LLOYD'S

Annual Report 2023

Sharing risk to create a braver world

Lloyd's is the world's leading insurance and reinsurance marketplace. We're sharing risk to create a braver world – protecting what matters most, building resilience and helping people and businesses recover in times of need.

Contents

Lloyd's reporting suite

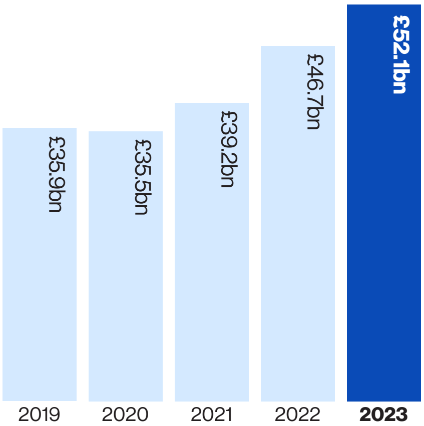
Follow link for more information and to view our 2023 reporting suite

Our performance at a glance

Financial key performance indicators

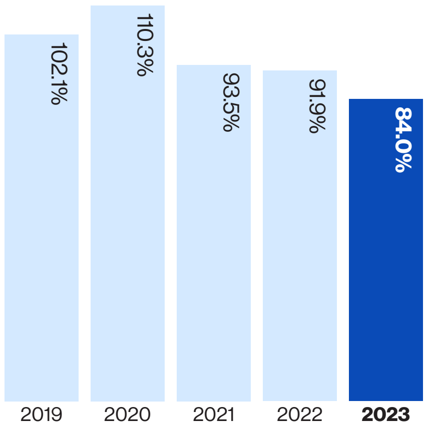
Gross written premium

£52.1bn



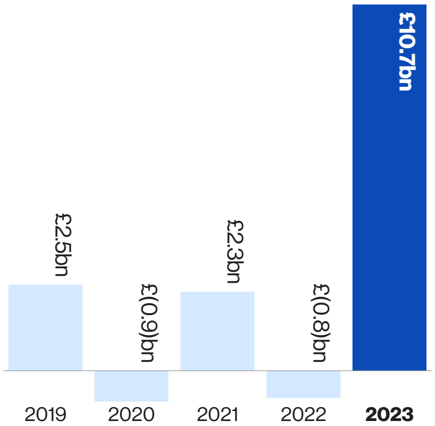
Combined ratio

84.0%



Result before tax

£10.7bn



Expense ratio

34.4%

(2022: 34.4%)

Return on capital

25.3%

(2022: (2.0)%)

Underlying combined ratio

80.5%

(2022: 79.2%)

Attritional loss ratio

48.3%

(2022: 48.4%)

Underwriting result

£5.9bn

(2022: £2.6bn)

Investment return

£5.3bn

(2022: £(3.1)bn)

Central solvency coverage ratio

503%

(2022: 412%)

Central solvency coverage ratio adjusted for repayment of 2019 syndicate loan is 496%

Market-wide solvency coverage ratio

207%

(2022: 181%)

Total capital, reserves and subordinated loan notes

£45.3bn

(2022: £40.2bn)

Read more about our performance in the Market Results section on pages 24 to 31.
The above metrics include alternative performance measures. Definitions are on pages 162 to 163.

Our impact on society

£22bn

Claims paid to global customers in the wake of disasters in 2023

>30m tonnes

Grain and fertiliser exported through the UN Black Sea Grain Initiative

2,000

Volunteers mobilised from our market through Lloyd's of London Foundation

35%

Target for women in market leadership positions met in 2023

Read more about our impact on society in our Sustainability Report (available on www.lloyds.com)

Financial strength ratings

A
A.M. Best
positive outlook

AA-
S&P Global
stable outlook

AA-
Fitch Ratings
stable outlook

AA-
KBRA
stable outlook

Strategic Report

Chair's statement

"Our purpose at Lloyd's is to share risk to create a braver world. By providing leadership, investing in innovation and delivering a very strong financial performance, the market is well positioned to continue delivering that mission in the years ahead."

2023 was a remarkable year for Lloyd's. In a period of heightened risk, the strong financial position of our market enabled us to help people build confidence, resilience and bravery in the face of a shifting landscape.

The first quarter of this century brought a series of seismic events. Bookended by the 9/11 attacks on US soil and conflict on European soil – with a global financial crisis and pandemic in between – we should expect these kinds of events to continue in the second quarter of the century.

Far from causing us to retreat, that uncertainty invites us to use our experience, data and capacity for innovation to anticipate the risks that might lie ahead; and provide the solutions customers need to respond.

Our purpose at Lloyd's is to share risk to create a braver world. That means pooling our resources, syndicating risks and building relationships to underwrite the decisions that help society continue to operate and thrive at all times. By providing leadership, investing in innovation and delivering a very strong financial performance, the market is well positioned to continue delivering that mission in the years ahead.

In 2023, preparing for the future meant innovating through the market's collaboration and award-winning Lloyd's Lab incubator. Forward-thinking brokers and underwriters collaborated with governments, regulators and others to help communities respond to global conflict: whether insuring the UN's Black Sea Grain Initiative to protect over 30 million tonnes of grain and fertiliser shipments from Ukraine, or providing a just-in-time insurance facility for the rescue of the FSO Safer supertanker, off the coast of Yemen, preventing what could have been a devastating environmental disaster.

We were pleased to see Lloyd's Lab turn five in October, which has now seen over 100 startups through its doors in those five years – and over a billion dollars of investment raised for the solutions from those startups. As a testament to the Lab's relevance and commercial edge, 97% of Lab graduates are still operating or have been successfully bought. Those solutions are helping people, businesses and governments mitigate cyber attacks, model wildfires, manage political risks and much more in communities around the world.

On the biggest challenge of our time, Lloyd's continued to bring key players together to address climate change and support the transition to a low carbon economy.

That meant convening insurers and collaborating with other sectors through the Sustainable Markets Initiative, where Lloyd's chairs the Insurance Task Force, to deliver resilience-building risk solutions. From a new partnership with the United Nations Capital Development Fund (UNCDF) focusing on climate-vulnerable nations, to new standards for responsible and sustainable space exploration, this work has helped people face into the climate threat and take informed, brave decisions to protect their future and our planet.

That was supported by the work of the Lloyd's Futureset platform to deliver insights on new and emerging risks. From a series of events to spotlight new technologies and threats called Risk Revealed – attended by over 1,300 market experts – to developing nine new scenarios with the Cambridge Centre for Risk Studies to support planning and preparedness on systemic risks, Futureset played a leading role in helping our industry and customers understand the risks of the future so we can start building resilience today.

In 2023, we united our charitable activities under the Lloyd's of London Foundation which continued to support more sustainable, resilient and inclusive communities around the world by mobilising 2,000 market employees behind the work of 36 charities. Ranging from mental health programmes to sustainable farming projects, this work is a core part of our mission to support a braver world; looking beyond our market to create opportunities and close gaps in the communities we're privileged to be a part of.

Insurance has always played a role in helping people manage the unknown and the uncertain. We performed this role again in 2023: providing the stability, investment and capital to help people and businesses bounce back from disaster and build resilience for the future.

