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Dale Underwriting Partners
Syndicate 1729

Annual Report and Accounts

31 December 2022

Contents

Directors and Administration

Managing Agent

Dale Managing Agency Ltd

Directors

J P Hastings-Bass (Chairman)*
D H Dale
A Grant*
J Hume*
C A McCarthy
H R McKinlay*
D G Peters

Non Executive Directors*

Company Secretary

C Chow

Managing Agent's Registered Office

6 Bevis Marks
London
EC3A 7BA

Managing Agent's Registered Number

13526063

Active Underwriter

D G Peters

Bankers

Barclays Plc
Citibank NA
RBC Dexia

Investment Manager

Conning Asset Management Ltd

Registered Auditors and Signing Actuary

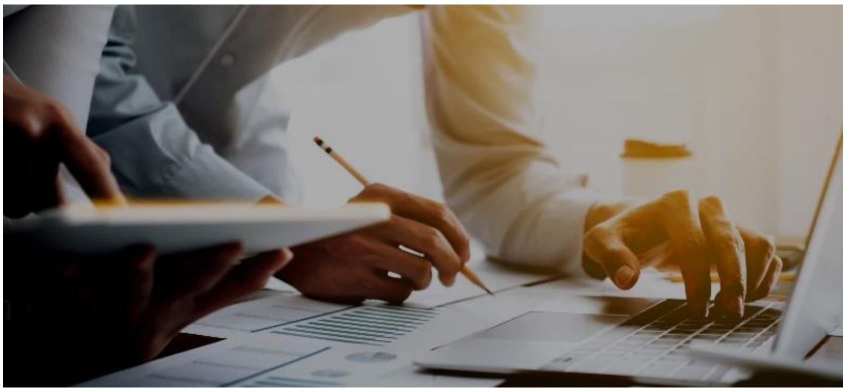
Ernst & Young LLP

Active Underwriter's Report

2022 at a glance

2022 has been a transformational year for Dale Underwriting Partners as it received approval for Dale Managing Agency Limited with effect from 1st October 2022 and therefore started managing Syndicate 1729 from that date.

Despite significant headwinds following pandemic and lockdowns our team have continued to make extraordinary efforts again this year to continue the positive momentum in our operating results. Revenues remained strong and market conditions continued to improve in our focused classes of business and the market and environment has fundamentally shifted due to a number of factors which will be explained in more detail in the report.

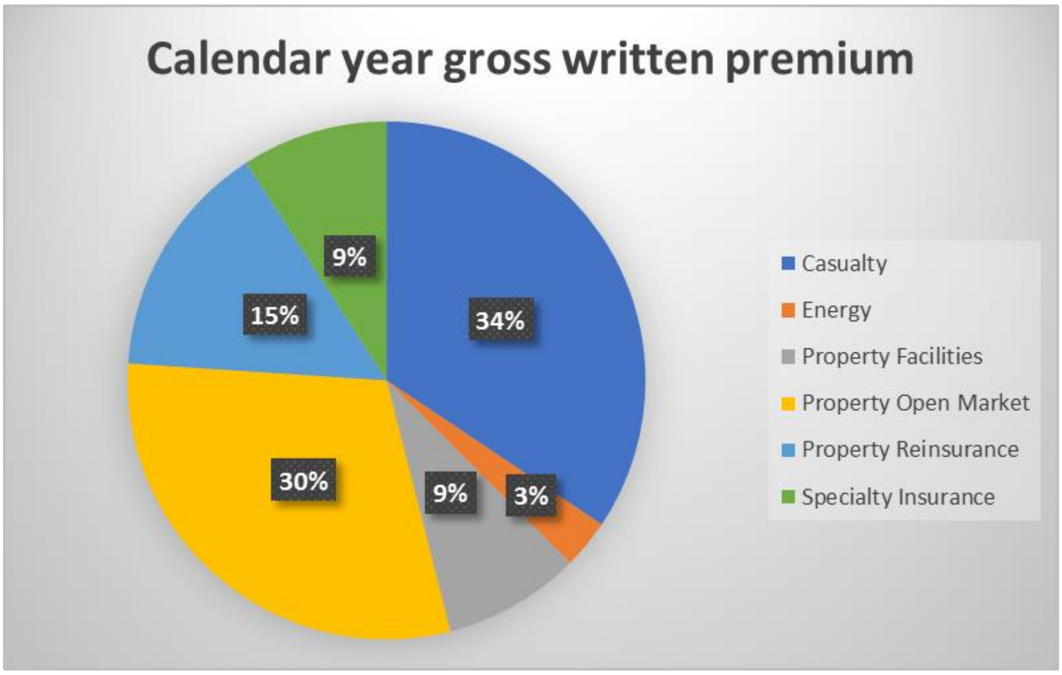


We have recorded a healthy comprehensive profit for the financial year of £3.2m. The vast majority of our business is written in US dollars and we set our functional currency accordingly, however our accounts are presented in sterling. Under Accounting Standard FRS102, all income statement transactions are booked using transactional rates of exchange and revalued at the closing rate of exchange. This leads to large currency translation differences which are excluded from the combined ratio calculation. We are currently giving consideration to changing our presentation currency to US Dollars to match our functional currency. The combined ratio for 2022 "as if" in functional currency stands at 95.7%.

Key metrics:

2022 CY result:	**£3.2m Profit**
2022 CY combined ratio*:	**98.8%**
2020 YOA result:	**£1.3m Profit**
2021 YOA forecast:	**£2.1m Profit**
S1729 Capacity	**£280m for 2023 YOA**

*The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned.



Major industry themes over the last few years continue in our segment of the industry, including but not limited to, natural catastrophe loss activity, high inflation, economic downturn, climate change and rising loss costs.

Within our sector we have seen compounded rate increases, a continued tightening of terms and conditions, a growing demand for reinsurance, premium growth from volume and pricing, and commensurate opportunities.

We have exceeded our predicted rate increases in many areas and for the 2022 year of account are ahead of plan with a whole account risk adjusted rate change of 8.2% compared to original SBF of 6.2% being accumulative to rate increases of 8.1% in 2019 and 10.8% in 2020 and 10.2% in 2021.

Dale has a strong brand within the Lloyd's market, and we are extremely well supported by our brokers and clients. Our plan is to remain focussed on a small number of classes we know well and where we have established franchise value in the market. We are a recognised lead underwriting presence in Casualty, Property Open Market and Specialty.

Inflation

Inflation has been a key topic of focus in 2022. In 2020 the Syndicate set up an Emerging Trends Working Group to help consider impact, claims mitigations and strategies, particularly relating to reserving and the topic of inflation including impact to pricing approach. The majority of Casualty risks are experienced rated, normally with 10+ years of data (but with a minimum of 5 years) where historic claims are developed to settlement using a minimum inflation factor which was increased in 2022. Alongside this we have reduced our exposure to awards made coverages, which are more vulnerable to social inflation and unpredictable jury verdicts as well as limiting and reducing the number of multi-year contracts we write. Further commentary for US Casualty is covered later in the report.

