charges	**11,342**
Auditors' remuneration	**649**
Directors' remuneration	**1,223**
	95,472
Reinsurers' share	
Acquisition costs – commission expenses	**16**
Total	**95,488**

7. Investments

All financial instruments are designated as fair value through profit or loss on initial recognition.

	Fair value £000	Cost £000
Designated at fair value through profit or loss		
Shares, other variable yield securities and units in unit trusts	**20,807**	14,380
Debt securities and other fixed income securities	**141,096**	139,910
Participation in investment pools	**–**	–
Overseas deposits	**144**	146
Other loans	**–**	–
Total	**162,047**	154,436

8. Discounted claims

The claims relating to PPOs have been discounted at the following rate. The period that will elapse before claims are settled is determined using impaired mortality tables.

Class of business	Discount rate	Mean term of liabilities
Motor	3.0%	20.4 years

The effect of discounting credits on claims provisions is shown as follows:

Class of business	Gross £000	Reinsurers' share £000
Claims provisions before discounting	**523,274**	325,328
Discounting credits	**(126,366)**	(113,160)
Claims provisions after discounting	**396,908**	212,168

9. Debtors

	£000
Debtors arising out of direct insurance operations – intermediaries	**(172)**
Debtors arising out of ceding insurers and intermediaries under reinsurance business	**629**
Debtors arising out of reinsurance operations	**5,508**
Debtors due from related parties	**37,509**
Other	**1,468**
Total	**44,942**

10. Overseas deposits

Overseas deposits are amounts lodged as a condition of conducting underwriting business in certain countries. These comprise cash and cash equivalents.

11. Creditors

	£000
Creditors arising out of direct insurance operations – intermediaries	**8,623**
Related parties	**16,042**
Total	**24,665**

12. Reconciliation of profit for the year of account to net cash inflow from operating activities

	£000
Profit for the closed year of account	**16,447**
RITC premium received, net of reinsurance – non cash consideration	**(177,596)**
RITC premium payable, net of reinsurance	**184,741**
Decrease in debtors	**64**
Increase in creditors	**1,735**
Movements in other assets and liabilities	**(321)**
Investment return	**(541)**
Net cash inflow from operating activities	**24,529**

13. Related parties

Information regarding related parties of the Syndicate is disclosed on pages 52 to 54.

Seven year summary of results

	2015 closed	2016 closed	2017 closed	2018 closed	2019 closed	2020 closed	2021 closed
Syndicate allocated capacity (£'000)	349,828	359,462	478,865	479,598	479,575	480,000	479,890
Number of members of the Syndicate	1,293	1,297	1,290	1,076	1,032	602	569
Aggregate net premium (£'000)	372,521	377,246	354,939	297,843	296,628	276,674	277,603
Result for a member with an illustrative share of £10,000							
Gross premium written	11,040	11,559	7,850	6,805	7,361	7,067	6,619
As a percentage of allocated capacity	*110%*	*116%*	*79%*	*68%*	*74%*	*71%*	*66%*
Net premium written	10,649	10,495	7,412	6,210	6,185	5,764	5,785
As a percentage of allocated capacity	*106%*	*105%*	*74%*	*62%*	*62%*	*58%*	*58%*
Premium for the reinsurance to close and earlier years of account	3,760	4,306	3,518	3,323	3,086	2,400	4,054
Net claims paid	(7,329)	(7,751)	(4,973)	(4,694)	(4,546)	(1,173)	(3,828)
Reinsurance to close year of account	(4,425)	(4,687)	(3,328)	(3,086)	(2,403)	(4,053)	(3,850)
Underwriting result	2,655	2,363	2,629	1,753	2,322	2,938	2,161
As a percentage of gross premium	*24%*	*20%*	*33%*	*26%*	*32%*	*42%*	*33%*
Syndicate operating expenses	(3,132)	(2,931)	(2,051)	(1,997)	(1,944)	(1,898)	(1,754)
Net underwriting result	(477)	(568)	578	(244)	378	1,040	407
As a percentage of gross premium	*(4)%*	*(5)%*	*7%*	*(4)%*	*5%*	*15%*	*6%*
Investment return	193	68	161	148	122	24	172
Profit/(loss) before personal expenses	(284)	(500)	739	(96)	500	1,064	579
Illustrative personal expenses and profit commission	(181)	(193)	(149)	(139)	(169)	(333)	(236)
Profit/(loss) after illustrative profit commission and personal expenses (£000)	(465)	(693)	590	(235)	331	731	343

Notes:

(i) The illustrative personal expenses and profit commission are estimates of amounts which might be charged on a share of £10,000.

(ii) The effect of any minimum charges on personal expenses or deficit clauses on profit commission has been ignored.

(iii) Investment expenses are included within the investment return.

(iv) Syndicate operating expenses include foreign exchange differences and other non-technical income and charges.