We are grateful to all who worked with us to deliver that mission in 2023.

Bruce Carnegie-Brown
Chairman of Lloyd's

Chief Executive's statement

"Our results reflect an uncompromising focus on executing our strategy and delivering consistent profitable performance to enhance the value, relevance and long term sustainability of Lloyd's."

Lloyd's has been on a remarkable journey over the past five years. Our focus on underwriting discipline, profitable growth and digitalisation has enabled us to turn around our market's performance, reduce cost and complexity, and step up to lead our industry in supporting our customers through a sustained period of uncertainty.

Executing our strategy

2023 saw Lloyd's report its best results in recent history, with outstanding performance underpinned by a strong and resilient balance sheet.

The results reflect an uncompromising focus on executing against our strategy, alongside the commitment of our market participants in delivering consistent profitable performance – all of which continues to enhance the value, relevance and long term sustainability of Lloyd's. They also allow us to show tangible progress on the assignments we were given by our stakeholders back in 2018: to improve performance, reduce the cost of doing business and show leadership on the issues facing society.

We introduced our four strategic priorities – performance, digitalisation, purpose and culture – to drive execution against those objectives, and we've been pleased to see steady progress on all fronts in the years since.

Ensuring sustainable performance

Lloyd's strong financial results for 2023 demonstrate profitable growth supported by a high quality balance sheet.

Gross written premium grew by 11.6% to £52.1bn, driven by volume growth of 4.3% and price increases of 7.2%. The combined ratio of 84.0% and underwriting profit of £5.9bn represent outstanding underwriting performance, underpinned by a stable attritional loss ratio of 48.3% and expense ratio of 34.4%. Underwriting benefited from lower costs from large risks and natural catastrophe claims, with the underlying combined ratio of 80.5% at a similar level to 2022's underlying combined ratio of 79.2%.

Investment returns of £5.3bn contributed to an overall profit of £10.7bn – an outstanding result that signals both the strength of our market, and the enduring value of insurance in helping people make more confident risk decisions in the face of uncertainty.

The balance sheet has supported solvency ratios of 207% and 503% (market and central solvency respectively), the quality of which is reflected in our financial strength ratings: with S&P Global upgrading the Lloyd's market from A+ to AA-, and A.M. Best boosting the market's outlook to 'positive'.

Lloyd's will continue to ensure the market's performance is underpinned by robust oversight. In 2023, that included a strong focus on our principle based oversight, where we have engaged with managing agents across their business; from capital requirements and underwriting discipline, to sustainability and culture strategies. This oversight ensures Lloyd's is positioned to thrive and grow in the years to come.

Reducing cost and complexity

The market will continue its digital transformation through Blueprint Two in 2024 and 2025, boosting the resilience of the technology and operating frameworks underpinning our market's trading credentials. The solutions will also equip us to present and utilise much better data and insights throughout the insurance lifecycle: from our investors, insurers and brokers right through to the end customer.

Leading in riskier times

A complex and uncertain external environment has called for the insurance industry to 'stand up' in helping people, businesses and governments manage their risk exposures. From climate change to conflict, Lloyd's stepped up to this role in 2023.

That meant developing innovative solutions to protect customers against new, emerging and systemic risks. Having seen the impact of COVID-19 on our economies, our market continued to provide confidence to governments and businesses as they managed financial uncertainty and shifts in 2023. When conflict threatened global markets and supply chains, Lloyd's mobilised solutions and capital to help communities respond, from insuring the transportation of grain from Ukraine's ports to providing a new risk solution for the International Federation of Red Cross and Red Crescent Societies (IFRC), enabling them to access finance quickly in the event of a humanitarian crisis.

> **"This performance will enable us to meet more of the world's risk needs as we innovate for customers and provide opportunities for capital to get behind growth in the years ahead."**

We continued to step up to our commitment to be the insurer of the transition, publishing a three-year roadmap for our market's pathway as the world progresses to net zero. Alignment on objectives and defining what 'good' looks like is the precursor to action: we were pleased to provide that direction for our market as we navigate this unprecedented shift in how we live, spend and invest. At the same time, we worked to build climate resilience through the cross-sector Sustainable Markets Initiative, including launching a new partnership with the UN Capital Development Fund (UNCDF) to build disaster resilience in climate-vulnerable countries.

Leadership also meant maintaining our focus on creating an inclusive and high performance culture in our market. Again, measurement is the key: and in 2023 we were pleased to see increases in both hiring from ethnically diverse backgrounds (against our 'one in three' ambition), and women in leadership positions (meaning we have now met the 35% target set out in 2020). That progress allows us to adjust our sights to see how we can continue supporting this progress over the long term. We also continued to support diversity in all its forms through our market networks and oversight, including adding culture as a 'gateway' principle market firms must meet to achieve a higher rating.

As with climate, defining and tracking 'good' behaviours – while taking action on 'bad' behaviours – will be key to our progress on culture in the coming years. It's anything but 'job done', and 2024 will see us focus on accelerating these efforts – including through the market-wide programme of initiatives known as Inclusive Futures, launched in 2023 to help Black and ethnically diverse individuals progress from the classroom to the boardroom.

Supporting resilience and growth

This progress across our strategic priorities enables us to show we are addressing the expectations set by our stakeholders in 2018. That includes delivering sustainable performance and growth; providing attractive opportunities to work, invest and place risk in the Lloyd's market; tackling cost through our digitalisation plans and underwriting discipline; and continuing to collaborate and innovate to help society build resilience against the threats we face.

We stand at an important point in the insurance cycle where the nature of risk – and the value of insurance – is demonstrated by the industry growing at a much faster rate than GDP. Our performance – which remains our number one priority – means we have earned the right to continue growing profitably and sustainably. This will enable us to meet more of the world's risk needs as we innovate for customers and provide opportunities for capital to get behind growth in the years ahead.

2024 is therefore shaping up to be another solid year of profitable growth, capital resilience and an improved framework in which our market can operate, from our culture and climate plans to our digitalisation through Blueprint Two. We go into the year with renewed confidence in our ability to deliver for customers in an uncertain environment, and fresh energy to work with all our stakeholders to help create a braver world.

John Neal
Chief Executive Officer

Chief Financial Officer's statement

"2023 was an outstanding year for the Lloyd's market with continued sustainable profitable growth underpinned by a strong balance sheet. This resilience continues to give us and our stakeholders confidence."

After several years working with our market to significantly improve underwriting discipline and profitability, we are now seeing these efforts bear fruit in a buoyant and growing Lloyd's market.

In many ways, the results speak for themselves. Profit before tax in 2023 was £10.7bn (2022: loss £(0.8)bn), consisting of an underwriting result of £5.9bn (2022: £2.6bn) and an investment return of £5.3bn (2022: loss £(3.1)bn).

Gross written premium increased 11.6% to £52.1bn (2022: £46.7bn). Broken down, this was comprised of 4.3% organic volume growth; 7.2% price movements (a combination of rate and inflation); and 0.1% foreign exchange movements. Combined, we have now seen 24 consecutive quarters of price improvements. The Property and Casualty lines of business were particularly strong in 2023, partially offset by some less attractive conditions in parts of the Casualty class.