Within our Property Insurance portfolio generally allowances for inflation are implicit in the priced loss ratios as most accounts are exposure rated on insured values which are increased annually to allow for inflation. The implicit assumed rate is less material as claims develop faster and there is less time for inflation to diverge significantly from underwriter view. However, higher factors have been used in the calculation of values for accounts written in 2022 to reflect current inflation levels. The review and interrogation of valuation methodology is embedded within the underwriting process to ensure accurate calculation of replacement cost values. This is then benchmarked across accounts of a similar nature and geography, and then compared against industry data for minimum per square foot construction costs. If this analysis highlights serious concerns over the valuation reported the account will either be declined or a clause will be utilised to protect our interests, such as a values limitation clause or an average clause. Most of the declarations written under binding authorities will have a co-insurance clause.

There are a number of approaches that have been progressed to help support our analysis. For examples we have reviewed current levels of inflation for our key territories and future inflationary projections from the OECD until Q4 2024. We have reviewed our open claims and targeted those claims that had not been reviewed in more than 6 months. We have reviewed our outstanding claims and earned IBNRs and split them between claims that we are specifically tracking and general / attritional claims. We identified open claims relative to levels of exhaustion.

We have reviewed the level of inflation priced in our lines of business for the 2022 underwriting year and compared that against market inflation levels as produced by the OECD and also analysed the average time to settle claims by line. We have then selected an inflationary rate to be applied by reserving class and compounded this by the number of years expected to settle claims.

Events and Natural Catastrophe losses

The reinsurance market reached a tipping point in 2022. Outsized catastrophes, increased buying requirements, rising insured values and a capacity crunch have all created significant headwinds.

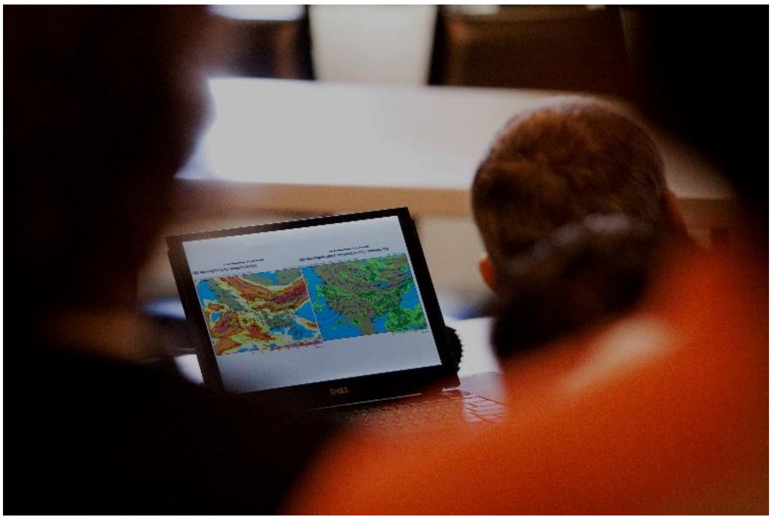
2022 has again proved to be as challenging as the prior five years in the "cat" arena. There has been another round of expensive and disruptive natural disasters impacting communities and companies around the world. The calendar year brought another set of varied major natural catastrophes, above the expected level of frequency.

Hurricane Ian is the second costliest hurricane on record after Hurricane Katrina with insured losses of $52.5bn (source Aon), and as expected for a loss of this nature we are attaching to our outwards protections.

There were a number of other natural disasters during the year internationally, including Typhoon Namadol and the Australian floods, but our losses to these events are very modest. We have made an allowance within our 2021 Specialty Insurance portfolio for the devastatingly sad conflict in Ukraine, and the year also saw a significant industry deterioration in the Max Air loss, though for Syndicate 1729 this is fully recoverable.

Active Underwriter's Report - continued

US Casualty



We continue to believe that the We continue to believe that the industry will see a deterioration of casualty results from previous accident years. We are certainly not immune to inflation of claims values. We have, however, taken a very cautious approach to our US Casualty business and are predominantly involved in small account business with modest limits of liability. This is a deliberate strategy to insulate the account as much as possible from the potential volatility associated with an increasing number of large claims. We are also very careful of systemic type exposures in the Casualty account and do not consider the Syndicate materially exposed to the opioid crisis, Concussion/CTE losses or #me too/sexual abuse type allegations. Furthermore, our approach to US Casualty exposures deliberately avoids risk segments which are highly vulnerable to volatilities in the financial markets. Economic recession is also carefully considered. We bought a conservative reinsurance programme to cover large individual and event losses. We do not currently anticipate adverse development in our Casualty reserves and this has again been ratified by independent actuarial opinion.

Stamp Capacity

In 2022 our stamp capacity was £210m for Syndicate 1729. SPA 6131 was placed into run off at the end of 2021 and, when the 2021 YOA closes at the end of 2023, it is the intention to RITC into Syndicate 1729.

The Stamp capacity for 2023 is £280m with full pre-emption. There was a desire for growth from the bulk of our existing investors, as well as some new investors, which reflects well on the capital support to the business and helps us a achieve a highly diversified capital base. We are grateful for the support from all involved and look forward to providing healthy returns to our capital providers over the long term.

Year of Account Commentary

Closed Years (2014 to 2020)

There have been no material developments in the past year. The years continue to run off as expected with 2020 closing by RITC into 2021.

2021 and 2022 Year of Account

2021 saw a continuation of an improving market across lines in terms of rate and pricing adequacy. The Gross Net Rate change across the syndicate was 10.9%. We received approval for mid-year business plan premium income increases in Casualty / Healthcare and Property and Specialty Insurance lines.

Major Hurricane Ida was our largest event. The path of the storm has impacted several key population centres of Louisiana and as such will be a significant personal lines loss. Given the more regional nature of our portfolio, we support a number of the local carriers and were impacted accordingly. Exposure to other major events such as the major European Storms and Floods (Bernd) and Winter Freeze Uri have been modest. Despite the level of catastrophe activity continuing unabated we are expecting the year will close at a profit.

During 2022 the Underwriting team has been strengthened with hires in our Property Insurance, Reinsurance and Casualty teams including dedicated wordings support. The rating environment has been improving significantly as well as tightening terms and conditions. Similarly to 2021 we saw a mid-year approval of an income increase of c£20m in our lead classes of Property Insurance and Casualty/Healthcare lines.

We remain focused on the Lloyd's broker distribution channel and are working hard with our brokers to generate new, profitable business opportunities to the Lloyd's market

ESG

Within the business everyone is increasingly aware of the role that we can play as individuals and collectively as a business to ensure we work in an environmentally and socially responsible way. Our clients, colleagues, investors and regulators expect us to conduct business in a way that reduces our environmental impact, promotes social change and helps us to be responsible corporate citizens.

We have committed to key principles which will help to inform our behaviour, attitude and long-term underwriting strategies. We have an upstream Energy account whose clients are at the forefront of the transition to clean energy and can confirm that we currently have no known exposure to coal, oil sands or new arctic exploration.

We aim to minimise our environmental impact and carbon emissions through energy efficiency in our operations and reducing our need for business travel. Although we will continue to do required travel by air we commit to carbon off-setting our journeys. We are also committed to improving our local communities for young people by providing charitable donations where they are most needed. We also enable our staff to devote time to participate in volunteering and mentoring programmes.

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The Dale team would like to record their thanks to all who have supported and helped to develop our business. Our patience and continuous focus on underwriting discipline, together with resolute commitment to generate appropriate returns to our capital providers from areas of business in which we possess deep expertise is beginning to bear fruit, and we hope will continue for many years to come.

Finally on behalf of the Executive team, I would like to thank all Dale colleagues for their hard work, passion and expertise in building our company. The approval of the Dale Managing Agency limited is testament to this and is the fruition of building the business in tough market conditions. Our expanded team across underwriting and operations means we are very well-placed to embrace the increased opportunities and achieve our strategic goals.

D G Peters
27 February 2023

Managing Agent's Report

The Syndicate has been managed by Dale Managing Agency Limited, a company registered in England and Wales, since 1st October 2022. Prior to that date, the Syndicate was managed by Asta Managing Agency Limited.

The directors of the Managing Agent present their report for the year ended 31 December 2022.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

Results

The result for the calendar year 2022 is a profit of £3.2m (2021: loss £0.1m).

The Syndicate presents its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activity and review of the business

The Syndicate's principal activity continues to be the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The Syndicate writes predominately casualty and property insurance, primarily in the United Kingdom. The 2018 year of account saw the introduction of the Specialty Insurance class of business. This class was subject to a 60% quota share reinsurance with the Syndicate's Special Purpose Arrangement 6131 ("SPA 6131") up until, and including, the 2021 year of account. It is the intention, at the closure of this last year of account for the SPA, to RITC into this Syndicate.

A full review is included in the Active Underwriter's Report.

Gross written premium income by class of business for the calendar year was as follows:

	2022	**2021**
	£'000	**£'000**
Casualty	86,117	57,770
Property Open Market	75,182	50,888
Property Reinsurance	37,182	32,626
Specialty Insurance	22,794	23,239
Property Facilities	21,500	13,512
Property Insurance *	-	5,335
Energy	7,634	1,311
	250,409	184,681

* The Property Insurance class has been split into Property Open Market and Property Facilities classes.

Managing Agent's Report continued

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

	2022 £'000	2021 £'000	Change %
Gross written premiums	250,409	184,681	35.6%
(Loss)/ Profit for the financial year	(1,870)	5,043	(137.1)%
Total comprehensive income/ (loss)	3,198	(83)	3,954.2%
Combined ratio	98.8%	96.0%	(2.8)%

The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. Lower ratios represent better performance.

The return on capacity for the 2020 closed year of account at 31 December 2022 is shown below together with forecasts for the two open years of account.

	2020 YOA Closed	2021 YOA Open	2022 YOA Open
Capacity (£'000)	134,857	184,940	209,888
Result/Forecast* (£'000)	1,307	2,086	11,588
Return on capacity (%)	1.0%	1.1%	5.5%

*2021 & 2022 YOA forecasts are unaudited

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Managing Agency as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Managing Agency Risk Committee meets at least quarterly to oversee the risk management framework. The Risk Committee, a sub-committee of the Agency Board, reviews the risk profile as reflected in the risk register, and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium (pricing risk) or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Managing Agency Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Managing Agency Board then monitors performance against the business plan through the year. Reserve adequacy, including adequate provision for inflation, is monitored through quarterly review by the Reserving Committee and Dale Actuarial team.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Managing Agency Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Board.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

In addition, an Investment Committee which reports to the Managing Agency Board ensures that the Syndicate's investment portfolio is managed by the external investment manager in accordance with the Syndicate's risk appetite and to guidelines as approved by the Board. Our investment managers attend these committee meetings to give us their insight on current and expected market conditions, giving their suggestions for managing our portfolio through volatility.

Liquidity risk

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

The Syndicate has in place an overdraft facility and also has in place a line of credit with Barclays Bank.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of an operational risk and control framework, detailed procedures manual, thorough training programmes and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a Compliance Officer who manages a function that monitor business activity and regulatory developments to assess any effects on the Agency. The impact of current heightened sanctions around the Ukraine/ Russia situation are being monitored, the effect to the Syndicate at this stage is minimal.

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its customer risk through a suite of risk indicators and reporting metrics as part of its documented customer risk framework. Dale Managing Agency Ltd is committed to protecting the best interests of customers at all times. Conduct management measures are employed to provide assurance that products and services provide good customer outcomes. The Board oversee a suite of risk indicators and reporting metrics while the Underwriting Committee provides customer challenge. A senior manager fulfils the role of Customer Champion.

Group / strategic risk

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).
These risks are mitigated through diversification of our capital base and key stakeholders.

Future developments

The Syndicate will continue to transact the current classes of general direct insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

The capacity for the 2023 year of account is £280m (2022 year of account £210m).

The Directors of the Managing Agent have assessed the Syndicate's ability to continue as a going concern by considering the available capital and any expected material changes to its operations. Based on the assessment, they continue to adopt the going concern basis in preparing the financial statements.

Environmental, Social and Governance (ESG)

The Managing Agency has had an ESG Forum in place since 2021. The Forum includes representation from all functions and works to identify ESG priorities and connect ESG considerations across the business. During 2022 the Dale Risk Management team (in collaboration with the business) produced an ESG strategy document. This document is constantly under review but will be fully reviewed and refreshed annually. The Syndicate has been offsetting all corporate air travel since 2021 and are currently completing an audit to ascertain our complete carbon footprint. We are working with Alectro who will help us to understand our business footprint. They partner with UNFCCC's Climate Neutral Now initiative, and it is hoped that we will achieve net zero certification through them during 2023.

Climate change

The Managing Agency has built a climate change framework, covering the physical, transition and liability climate change risks, based on the underlying business written by the syndicate. We accept climate change risk where it is an inherent part of an insurance business model, providing it is understood, managed and controlled and/or compensated. There is no appetite for uncontrolled, unmanaged exposure to the financial risks of climate change.

A measure for climate change exposure within insurance risk appetites has been implemented to highlight where time and resource is most required in order to manage the potential exposure and successfully steer portfolios through global changes. The Syndicate has identified the level of climate change exposure in its business plans and will manage this accordingly, with the ability to change the level of risk being taken in future and thereby amend the oversight and monitoring framework.