Outstanding underwriting performance

This growth was supported by exceptional underwriting conditions in 2023. The market's combined ratio – a key measure of operating profit – improved nearly eight points across the year to 84.0% (2022: 91.9%). The underlying combined ratio, which excludes major losses, showed stability at 80.5% (2022: 79.2%).

The market's attritional loss ratio of 48.3% (2022: 48.4%) was stable, while major claims were relatively low at 3.5% (2022: 12.7%). In total, exposure to major losses throughout the year – including the Middle East earthquake in Turkey, Hawaii wildfires, Cyclone Gabrielle and Hurricane Idalia – stood at £1.3bn (2022: £4.1bn). This compares to 2022 which saw larger market exposure to events such as Hurricane Ian and conflict in Ukraine.

Prior year releases were 2.2% (2022: 3.6%) accounting for reinsurance to close legacy transactions in the market, offset by some strengthening in exposures to conflict in Ukraine.

The expense ratio, comprised of acquisition and administrative expenses, remained flat at 34.4% (2022: 34.4%) – a positive result given the market's profitability and the inflationary pressures of recent years.

Strong investment returns

The market produced an outstanding investment result of £5.3bn (2022: loss £(3.1)bn), reflecting the higher risk-free interest rates around the world alongside the unwind of paper losses from the mark-to-market accounting system booked in previous years.

Balance sheet strength

Our central solvency ratio for 2023 increased to 503% (2022: 412%) following positive movements on our investments and a reduction in the central solvency capital requirement. The market-wide solvency ratio also increased to 207% (2022: 181%) reflecting strong profitability and investment returns, discounting benefits and a reduction in the market-wide solvency capital requirement. The reduction in capital requirements was driven by changes in inflation risk, the strengthening of sterling against US dollars and a regulatory change to the risk margin – while being partially offset by market growth.

The total capital of the market balance sheet stands at £45.3bn (2022: £40.2bn) – an increase that reflects the continued growth and profitability of the market. Our balance sheet includes an overall reserve margin of £4.6bn (2022: £3.8bn) in line with our prudent approach to reserving, booking losses early and conservatively. Specifically, the market has been strengthening its Casualty reserves for the past four years, avoiding the need to materially increase Casualty reserves in 2023.

In 2023 we were pleased to see our sustainable profitability and resilient capital reflected in S&P Global's upgrading of the Lloyd's market from A+ to AA-, and A.M. Best's decision to boost the market's outlook to 'positive' (from 'stable').

An encouraging outlook

2023 was therefore an outstanding year for Lloyd's, with strong profitable growth underpinned by a strong balance sheet. This resilience continues to give us and our stakeholders confidence.

As in previous years, our focus will remain on supporting the market's profitability and balance sheet strength through our oversight and strategic execution, while continuing to focus on providing attractive opportunities to invest in the Lloyd's market.

These efforts are helping futureproof our market in an uncertain environment. We will continue to work with all our stakeholders to support confidence, resilience and profitability so our market remains attractive for our customers and capital providers in the years ahead.

Burkhard Keese
Chief Financial Officer

About Lloyd's

Lloyd's is the world's leading insurance and reinsurance marketplace.

Through the collective intelligence and risk sharing expertise of the market's underwriters and brokers, we help create a braver world.

What is the Lloyd's Corporation?

Read more at www.lloyds.com

The Lloyd's market provides the insight to anticipate and understand risk, and the knowledge to develop relevant and innovative forms of insurance for customers globally.

At Lloyd's, we offer the efficiencies of shared resources in a marketplace that covers risks from more than 200 territories, in any industry, at any scale.

Ours is a commitment to trusted partnership, protecting what matters most: helping people recover in times of need and build resilience for the future.

Our purpose: sharing risk to create a braver world.

Together with our customers, businesses and communities all over the world we are building a braver future – one that is more sustainable, resilient and inclusive.

Sustainable, because we want to build things that last. From three year old startups to a three hundred year old market, everything we do should consider how we can protect and preserve our resources – natural, financial, technological – for future generations.

Resilient, because we've seen the impact global risks have on our world, from COVID-19 to climate change. Insurance helps people protect what matters most to them: so by innovating to find new solutions, we help people and businesses prepare for whatever lies ahead.

Inclusive, because we want everyone to share in the resources we're protecting and preserving. That means working to close the gaps we see in representation, economic opportunity and insurance protection in our communities around the world.

Supporting our stakeholders

As the world's largest specialist insurance market and global distribution network, Lloyd's has a unique set of stakeholders:

Customers

We provide the products and services to navigate complex risks and build resilience for the future.

Underwriters

We offer the ability to share and syndicate risk in one place, while developing innovative solutions to new and evolving risks.

Brokers

We give direct access to diversified, independent capital, global markets and the highest concentration of underwriters in the world to place risks on behalf of clients.

Capital providers

We provide access to innovative and flexible capital solutions that offer low cost of capital and attractive investment returns backed by robust oversight.

Policymakers and regulators

We bring expertise, capital and innovation together to help society build resilience and respond in times of crisis.

Talent

We create the chance to be at the heart of global risk solutions, in a purpose-driven culture where every employee can progress and develop.

We also work closely with industry and market associations, rating agencies, charities, suppliers, academics and many others to share risk and expertise across all parts of society.

Read more about our stakeholder engagement on pages 70-74.

Our strategic priorities

Performance

We're delivering sustainable, profitable performance and growth in our marketplace.

Read more on pages 12-13

Digitalisation

Through Blueprint Two we're creating a data-focused, automated and cost-efficient insurance marketplace: better, faster, cheaper.

Read more on pages 14-15

Purpose

Everything we do at Lloyd's is underpinned by our purpose of sharing risk to create a braver world – creating a world that's more sustainable, resilient and inclusive.

Read more on pages 16-17

Culture

We're committed to creating a diverse, inclusive and high-performing culture across our market to attract and retain the best talent.

Read more on pages 18-19

Our unique benefits

Lloyd's marketplace model offers unparalleled value:

Choice

Through our licences and trading rights, we're able to provide solutions for customers in over 200 territories – meeting your needs, wherever you may be.

Confidence

Our core business is to help people and businesses protect what matters most, including in the wake of disasters – something we've done for over three centuries.

Partnership

Lloyd's is a community where individuals and businesses develop lasting and constructive relationships. We find solutions where others can't or won't.

Expertise

Insurance is a collaborative process: we use our unrivalled pool of knowledge to create innovative risk solutions that respond to your needs.