The framework ensures Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing the agency's financial risks associated with climate change. The Syndicate Active Underwriter, who is a Board member, is responsible for the climate change framework, including identifying and managing financial climate related risks.

Coronavirus

The effect of Covid on the Syndicate, both in terms of exposure to losses, and working arrangements, was detailed within last years' accounts.

The reserve held at the end of 2021 has deteriorated slightly during 2022. Gross reserves have reduced, but there has been a larger reduction to the level of recoveries due from this event, leading to the net reserve being a little higher. The losses from this event continue to sit within our initial ranges.

Ukraine/ Russia Invasion

We reported this event under post-balance sheet events within last years' accounts. At the time, the event was still developing, but was noted by the directors as an event that would increase risk and uncertainty globally in the foreseeable future.

At the time of completing these accounts, the situation is sadly still ongoing, and the directors are continuing to monitor developments. Losses arising from this event are not expected to be material to the Syndicate.

The wider subject of sanctions and potential loss of business arising from this situation are being monitored but are not currently having a material impact to the Syndicate.

Inflation

This has been a particular area of focus for the directors during 2022. This topic has been growing in importance, driven by the prolonged heightened inflationary environment. Concerns have been raised regarding the impact of inflation on reserve strength across the market.

Inflation is defined as a sustained increase in the general price levels of goods and services in an economy over a period of time. In the context of insurance, claims inflation is the change in the expected claims cost level (indemnity and fees) of a like for like policy in an economy over time.

Throughout 2022 we have been reviewing the impact of inflation on our current reserves. We have reviewed actual and forecast inflation by territory based on data from the OECD. For the Managing Agency specifically the majority of our business is exposed to the US, where inflation levels did not reach the same levels as the UK, and where inflation has started to fall.

Back in 2020 the Syndicate set up an Emerging Trends Working Group to help consider impact claims mitigations and strategies, particularly relating to Reserving. The topic of inflation has been a key agenda item for this Group since its inception.

Managing Agent's Report continued

Directors

Details of the Directors of the Managing Agent that were serving at the year end and up to the date of signing of the financial statements are provided on page 1. Changes to directors from the last report were as follows:-

J P Hastings-Bass	Appointed 1 October 2022
D H Dale	Appointed 22 July 2021
A E Grant	Appointed 1 October 2022
J Hume	Appointed 1 October 2022
C A McCarthy	Appointed 1 October 2022
H R McKinlay	Appointed 1 October 2022
D G Peters	Appointed 29 October 2021
M Channell	Appointed 29 October 2021 Resigned 30 September 2022

Disclosure of information to the auditors

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

Auditors

The Managing Agent intends to reappoint Ernst & Young LLP as the Syndicate's auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 28 April 2023.

On behalf of the Board

C Chow
Company Secretary
27 February 2023

Statement of Managing Agent's responsibilities

The managing agent is responsible for preparing the Syndicate annual accounts in accordance with applicable law and regulations.

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

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

- select suitable accounting policies and then apply them consistently subject to changes arising on the adoption of new accounting standards in the year.

- make judgements and estimates that are reasonable and prudent;

- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and

- prepare the Syndicate accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The managing agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to 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 corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditor’s report

Independent auditor's report to the members of Dale Underwriting Partners Syndicate 1729

Opinion

We have audited the syndicate annual accounts of syndicate 1729 (‘the syndicate’) for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Changes in Members’ Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and FRS 103 ‘Insurance Contracts’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate’s affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor’s responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC’s Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the 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.

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 12 months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate’s ability to continue as a going concern.

Independent auditor's report continued

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 13, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

Independent auditor's report continued

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

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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.
The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

Independent auditor’s report continued

- We assessed the susceptibility of the syndicate’s annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, on the valuation of claims outstanding and estimated premium income, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

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

Robert Bruce (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 February 2023

Income statement

Technical account - General business

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Gross premiums written	3	250,409	184,681
Outward reinsurance premiums		(38,110)	(46,171)
Net written premiums		212,299	138,510
Change in the provision for unearned premiums			
Gross amount		(29,585)	(6,509)
Reinsurers' share		(2,868)	1,084
Change in the net provision for unearned premiums	4	(32,453)	(5,425)
Earned premiums, net of reinsurance		179,846	133,085
Allocated investment return transferred from the non-technical account		(2,252)	(388)
Claims paid			
Gross amount		(98,288)	(111,607)
Reinsurers' share		33,726	47,180
		(64,562)	(64,427)
Changes in claims outstanding			
Gross amount		(67,751)	(33,530)
Reinsurers' share		11,248	14,451
Change in the net provision for claims	4	(56,503)	(19,079)
Claims incurred, net of reinsurance		(121,065)	(83,506)
Net operating expenses	5	(56,569)	(44,313)
Balance on technical account – general business		(40)	4,878

Income statement continued

Non-technical account - General business

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Balance on technical account – general business		(40)	4,878
Investment income	9	(2,252)	(388)
Allocated investment return transferred to the general business technical account		2,252	388
Exchange (loss)/gains		(1,830)	165
(Loss)/ Profit for the financial year		(1,870)	5,043

All the amounts above are in respect of continuing operations.

The notes on pages 22 to 47 form part of these financial statements.

Statement of other comprehensive income

For the year ended 31 December 2022

	2022 £'000	2021 £'000
(Loss)/ Profit for the financial year	(1,870)	5,043
OCI – Currency translation differences	5,068	(5,126)
Total comprehensive profit/ (loss) for the year	3,198	(83)

Statement of changes in Members' balances

For the year ended 31 December 2022

	2022 £'000	2021 £'000
At 1 January	(6,219)	(14,161)
Total comprehensive profit/(loss) for the financial year	3,198	(83)
Members' agent's fees	(331)	(270)
Other non-standard expenses	(2)	(33)
(Disbursement to)/ Collection from members' personal reserve funds	(3,780)	8,328
At 31 December	(7,134)	(6,219)

Statement of financial position

As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Assets			
Investments			
Financial investments	10	174,919	102,188
Deposits with ceding undertakings		21	279
		174,940	102,467
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	15,800	17,497
Claims outstanding	4	71,823	58,498
		87,623	75,995
Debtors			
Debtors arising out of direct insurance operations	11	55,066	29,963
Debtors arising out of reinsurance operations	12	51,957	58,183
Other debtors		2,580	1,791
		109,603	89,937
Cash and other assets			
Cash at bank and in hand		15,837	1,908
Other assets	15	11,039	9,550
		26,876	11,458
Prepayments and accrued income			
Deferred acquisition costs	4	27,966	18,917
Other prepayments and accrued income		3,913	2,411
		31,879	21,328
Total assets		430,921	301,185

The notes of page 22 to 47 form part of these financial statements.

Statement of financial position continued

As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Members' balance and liabilities			
Capital and reserves			
Members' balances		(7,134)	(6,219)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	111,245	77,841
Claims outstanding	4	284,789	193,830
		396,034	271,671
Creditors			
Creditors arising out of direct insurance operations	13	6,210	3,051
Creditors arising out of reinsurance operations	14	35,206	31,930
		41,416	34,981
Accruals and deferred income		605	752
Total liabilities		438,055	307,404
Total members' balances and liabilities		430,921	301,185

The notes of page 22 to 47 form part of these financial statements.

The financial statements on pages 18 to 47 were approved by board of directors on 23 February 2022 and were signed on its behalf by:

C A McCarthy
Finance Director
27 February 2023

Statement of cash flows

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
(Loss)/ Profit on ordinary activities		(1,870)	5,043
Increase in gross technical provisions		124,361	47,986
(Increase) in reinsurers' share of gross technical provisions		(11,628)	(16,717)
(Increase) in debtors		(19,666)	(32,495)
Increase in creditors		6,435	10,477
Movement in other assets/liabilities		(12,187)	(3,484)
Foreign exchange (loss)		(6,314)	(6,347)
Investment return		2,252	388
Net cash inflows from operating activities		81,383	4,851
Cash flows from investing activities			
Purchase of financial investments		(88,215)	(61,481)
Sale of financial instruments		60,228	37,581
Investment income received		627	638
Decrease/(Increase) in deposits with ceding undertakings		258	(279)
Net cash (outflows) from investing activities		(27,102)	(23,541)
Cash flows from financing activities			
Collection from members' personal reserve funds		(3,780)	8,328
Members' agents fee advances		(333)	(303)
Net cash (outflows)/ inflows from financing activities		(4,113)	8,025
Net Increase/ (decrease) in cash and cash equivalents		50,168	(10,665)
Cash and cash equivalents at beginning of year		11,671	22,124
Exchange differences on opening cash		1,032	212
Cash and cash equivalents at end of year	16	62,871	11,671

Notes to the financial statements

For the year ended 31 December 2022

1. Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The financial statements are prepared in GBP which is the reporting and presentational currency of the Syndicate and rounded to the nearest £'000. The functional currency of the Syndicate is US Dollars.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

2. Accounting policies

Use of estimates

In the preparation of the financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the accounts, and the reported amounts of income and expenses during the reporting period. Actual results may differ from those estimates. Significant items subject to such estimates and assumptions include:

(i) provision for claims outstanding (refer to claims incurred accounting policy);

(ii) estimates of future premium for binder contracts (refer to gross premiums accounting policy).

Significant accounting policies

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

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences.

Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Other key estimates contained within the syndicate close process are premium estimates and the earning pattern of recognising premium over the life of the contract. In the syndicate the premium written is initially based on the estimated premium income ('EPI') of each contract. Where premium is sourced through binders, the binder EPI is pro-rated across the binder period. This is done on a straight-line basis. The underwriters adjust their EPI estimates as the year of account matures. As the year of account closes premiums are adjusted to match the actual signed premium. An accrual for estimated future reinstatement premiums is retained. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

Accounting policies continued

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. They are recognised on the date on which the policy commences.

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of 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. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The Syndicate supplies loss funds to Third Party Agents to facilitate the speedy settlement of claims. All of the loss funds utilise the LMA TPA contract which outline the necessary process for the handling and management of the loss fund. Loss funds are recorded against claims paid and deducted from the IBNR calculation.

The reinsurers' share of provisions for claims is based on calculated amounts 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 and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and 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 financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Reinsurance to close (RITC)

The underwriting accounts for each year of account are normally kept open for three years before the result on 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 premium to the successor year of account.

Accounting policies continued

The reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all prior years of account reinsured therein.

The reinsurance to close contract transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year and prior years to the Names on the next open year in so far as they have not been provided for in these accounts. It gives the Names on the next open year the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts. The reinsurance to close is treated as the extinguishment of the related net insurance liabilities for the closed underwriting year.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

A provision for unexpired risks is made where claims and related expenses likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

At 31 December 2022 and 31 December 2021 the Syndicate did not have an unexpired risk provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event

Accounting policies continued

has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2022 or 2021.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

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

Insurance receivables are not recognised when the derecognition criteria for financial assets have been met.

Bad Debt

Bad debts for provided for only where specific information is available to suggest a debtor may be unable to unwilling to settle its debt to the Syndicate. The provision is calculated on a case-by-case basis.

Insurance payables

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

Foreign currencies

The Syndicate's functional currency is USD and the reporting currency and presentational currency is GBP, in order for them to be consistent with returns provided by Lloyd's

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-technical account.

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

	2022 Year End	2021 Year End
USD	1.20	1.35
CAD	1.63	1.71
EUR	1.13	1.19
JPY	158.71	155.97

Accounting policies continued

Financial liabilities

The Syndicate's financial liabilities include trade and other payables, borrowings and insurance payables, where applicable. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

A financial liability is derecognised when the obligation under the liability is discharged or expires.

Financial investments

The Syndicate classifies its financial investments as either financial assets at fair value through profit or loss, loans and receivables or available for sale. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as fair value through profit or loss as the Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

Taxation

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

Accounting policies continued

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

Profit commission

Profit commission is charged by the Managing Agent at a rate of 17.5% on the profit on a year of account basis subject to a 2 year deficit clause. Such commission does not become payable until after the appropriate year of account closes normally at 36 months.

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Syndicate operating expenses

Certain expenses incurred by the Managing Agent or Service Company (Dale Syndicate Services Limited) may be apportioned to the Syndicate using an agreed allocation matrix.

Cash and Cash Equivalents

Cash and cash equivalents consist of cash and money market deposits with banks.

Overseas Deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain territories. They are recorded at market value taken from statements provided by Lloyd’s.

Members’ Balances

Members’ balances represent Syndicate profits or losses attributable to Members net of any early releases to Members or cash calls received from Members.

3. Segmental analysis

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

2022	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance						
Accident & Health	4,763	4,258	(2,366)	(1,299)	262	855
Motor (third-party liability)	976	775	(182)	(259)	12	346
Motor (other classes)	11,795	9,958	(8,044)	(2,397)	40	(443)
Marine aviation and transport	2,226	2,234	(1,857)	(242)	139	274
Fire and other damage to property	70,126	60,955	(47,726)	(16,409)	(157)	(3,337)
Third-party liability	50,753	43,717	(28,651)	(13,246)	2,374	4,194
Miscellaneous	10,964	9,014	(8,275)	(2,456)	1,574	(143)
	151,603	130,911	(97,101)	(36,308)	4,244	1,746
Reinsurance	98,806	89,913	(68,938)	(21,868)	1,359	466
Total	250,409	220,824	(166,039)	(58,176)	5,603	2,212

2021	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance						
Accident & Health	2,887	3,181	(688)	(867)	96	1,722
Motor (third-party liability)	806	643	(81)	(170)	(16)	376
Motor (other classes)	6,838	6,577	(4,810)	(1,749)	933	951
Marine aviation and transport	4,698	3,782	(1,325)	(979)	272	1,750
Fire and other damage to property	51,066	49,426	(39,561)	(13,014)	5,524	2,375
Third-party liability	41,058	38,671	(16,795)	(10,274)	(2,465)	9,137
Miscellaneous	7,077	7,313	(3,246)	(1,576)	1,064	3,555
	114,430	109,593	(66,506)	(28,629)	5,408	19,866
Reinsurance	70,251	68,579	(78,631)	(18,122)	13,574	(14,600)
Total	184,681	178,172	(145,137)	(46,751)	18,982	5,266

Segmental analysis continued

Commissions on direct insurance gross premiums earned during 2022 were £30.5m (2021: £22.9m).