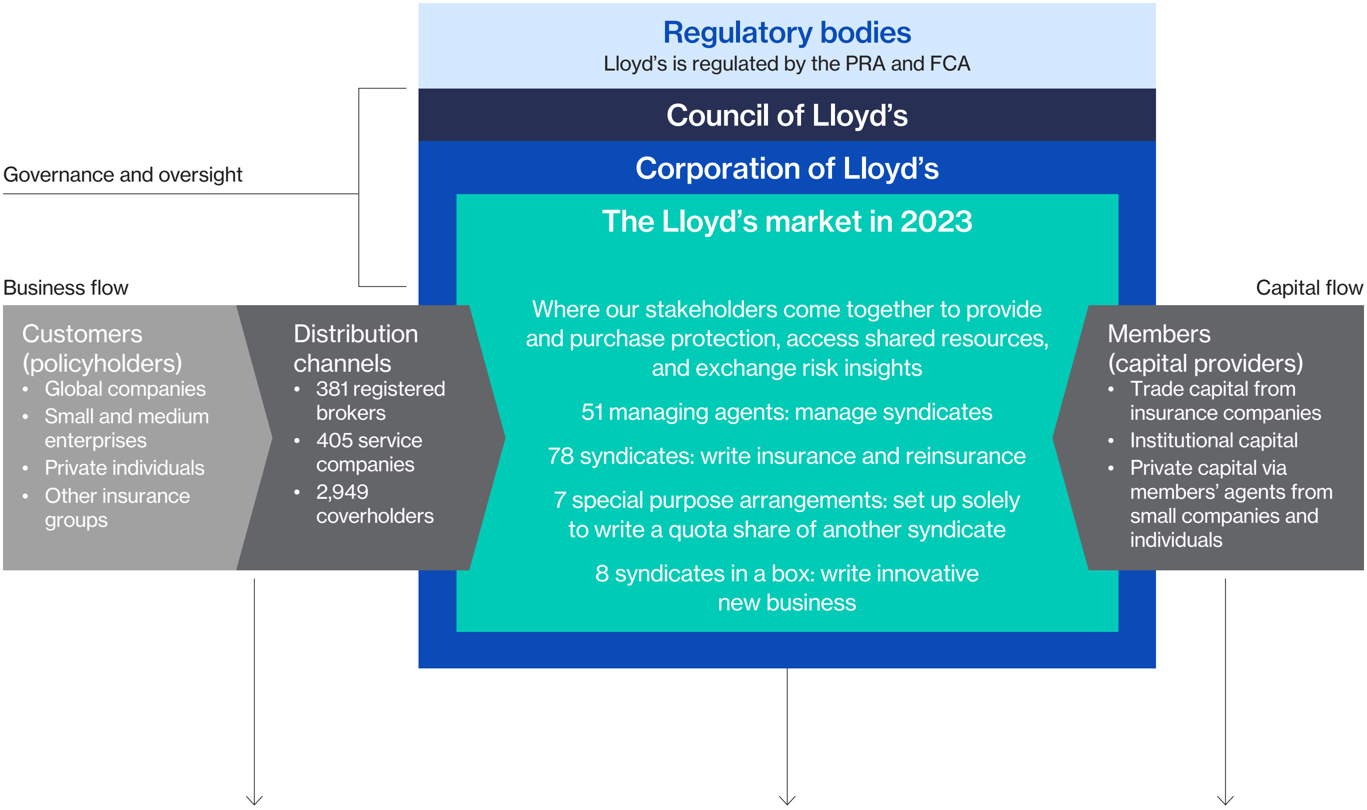
Insight

Our market makes informed judgements based on data, experience and understanding of risk – and we share that insight to help others understand the risks they face.

Ecosystem

Our scale and competitive marketplace model helps attain the best coverage, price and service for whatever risk you're placing.

The Lloyd's business model



Associations and committees

The interests of our market participants are represented and promoted through committees and associations. We work closely with them to ensure that the market operates efficiently and with appropriate oversight, and place our customers and stakeholders' interests at the centre of what we do.

Lloyd's Market Association (LMA)	International Underwriting Association (IUA)	London & International Insurance Brokers Association (LIIBA)	London Market Group (LMG)	Association of Lloyd's Members (ALM)	High Premium Group (HPG)	Xchanging Insurance Services & Xchanging Claims Services

Our business model

The insurance written at Lloyd's is brought to the market by brokers and coverholders, to specialist underwriters who price and underwrite the risk.

Syndicates are managed by 'managing agents' who employ the underwriters to 'bind' the contracts of insurance and reinsurance on behalf of the members of Lloyd's. Managing agents will also carry out all the other activities of insurance business at Lloyd's on behalf of the members. Syndicates are formed by members joining together to underwrite insurance, each for their own share. Members provide the capital to back the underwriting.

Much of the insurance and reinsurance capacity available at Lloyd's is provided on a subscription basis, where syndicates each take a share of large and complex risks. Combined with the choice, flexibility and financial security of the market, this makes Lloyd's the world's leading platform to underwrite and purchase insurance and reinsurance cover.

The interests of our market participants are represented and promoted by market associations and committees, which are set up by Lloyd's underwriters, brokers and members.

Behind the Lloyd's market is the Society of Lloyd's (also referred to as 'the Corporation'). While the Corporation does not underwrite insurance risks, it acts as the market operator: providing the infrastructure and regulatory oversight needed for the market to succeed.

The Lloyd's Council is responsible for the governance, management and supervision of the Society and the market. The governance and oversight frameworks are designed to ensure the Society and Lloyd's market actively manage risks to the Central Fund, Lloyd's licences, ratings and brand in order to create good outcomes for customers. We work closely with market associations to continue evolving our oversight to make sure our stakeholders' interests are reflected appropriately.

Our capital structure

Lloyd's unique capital structure provides excellent financial security to policyholders and capital efficiency for members.

Often referred to as the Chain of Security, the capital structure provides the financial strength that ultimately backs all insurance policies written at Lloyd's and the common security that underpins the market's strong ratings and global licence network.

Syndicate assets

All premiums received by syndicates are held in trust by the managing agents as the first resource for paying customers' claims.