The main class included in Miscellaneous in the table is Pecuniary Loss.

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation.

All premiums were concluded in the UK.

Gross operating expenses are different to net operating expenses shown in the income statement by £1.6m as commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2022.

4. Technical provisions

	2022 Gross provisions £'000	2022 Reinsurance assets £'000	2022 Net £'000	2021 Gross provisions £'000	2021 Reinsurance assets £'000	2021 Net £'000
Claims outstanding						
Balance at 1 January	193,830	(58,498)	135,332	157,079	(43,333)	113,746
Change in claims outstanding	67,751	(11,248)	56,503	33,530	(14,451)	19,079
Effect of movements in exchange rates	23,208	(2,077)	21,131	3,221	(714)	2,507
Balance at 31 December	**284,789**	**(71,823)**	**212,966**	**193,830**	**(58,498)**	**135,332**
Claims notified	106,164	(19,248)	86,916	77,818	(28,478)	49,340
Claims incurred but not reported	178,625	(52,575)	126,050	116,012	(30,020)	85,992
Balance at 31 December	**284,789**	**(71,823)**	**212,966**	**193,830**	**(58,498)**	**135,332**
Unearned premiums						
Balance at 1 January	77,841	(17,497)	60,344	66,606	(15,945)	50,661
Change in unearned premiums	29,585	2,868	32,453	6,509	(1,084)	5,425
Effect of movements in exchange rates	3,819	(1,171)	2,648	4,726	(468)	4,258
Balance at 31 December	**111,245**	**(15,800)**	**95,445**	**77,841**	**(17,497)**	**60,344**
Deferred acquisition costs						
Balance at 1 January	18,917	-	18,917	16,794	-	16,794
Change in deferred acquisition costs	7,152	-	7,152	1,562	-	1,562
Effect of movements in exchange rates	1,897	-	1,897	651	-	561
Balance at 31 December	**27,966**	**-**	**27,966**	**18,917**	**-**	**18,917**

5. Net operating expenses

	2022	2021
	£'000	£'000
Acquisition costs	(58,120)	(44,333)
Change in deferred acquisition costs	7,152	1,562
Administration expenses	(7,208)	(3,980)
Reinsurance Commissions	1,607	2,438
Net operating expenses	(56,569)	(44,313)

Members' standard personal expenses amounting to £3.3m (2021: £2.6m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions and Managing Agency fees. It is the Syndicate's policy to defer admin expenses.

6. Staff costs

The Syndicate and it's Managing Agent have no employees. Dale Syndicate Services Limited (the Service Company) hires employees and recharges the cost to the Syndicate. The following amounts were recharged to the Syndicate in respect of salary and related costs.

	2022	2021
	£'000	£'000
Wages and salaries	(10,069)	(8,191)
Social security costs	(1,306)	(1,026)
Other pension costs	(1,072)	(937)
	(12,447)	(10,154)

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

	2022	2021
Administration and finance	35	28
Underwriting	34	24
Claims	5	5
	74	57

7. Auditor's remuneration

	2022	2021
	£'000	£'000
Audit of the Syndicate annual accounts	(38)	(32)
Other services pursuant to Regulations and Lloyd's Byelaws	(202)	(122)
Other non-audit services	(72)	(63)
	(312)	(217)

Auditor's remuneration is included as part of the administrative expenses in note 5 to the financial statements.

8. Emoluments of the Directors of Dale Managing Agency Ltd

The aggregate emoluments of the directors and staff of the Managing Agency are paid by the service company, Dale Syndicate Services Limited. These costs are then recharged to either Syndicate 1729 or Dale Managing Agency Limited, according to an agreed allocation basis.

The emoluments and benefits of the directors of the Managing Agency, charged through to Syndicate 1729 during 2022 were:

	2022	2021
	£'000	£'000
Executive Directors		
- Remuneration	1,393	295
- Pension contributions	4	-
	1,397	295

Number of directors that are members of a defined contribution scheme:	1

Highest paid director	2022	2021
	£000	£'000
The emoluments of the highest paid director were:		
- Aggregate emoluments and benefits (excluding any amounts in respect of contributions to pension schemes)	737	228
- Amounts in respect of contributions to Pension schemes	-	-
	737	228

9. Investment return

	2022	2021
	£'000	£'000
Income from other financial investments	2,172	1,026
Net gains/losses on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	(1,440)	(320)
Total investment income	732	706
Net unrealised gains/losses on investments		
- Fair value through profit or loss designated upon initial recognition	(2,879)	(1,026)
Investment expenses and charges	(105)	(68)
Total investment return	(2,252)	(388)

10. Financial investments

	2022		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	49,292	49,292	49,292
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	125,627	128,575	129,491
	174,919	177,867	178,783

	2021		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	12,021	12,021	12,021
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	90,167	91,199	90,303
	102,188	103,220	102,324

Financial investments continued

Amounts included within Shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These have the attributes of a cash instrument with the carrying value and purchase price being the same.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period.

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2022				
Shares and other variable yield securities and units in unit trusts	-	47,034	2,258	49,292
Debt securities and other fixed income securities	-	125,627	-	125,627
Overseas deposits	890	10,149	-	11,039
Total	890	182,810	2,258	185,958

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2021				
Shares and other variable yield securities and units in unit trusts	-	9,763	2,258	12,021
Debt securities and other fixed income securities	-	90,167	-	90,167
Overseas deposits	1,198	8,352	-	9,550
Total	1,198	108,282	2,258	111,738

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

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

Included in the level 3 category, are loans provided by the Syndicate to the Lloyd's Central Fund and are carried at fair value using information provided by Lloyd's. These instruments are not tradeable and their valuation includes significant unobservable inputs.