Funds at Lloyd's

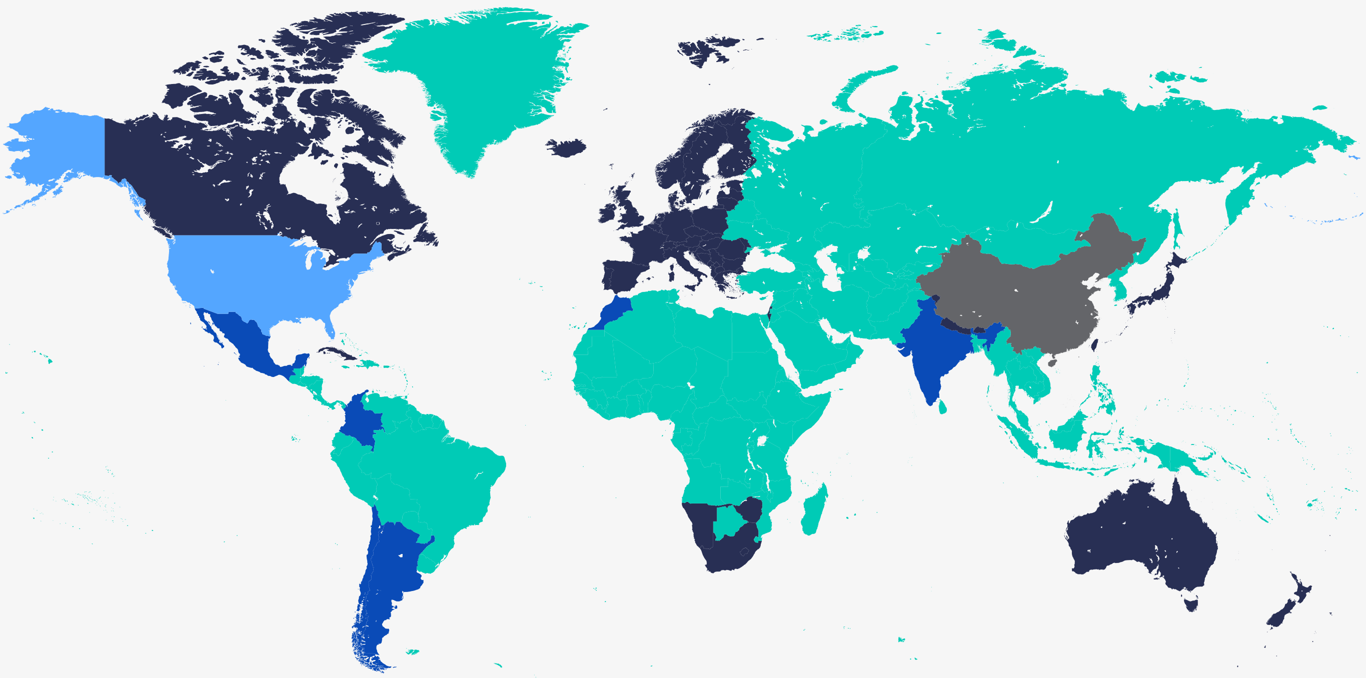
Each member must provide sufficient capital to support their underwriting at Lloyd's. Managing agents assess the Solvency Capital Requirement (SCR) for each syndicate that they manage, which sets out how much capital the syndicate requires to cover its underlying business risks at a 99.5% confidence level.

Lloyd's central assets

Our central assets, at the discretion of the Council of Lloyd's, are available to meet any valid claims that cannot be met from the resources of any member. This includes Lloyd's Central Fund, which is a fund held by Lloyd's to protect policyholders in the rare event that a member needs additional assets to meet its liabilities.

Lloyd's global network

Lloyd's is licensed to write onshore insurance in 80 countries, reinsurance in 100 countries and offshore reinsurance in over 200 countries. Lloyd's licences in the EU and in China are held by its wholly owned, locally authorised insurance company subsidiaries – in Belgium (Lloyd's Insurance Company S.A.) and China (Lloyd's Insurance Company (China) Limited).



- Onshore & cross-border insurance* (inc. Caribbean and Israel) * including reinsurance
- Onshore & cross-border reinsurance
- Cross-border reinsurance (inc. Turkey, Ukraine and Belarus)
- US Surplus Lines insurance, onshore and cross-border reinsurance
- Onshore insurance/reinsurance and cross-border reinsurance (China)

01

Performance

Our focus on **sustainable, profitable performance** is supported by our continued focus on portfolio management, principles-based oversight and a differentiated approach to business planning for Lloyd's syndicates.

£52.1bn

Gross written premium
(FY22: £46.7bn)

84.0%

Combined ratio
(FY22: 91.9%)

£10.7bn

Profit before tax
(FY22: loss of £0.8bn)

Lloyd's posted a strong set of results for 2023 that demonstrate our continued commitment to delivering sustainable, profitable performance and growth through a range of market conditions.

Sustainable, profitable performance

Building on the trend of recent years, Lloyd's saw an 11.6% increase in the volume of premium written in our market in 2022. Gross written premium (GWP) now stands at £52.1bn, driven by 4.3% volume growth, 7.2% price movement (combining rate and inflation) and 0.1% foreign exchange movements.

The market's combined ratio improved further to 84.0%, which coupled with an underwriting profit of £5.9bn, marked our best underwriting performance in recent history. This was supported by a stable attritional loss ratio (48.3%) and expense ratio (34.4%) and a relatively low number of major claims (3.5%).

Investment returns of £5.3bn supported an overall profit of £10.7bn, reflecting higher interest rates and the unwind of paper losses from the mark-to-market accounting system booked in previous years.

Meanwhile, Lloyd's balance sheet continues to demonstrate resilience and offer confidence to customers and capital providers. Our market-wide solvency ratio improved to 207% while the central solvency ratio also improved to 503%. This stability saw our financial strength ratings improve with S&P Global upgrading the Lloyd's market from A+ to AA-, and A.M. Best boosting the market's outlook to 'positive'.

Providing robust oversight

Lloyd's principles-based oversight framework enabled a truly risk based approach to managing market performance in 2023. Exposure growth was driven by syndicates with a demonstrable track record of performance.

Interventions were aimed proportionally at pockets of heightened risk and underperforming syndicates were required to develop and execute plans to remediate performance.

In 2023 the shape and geographic composition of the Lloyd's portfolio provided insulation from some of the extreme regional natural catastrophe activity with the major claims ratio sitting at 3.5% down 9.2pp compared to prior year. Property classes led the way in terms of rate improvement, as pricing catches up with changes in demographics, vulnerability and exposure values.

Looking to 2024

Sustainable, profitable performance will continue to be our first priority throughout 2024.

We are pleased to see syndicates responding appropriately and proportionally to the continued volatility facing the market. Principles-based oversight remains at the centre of how we regulate the market, enabling the best performers to thrive at Lloyd's.

From an underwriting perspective our key focus areas will include:

- Managing volatility in classes exposed to both natural and non-natural catastrophes;
- Remaining vigilant to the impact of economic and social inflation on prior year development in Casualty classes;
- Placing additional oversight on Cyber and managing systemic risk in the class to ensure growth is achieved sustainably; and
- Focusing on classes displaying adverse conditions, such as FinPro, to ensure that managing agents remain disciplined in their underwriting approach.

In addition, we will look to make enhancements to a number of areas of our oversight framework including Claims, Operational Resilience, Governance, Customer Outcomes (including Consumer Duty & Complaints) and Culture.

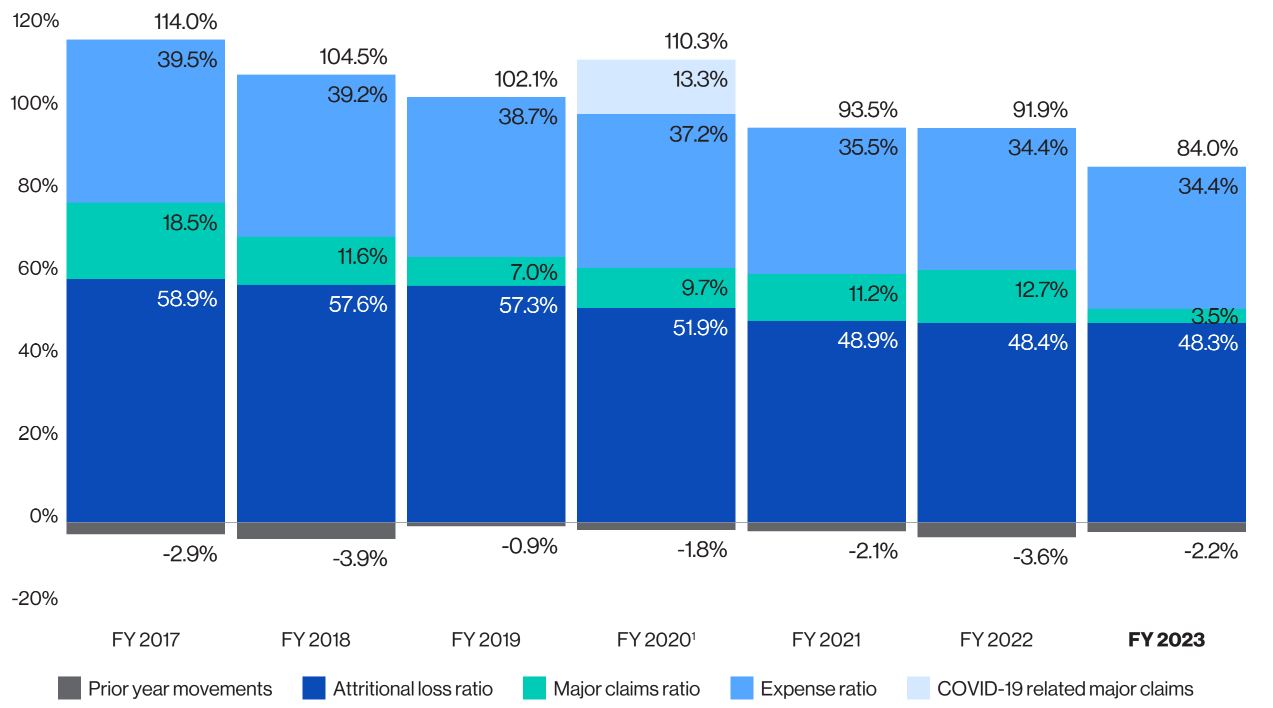
Financial strength ratings

A A.M. Best positive outlook	**AA-** S&P Global stable outlook
AA- Fitch Ratings stable outlook	**AA-** KBRA stable outlook

Our ambition continues to be to attract and retain the best underwriting businesses to the Lloyd's market. Opportunities to employ the unique strategic advantages of the Lloyd's model in traditional and innovative new market opportunities are abundant. We will work with the market to enable faster, more agile deployment of solutions that meet customer demands.

Read more about our performance in the Market Results section on pages 24-31.

Performance in action: Improved combined ratio in last seven years



1. 2020 combined ratio and major claims ratio include COVID-19. 2020 combined ratio excluding COVID-19 is 97.0%.

02

Digitalisation

Together with market participants, associations and vendors, we're **delivering a modern, efficient and data-driven marketplace** through the development and adoption of new technologies and process improvements outlined in Blueprint Two.

1,300+

meetings with groups of market participants and seven major events for our stakeholders

2,500+

people joining market events through the year

98%

of eligible market participants signed up to use our Faster Claims Payment solution

2023 was a milestone year in delivering our plans to create a better, faster and cheaper marketplace through Blueprint Two.

The year saw us continue to build both the technology that will enable Blueprint Two, and the confidence our market needs to adopt and benefit from the new solutions.

Building the technology

Blueprint Two is one of our core strategic priorities for a reason: digitalising our market is essential to maintaining our market's relevance in a changing, digital world.

After the steady progress of recent years to build consensus and engagement around the programme, 2023 saw Lloyd's and Velonetic – the new identity for the joint venture partnership between DXC Technology, the International Underwriting Association (IUA) and Lloyd's – continue to build the technology and develop the solutions that will underpin our transformation, and the engagement needed to support timely adoption across the market.

That included publishing the Core Data Record (CDR) to standardise data use in our market, and the new Market Reform Contract (MRC v3) to enable accurate, ACORD standardised data to flow through the entire insurance lifecycle with minimal human intervention. The latest version of the CDR now aligns with the globally-recognised ACORD GRLC standard, and our thanks go to the London Market Group's Data Council chaired by Sheila Cameron for their determined efforts to deliver these landmark milestones.

Looking to the technology build, 2023 saw Lloyd's and Velonetic deliver sequence two of the digital processing build, providing global premium and claims functionality, while sequences three and four (for open market business and delegated authority premium and claims underwritten in the London market) will be delivered in 2024. Delivery of these critical sequences will enable the market to move to phase one of the new digital solutions in 2024. Testing of the solutions with early adopters, known as our Vanguard programme, began testing initial connectivity in the first quarter of 2024. The rest of the market will begin testing in the second quarter of 2024.

Together with DXC Technology, we successfully completed the data centre migration in the first half of 2023 – the largest of its kind for financial services – we'll use the lessons learnt to help inform our delivery of Blueprint Two.

In delegated business, our Faster Claims Payment (FCP) solution – enabling customers to be paid faster in the wake of disasters – continued to win industry-wide awards. Nearly all managing agents with delegated authority business have signed agreements with LIMOSS to use the solution, while 11 new currencies are now available for managing agents' centralised funding accounts.

Supporting adoption

Having considered feedback provided in the Process, Roles and Responsibilities (PRR) Market Consultation earlier this year, the London Market Group's Data Council has published its PRR Final Recommendations. This important document sets out the final recommendations for a fully digital open market placement process, and the allocation of roles and responsibilities for the creation, approval and submission of data into the CDR, alongside how to process that data.

To help the market understand the steps required from them, Lloyd's and Velonetic created several adoption resources in 2023 to support these journeys. They included:

- A refreshed Blueprint Two website, bringing all details and artefacts into one place for ease of access and information;
- An adoption guide to provide the latest information on the people, process and technology changes for the phase one solutions, alongside an adoption plan for the first half of 2024;
- A training site from Velonetic offering a central repository for adoption materials, with the first market training resources now available;
- A 'Model Office' on Galleries 3 and 4 of the Lloyd's building, creating an interactive space for market collaboration and adoption workshops led by the Lloyd's and Velonetic engagement team; and
- Four market-wide engagement events, Q&A follow-ups and a session on interoperability to share the key information and actions required to adopt the new digital services.

These resources are being widely used by the market to support their adoption journeys as we digitalise our market and we'll continue to listen to market feedback and provide guidance where needed to ensure the benefits of Blueprint Two can be harnessed by market participants.

Looking to 2024

The market's adoption efforts for the coming year are focused on driving adoption ahead of the move to phase one digital services in 2024, while the Velonetic build team are working on the delivery of the remaining sequence to enable phase two digital services, providing full digital placement of risk. The build has been adjusted to include 40 customised EDI messages to aid adoption, and proportional treaty will also be included in phase one delivery. Continued preparation for phase two in 2025 is key, as this is when greater benefits will be realised.

More information on Blueprint Two solutions, resources and support can be found on the Blueprint Two Hub on the Velonetic website.

Digitalisation in action: Supporting adoption of Blueprint Two

Adoption guide

Iterative guide with the latest information on the key people, process and technology changes

Model Office

Interactive spaces on Galleries 3 and 4 at Lloyd's, facilitating adoption workshops led by our engagement team

Blueprint Two website

Refreshed website centralising all details and adoption artefacts in one place

Learning platform

Central repository with training materials to support market participants

Vanguard programme

Sharing experiences and insights from early adopters

Market events

Ongoing events to share key information and actions required to adopt the new digital services

Supported by an experienced, collaborative Blueprint Two engagement and relationship team

03

Purpose

Lloyd's purpose – **sharing risk to create a braver world** – means considering our impact on society by helping create a more sustainable, resilient and inclusive world.