Financial investments continued

Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

11. Debtors arising out of direct insurance operations

	2022	2021
	£'000	£'000
Due from intermediaries (within one year)	55,066	29,963
	55,066	29,963

12. Debtors arising out of reinsurance operations

	2022	2021
	£'000	£'000
Due from ceding insurers (within one year)	49,102	53,144
Due from ceding insurers (after one year)	2,855	5,039
	51,957	58,183

13. Creditors arising out of direct insurance operations

	2022	2021
	£'000	£'000
Due to intermediaries (within one year)	6,210	3,051
	6,210	3,051

14. Creditors arising out of reinsurance operations

	2022	2021
	£'000	£'000
Due to intermediaries:		
Reinsurance accepted (within one year)	2,068	1,792
Reinsurance ceded (within one year)	24,212	20,827
Reinsurance ceded (after one year)	8,926	9,311
	35,206	31,930

15. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

16. Cash and cash equivalents

	2022	2021
	£'000	**£'000**
Cash at bank and in hand	15,837	1,908
Shares and other variable yield securities and units in unit trusts	49,292	12,021
	65,129	13,929
Syndicate loan to central fund	(2,258)	(2,258)
	62,871	11,671

Shares and other variable yield securities and units in unit trusts are investments in nature but are treated as Cash and cash equivalents for cash flow purposes, so therefore are included in both Financial investments and Cash and cash equivalents.

17. Related parties

Asta provided service and support to Syndicate 1729 in its capacity as Managing Agent until 30 September 2022. Managing Agency fees of £1.3m (2021: £1.3m) and service charges of £1.3m (2021: £1.8m) were recharged by Asta to the Syndicate during 2022.

From 1 October 2022, Dale Managing Agency Limited became the Managing Agent for Syndicate 1729 and received £0.4m in respect of Managing Agency fees.

ProAssurance Corporate Capital Limited is one of our capital providers. ProAssurance Corporate Capital Limited is a subsidiary of ProAssurance Corporation a public company based in Alabama, USA. The syndicate set up a GBP loan facility with ProAssurance Corporation which was entered into at appropriate commercial rates of interest. The amount of this loan facility owed at 31 December 2022 was £nil (2021: £nil).

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on an arms-length basis.

Dale Partners Limited (DPL), a company registered in England and Wales, is the parent company of the Dale Group. Dale Syndicate Services Limited (DSSL), a company registered in England and Wales, is a service company within that Group, set up to provide services to Syndicate 1729 and SPA 6131. It is the employing company of all staff who work for the Syndicate and Managing Agency. Expenses amounting to £14.8m were recharged by DSSL to the Syndicate during 2022. At the year-end date a balance of £2.6m was due from DSSL to the Syndicate.

18. Disclosure of interests

Managing Agent's interest

During 2022 Asta was the Managing Agent for twelve Syndicates, two Special Purpose Arrangements and six Syndicates in a Box. Syndicates 1609, 1699, 1729, 1892, 1980, 1988, 2288, 2525, 2689, 2786, 3268 and 4242 as well as Special Purpose Arrangements 1416 and 6131 and Syndicates in a Box 4747, 1796, 1902, 2880, 3456 and 5183 were managed on behalf of third party capital providers.

On 1 January 2022, Asta took on the management of Syndicate 1699.

On 1 January 2022, Asta took on the management of Syndicate in a box 1902.

On 10 February 2022, Asta took on management of Syndicate in a box 2880.

On 10 February 2022, Asta reinsured to close Syndicate 1980 into Riverstone Syndicate 3500.

On 22 March 2022, Asta took on the management of Syndicate in a box 3456.

On 13 May 2022, Asta migrated the management of 3268 to IQUW.

On 10 June 2022, Asta took on the management of Syndicate in a box 5183.

On 18 July 2022, Asta took on the management of Syndicate in a box 1796.

On 1 October 2022, Asta migrated Syndicate 1729 and SPA 6131 to Dale Managing Agency Limited.

Asta also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking a number of ancillary roles for other clients.

The Financial Statements of Asta Managing Agency can be obtained by application to the Registered Office at 5th Floor, 20 Gracechurch Street, London, EC3V 0BG.

From the 1st October, the Managing Agent changed from Asta to Dale Managing Agency who is the managing agent for Syndicate 1729 and Special Purpose Arrangement 6131.

19. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these annual accounts by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses. Refer to note 21 for further details.

20. Off-balance sheet items

The Syndicate has a $20.0m (2021: $12.0m) letter of credit facility with Barclays Bank PLC, of which $10.0m was utilised at year end (2021: $12.0m). This was used to support US trust fund requirements.

21. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The directors recognise the critical importance of having efficient and effective risk management systems in place.

The Managing Agency maintains a risk management function for the Syndicate with clear terms of reference from the Board, its committees and sub committees. Dale supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Dale Managing Agency board to the committees.. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Dale reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

The Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements.

The Board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 1729 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was 35% of the member's SCR 'to ultimate'.

Risk management continued

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 19, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities. Market factors, such as inflation and pricing adequacy, need to be sufficiently taken account of in order to help mitigate this risk.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to single risk and catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

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

The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Managing Agency board.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the Realistic Disaster Scenario (RDS) on the Syndicates in-force exposure at 31 December 2022.

	Estimated Gross loss	**Estimated Net loss**
	£'000	**£'000**
AEP Loss 30 Year Return Period - Whole World	(115,562)	(50,942)
Aggregate exceedance probability loss 30 year return period – Whole World	(110,559)	(51,023)
Aggregate exceedance probability loss 30 year return period – US WS (Inc GM WS)	(99,205)	(40,547)
Liability - Internal scenario 1	(45,455)	(5,785)
Alternate RDS B – Canadian BC EQ 1/500	(33,057)	(10,186)
Aggregate exceedance probability loss 30 year return period – UC EQ	(24,793)	(4,132)

Risk management continued

Key assumptions

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

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

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process including, but not limited to, the effect of inflation on future claim liabilities. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis.

	2022	**2021**
	£'000	**£'000**
Gross		
Five percent increase	14,239	9,692
Five percent decrease	(14,239)	(9,692)
Net		
Five percent increase	10,648	6,767
Five percent decrease	(10,648)	(6,767)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

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

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

Risk management continued

Underwriting year	2014	2015	2016	2017	2018	2019	2020	2021	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative gross claims incurred:									
At end of underwriting year	18,724	26,166	35,275	66,639	47,392	38,322	65,602	110,189	114,319
One year later	34,345	49,924	69,523	111,242	86,483	83,678	116,844	101,902	
Two years later	35,195	50,717	76,440	119,831	93,920	88,645	118,728		
Three years later	34,982	49,575	77,187	121,176	91,675	87,980			
Four years later	34,847	49,135	77,108	119,870	94,191				
Five years later	34,431	48,986	79,557	124,426					
Six years later	34,375	48,761	81,915						
Seven years later	33,390	51,008							
Eight years later	35,201								
Less cumulative gross paid	(32,897)	(45,655)	(71,518)	(109,642)	(72,078)	(66,179)	(76,905)	(29,579)	(20,428)
Liability for gross outstanding claims	2,304	5,353	10,397	14,784	22,113	21,801	41,823	72,323	93,891
Total gross outstanding claims all years									284,789