£22bn

claims paid to global customers by our market in the wake of disasters in 2023

£1.8m

charitable funding to 36 charities

33%

reduction in global Corporation carbon emissions per FTE vs. baseline year (2019)

Against a backdrop of continued macroeconomic volatility, political uncertainty and a changing climate, our purpose and work to build resilience became even more important through 2023.

Tackling extreme and emerging risks

Over the past five years, economies, sectors and communities around the world have felt the impact of extreme risks from COVID-19 to climate change. Some risks, like a global cyber attack, are yet to fully play out.

Together with the Cambridge Centre for Risk Studies, 2023 saw Lloyd's Futureset – our global platform and community to share risk insight and innovation on the world's most critical risks – develop a series of systemic risk scenarios to support resilience and preparedness. These hypothetical, but plausible scenarios explore the potential global impacts of a systemic event on our world, and the role public and private actors, importantly including (re)insurance, can play in building society's resilience against those threats. The first two scenarios were released at the end of 2023, with more to follow in 2024.

Our award-winning innovation platform – the Lloyd's Lab – continued to identify solutions to insure the risks of the future. The Lab's ten-week Accelerate programme saw 25 startups, across two cohorts, develop solutions from wildfire modelling to cyber analytics – focusing for the first time on specific markets (Europe for cohort 10, Asia-Pacific for cohort 11). 2023 also saw the launch of the Lab Challenge: the first of which involved partnering with Moody's Analytics, together with the Lloyd's market, to develop an emissions accounting tool to standardise reporting for insurance-related greenhouse gas emissions.

Responding to global uncertainty

Meanwhile, Lloyd's continued to respond to the challenges reshaping the world. In Ukraine, our market supported the UN-led Black Sea Grain Initiative to enable over 1,000 ships to leave Ukraine – carrying over 30 million tonnes of grain and fertiliser. Those efforts have helped alleviate food shortages and market volatility at a difficult time for global communities.

Our market also helped avoid one of the largest environmental disasters in history when repairs ceased on the FSO Safer supertanker, off the coast of Yemen, due to conflict in the region. A just-in-time Lloyd's insurance facility brokered by Howden with the UN enabled a repair vessel to access the tanker, which was safely offloaded and dismantled in a matter of months.

Convening for climate action

Climate change remains the greatest challenge of our time. Lloyd's ambition is to be the 'insurer of the transition': enabling the market to create innovative and relevant products that help customers reduce their impact on the planet, while supporting a just transition to a lower carbon economy.

To support that transition, in 2023 we published our 'Insuring the Transition' roadmap for consultation. The roadmap outlines Lloyd's planned oversight across all areas of sustainability, including regulatory reporting frameworks and actionable steps to enhance sustainability in the short and long term. Lloyd's collected views from all market participants and will use this feedback to shape our future plans in 2024 and beyond.

Lloyd's continued to lead the Sustainable Markets Initiative's (SMI) Insurance Task Force, bringing together leaders from a number of the largest and most influential global insurance and broker firms to build climate resilience. In 2023 that included signing a Memorandum of Understanding with the UN Capital Development Fund (UNCDF) to close protection gaps and improve insurance access in climate-vulnerable countries through public-private financial frameworks. Starting in Fiji, the partnership will develop models that can be replicated in other least developed countries and small island developing states susceptible to climate impacts.

Lloyd's continued to convene climate experts and insights through Futureset's Risk Revealed event series. These 13 events, covering emerging clean technologies like floating wind and battery storage, attracted over 1,300 experts and speakers from industry, government and academia in 2023.

Supporting global communities

With communities around the world facing challenges from increasingly severe weather events to rising living costs, the Lloyd's of London Foundation continued to pool our market's resources and relationships to build societal resilience and inclusion.

Now in its second year, the Foundation launched successful partnerships with three flagship charities, nominated by Corporation colleagues: Doorstep Library, The Mental Health Foundation and Thames Reach. Our market also saw 2,000 employees support the work of 36 charities worldwide, helping support more resilient communities from mental health programmes in the UK to sustainable farming projects in Kenya.

Looking to 2024

The coming year will see us continue to align our work with the UN Sustainable Development Goals to support more resilient, sustainable and inclusive communities around the world.

Lloyd's Futureset will release seven systemic risk scenarios to support preparedness on the greatest threats facing society; while the Lloyd's Lab shifts its focus to the Americas for cohort 12 of its Accelerator programme. The SMI will continue to convene businesses to place nature, people and planet at the heart of global value creation. Lloyd's will also roll out an updated version of its 'Insuring the Transition' roadmap, following consultation, in early 2024.

Meanwhile, the Lloyd's Foundation will appoint two new global charity partners for the period 2024-26, with priority given to organisations working to support disaster recovery and resilience, and social mobility through education.

These efforts will enable our market to continue delivering our purpose by collaborating and innovating to create a braver world.

Purpose in action: Our impact on society

Read more in our Sustainability Report (available on www.lloyds.com)

Sustainable

Supporting transition and protecting our resources for future generations

10%
of Central Fund allocated to impact investments (up from 5%)

33%
reduction in global Corporation carbon emissions per FTE vs. baseline year (2019)

3 year
roadmap published on market's pathway to a low carbon economy

Resilient

Innovating to build preparedness and protect what matters most

>30m tonnes
of grain and fertiliser exported through UN Black Sea Grain Initiative

£1bn
capital raised for innovative risk solutions from the Lloyd's Lab

1,300
experts engaged through 13 Futureset events in 2023

Inclusive

Closing the gaps in progression and representation

35%
Target for women in market leadership positions met (+3pp)

21%
of new hires to the market from ethnically diverse backgrounds (+4pp)

2,000
market volunteers engaged through Lloyd's of London Foundation

04

Culture

We've successfully delivered our **year one priorities** for the Corporation's new culture strategy, while seeing our market make good progress in building a diverse and inclusive culture.

35%

women in leadership positions in the market

21%

ethnically diverse hiring in the market

30,000+

people attending ninth annual Dive In Festival

2023 saw continued focus and encouraging progress on our commitment and work to build an inclusive and high performance culture in the Lloyd's market and Corporation.

Building a more diverse market

We want our market and industry to reflect the communities we're a part of: enabling us to innovate and perform better as we help customers through uncertain times.

In 2023, we were pleased to see the market hit our short term target for women in leadership of 35%, up three percentage points (pp) across all levels. Encouragingly, 45% of firms met or exceeded the 35% target: an increase of 10pp on last year. Women now make up 43% of the total market workforce of 57,000. In 2023, 46% of new hires were women.