Underwriting year	2014	2015	2016	2017	2018	2019	2020	2021	2022
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative net claims incurred:									
At end of underwriting year	17,711	23,498	30,519	32,604	34,794	33,631	54,914	63,438	92,356
One year later	33,233	45,992	60,772	64,746	64,594	62,985	84,406	76,350	
Two years later	34,521	47,466	64,166	68,208	67,866	64,948	86,489		
Three years later	34,302	46,311	63,025	66,940	67,171	64,311			
Four years later	34,166	45,866	61,321	65,791	64,478				
Five years later	33,750	45,709	63,749	66,692					
Six years later	33,583	45,481	64,565						
Seven years later	32,710	46,721							
Eight years later	34,521								
Less cumulative gross paid	(32,217)	(42,085)	(56,650)	(56,802)	(49,054)	(47,603)	(56,900)	(21,803)	(20,403)
Liability for net outstanding claims	2,304	4,636	7,915	9,890	15,424	16,708	29,589	54,547	71,953
Total net outstanding claims all years									212,966

Risk management continued

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

d) Financial risk

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to honour their obligation to the Syndicate.

The following policy and procedure is in place to mitigate the exposure to credit risk.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee.

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

As at the year end date, the Syndicate had Letters of Credits in place with some of it's reinsurers held as collateral amounting to £45.5m.

2022		**£'000**		
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	49,292	-	-	49,292
Debt Securities	125,627	-	-	125,627
Overseas Deposits	11,039	-	-	11,039
Deposits with ceding undertakings	21	-	-	21
Reinsurers share of claims outstanding	71,823	-	-	71,823
Debtors arising out of direct insurance operations	54,571	495	-	55,066
Debtors arising out of reinsurance operations	8,838	-	-	8,838
Other debtors	92,746	632	-	93,378
Cash and cash equivalents	15,837	-	-	15,837
Total	429,794	1,127	-	430,921

Risk management continued

2021	£'000			
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	12,021	-	-	12,021
Debt Securities	90,167	-	-	90,167
Overseas Deposits	9,550	-	-	9,550
Deposits with ceding undertakings	279	-	-	279
Reinsurers share of claims outstanding	58,498	-	-	58,498
Debtors arising out of direct insurance operations	29,634	329	-	29,963
Debtors arising out of reinsurance operations	19,495	-	-	19,495
Other debtors	79,030	274	-	79,304
Cash and cash equivalents	1,908	-	-	1,908
Total	300,582	603	-	301,185

Assets which are past due but not impaired have been in arrears for less than 3 months from the reporting date.

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2022 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated, Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

2022	£'000						
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	49,292	-	-	-	49,292
Debt Securities	8,546	42,725	66,240	8,116	-	-	125,627
Overseas Deposits	6,513	1,432	999	904	161	1,030	11,039
Deposits with ceding undertakings	-	-	21	-	-	-	21
Reinsurers share of claims outstanding	-	-	56,459	-	-	15,364	71,823
Debtors arising out of reinsurance operations	-	-	6,785	-	-	2,053	8,838
Cash and cash equivalents	-	-	15,837	-	-	-	15,837
Total	15,059	44,157	195,633	9,020	161	18,447	282,477

Risk management continued

2021				£'000			
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	12,021	-	-	-	12,021
Debt Securities	7,448	42,999	32,276	7,444	-	-	90,167
Overseas Deposits	4,669	841	1,985	794	465	796	9,550
Deposits with ceding undertakings	-	-	279	-	-	-	279
Reinsurers share of claims outstanding	-	-	37,874	-	-	20,624	58,498
Debtor arising out of reinsurance operations	-	-	10,980	-	-	8,515	19,495
Cash and cash equivalents	-	-	1,908	-	-	-	1,908
Total	12,117	43,840	97,323	8,238	465	29,935	191,918

The Managing Agency Board's policy is that the Syndicate will only reinsure with approved reinsurers. The reinsurers' that are shown in the tables above are fully collateralised.

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

2) Liquidity risk

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

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

2022			£'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	112,839	97,337	38,444	36,169	284,789
Creditors	-	34,897	6,519	-	-	41,416
Total	-	147,736	103,856	38,444	36,169	326,205

2021			£'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	72,747	65,686	27,769	27,628	193,830
Creditors	-	25,670	9,311	-	-	34,981
Total	-	98,417	74,997	27,769	27,628	228,811

Risk management continued

3) Market risk

a) Currency risk

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

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

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

2022				**£'000**		
	GBP	**USD**	**EUR**	**CAD**	**JPY**	**Total**
Total Assets	50,077	345,514	6,907	24,816	3,607	430,921
Total Liabilities	(31,781)	(380,014)	(11,378)	(14,561)	(321)	(438,055)
Net Assets	18,296	(34,500)	(4,471)	10,255	3,286	(7,134)

2021				**£'000**		
	GBP	**USD**	**EUR**	**CAD**	**JPY**	**Total**
Total Assets	36,465	240,245	3,482	20,230	763	301,185
Total Liabilities	(24,500)	(259,123)	(7,604)	(15,813)	(364)	(307,404)
Net Assets	11,965	(18,878)	(4,122)	4,417	399	(6,219)

The Syndicate matches its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates. In order to make settlements in a specific currency the Syndicate has the ability to utilise other currencies if necessary.

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the USD, CAD, EUR and JPY simultaneously. The analysis is based on the information as at 31st December 2022.

	Impact on profit and member's balance	
	2022	**2021**
	Profit/ (Loss)	**Profit/ (Loss)**
	£'000	**£'000**
Sterling weakens		
10% against other currencies	(2,543)	(1,818)
20% against other currencies	(5,086)	(3,637)
Sterling strengthens		
10% against other currencies	2,543	1,818
20% against other currencies	5,086	3,637

Risk management continued

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

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

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balance of the effects of changes in interest rates on fixed rate financial assets and liabilities. This measures the impact on profit or loss for the year (for items at fair value through profit or loss) and on members' balance (for available for sale investments) that would arise from a reasonably possible change in interest rates at the reporting date on financial instruments at the period end.

	2022	**2021**
	Profit/(Loss)	**Profit/(Loss)**
	£'000	**£'000**
Interest Rate Risk		
Impact of 50 basis point increase on result	(1,045)	(800)
Impact of 50 basis point decrease on result	1,045	800
Impact of 50 basis point increase on net assets	(1,045)	(800)
Impact of 50 basis point decrease on net assets	1,045	800

The method used for deriving sensitivity information and significant variables did not change from the previous period.

22. Post balance sheet events

The Syndicate will distribute £1.1m to members in 2023, in relation to the 2020 year of account profits in US Dollars.