Improving ethnic minority representation at all levels has been a priority for the Lloyd's market over the past few years. The fifth Market Policies & Practices (MP&P) return highlighted improvement in the collection of ethnicity data, with 99% of firms (+5pp on last year) now collecting this data. Ethnically diverse representation in leadership roles remains steady at 9% and we aim to develop a pipeline of diverse talent to build on this. Representation of ethnically diverse groups across the market increased by 2pp to 13%, demonstrating progress against Lloyd's 'one in three' hiring ambition for ethnic minorities, with 21% of all new hires coming from an ethnically diverse background (up 4pp on last year).

At the same time, we continued to support diversity in all its forms by supporting and working with Lloyd's market networks, which cover various characteristics from caring responsibilities to religion. After a successful first pilot, we will be welcoming the second cohort of our LGBTQ+ mentoring programme in 2024.

While culture change takes time, these results show our market is making good progress and is committed to ensuring that the market is an inclusive place where everyone can thrive. To support these efforts, Lloyd's has introduced an upskilling programme for market participants focusing on talent and succession planning, inclusive hiring and diversity data collection.

Responding to our past

2023 also saw Lloyd's deliver on our commitment to research and respond to our historical links to the transatlantic slave trade. In November 2023, the Underwriting Souls exhibition – a unique and independently funded research collaboration with Black Beyond Data based at Johns Hopkins University – was published to spotlight the Lloyd's market's significant role in insuring the transatlantic slave trade.

At the same time, Inclusive Futures was launched: a programme of initiatives to help Black and ethnically diverse individuals in our market and society progress and participate from the classroom to the boardroom.

The programme, backed by a coalition of Lloyd's market firms, was shaped in consultation with Black experts and diverse colleagues across our market to deliver meaningful, sustainable change towards a more inclusive marketplace and society. It includes important interventions from our hiring and development to our investments and charitable giving, spanning the next decade and beyond, to respond to the legacy of slavery by addressing those impacts still seen today.

Looking to 2024

In 2024, we will continue to work with our market to build a diverse talent pipeline through our outreach activities, attracting talent to areas where diverse groups are underrepresented such as underwriting. We will continue enhancing our market oversight on culture through Lloyd's performance management to enable further progress against our culture strategy.

Key activities will include implementing our Inclusive Futures programme, completing the pilot of our Insurance Talent Connect early careers market-wide talent pool pilot and delivering the 10th anniversary of the Dive In Festival.

Read more about the culture at Lloyd's on www.lloyds.com

Culture in action: The Inclusive Futures commitments

Supporting education

Bursaries. Enable hundreds more Black and ethnically diverse students to go through higher education in the UK.

Research. Publish Lloyd's Collection catalogue and support Black Beyond Data's digital exhibition launch.

Assemblies. Run assemblies in UK secondary schools using Black Beyond Data's research materials.

Workshops. Deliver workshops in UK communities using Black Beyond Data's research materials.

Entering the workplace

Early careers. Create an early careers talent pool with Equity to bring thousands more Black and ethnically diverse individuals into our market.

Charities. Invest in employability charities to help diverse individuals access the workplace.

Ecosystem. Help Black-owned suppliers, syndicates and startups to understand and access the Lloyd's ecosystem.

Thriving in the workplace

Board level. Create a pool of Board-ready Black and ethnically diverse candidates with recruitment specialists Green Park.

Mentoring & sponsorship. Create a mentoring and sponsorship programme for hires from the talent pool.

Development. Expand Accelerate programme to provide subsidised Master's degree for alumni.

Networks. Increase funding to the Lloyd's market's ethnicity networks.

Beyond the workplace

Impact investments. Invest in funds aligned to UN Sustainable Development Goal of 'Reducing Inequality' for regions affected by historical enslavement.

Insurance solutions. Commission research through Lloyd's Futureset to explore protection gaps and potential risk solutions in regions affected by historical enslavement.

Continuing the conversation

Memorial. Establish permanent memorial in the Lloyd's Building to remember the victims of transatlantic slavery.

Lecture series. Launch the Flint Lectures – an annual series featuring diversity and history experts, named after our first Black broker.

Artistic response. Sponsor a pioneering requiem, composed by David Önaç and commissioned by Culture&, to memorialise enslaved Africans.

Accountability. Expand collection and sharing of diversity data across the market to show the progress we're making.

Read more about our Inclusive Futures programme of initiatives on www.lloyds.com

Principal current and emerging risks

The Corporation continues to identify, manage and monitor the principal current and emerging risks which could have a significant impact on the underwriting of insurance at Lloyd's, and the actions we need to take to mitigate these risks.

The changing and evolving external landscape poses significant uncertainty, and unexpected events can become significant risks. The below principal risk areas are being actively monitored by the Lloyd's Risk Committee and the Council to provide assurance that risks, issues and impacts are appropriately managed.

Key: Strategic priorities

Performance Digitalisation Purpose Culture

Risk	Mitigation
Sustainable market performance and oversight	
Risk that Lloyd's businesses suffer losses or erode their capital base due to a failure to respond to changing market conditions.	Business plans continue to be closely monitored to ensure they reflect market conditions, including challenges around the availability of reinsurance and the potential impacts on syndicate business plans. Oversight of new and evolving exposures continues to be an area of focus. Lloyd's enhanced principles-based oversight framework was implemented in 2022 and enabled the move from rules-based supervision to principles-based supervision of syndicates. There is a multi-year embedding plan in place to ensure that the framework meets its objectives and instils further confidence in key stakeholders. Sustainable performance was the focus for the 2024 business planning process which took place in a complex economical and geopolitical environment. The syndicate categorisation output of the principles-based oversight framework was a crucial input to the level of challenge that syndicate plans were subject to, with a commitment to ensuring risk-based oversight throughout the planning process and into the ongoing oversight activities. While market conditions are expected to remain strong and supportive to growth in 2024, specific classes of business may be more challenging and require ongoing focus. Looking further forward, we are focused on being prepared to manage changing market conditions.
Geopolitical volatility	
Risk that Lloyd's businesses suffer losses and operational disruption as a result of changing geopolitical pressures and global events.	The conflicts in Ukraine and the Middle East continue to be actively monitored by Lloyd's to ensure that risks, issues and impacts are appropriately managed as the situation evolves. We continue to work closely with the market to monitor claims development and reserve adequacy, and our industry continues to work closely with governments and regulators across the world to monitor and ensure we interpret and enact sanctions requirements, together with other legal and regulatory obligations, appropriately. 2024 will be a record year for elections across the world, the development of these and their impacts on Lloyd's will be actively monitored. Lloyd's conducts regular scenario modelling, asking market participants to assess the potential impacts of plausible but hypothetical geopolitical situations across areas like capital, operations, and business continuity.
Macroeconomic uncertainty	
Risk that Lloyd's businesses suffer losses as a result of the external macroeconomic challenges, including high inflation, high interest rates, financial market volatility and increased risk of recession.	The macroeconomic environment continues to be monitored closely, including the impact of increased inflation on various risks including reserves, pricing, and investments. Lloyd's continues to operate a cross-functional working group to monitor and manage associated risks and conduct scenario analysis to stress test Lloyd's business plan under different scenarios. We reinforced communications to the market outlining expectations for the explicit consideration of the inflation outlook within reserves, pricing and investments, and have conducted a thematic review to factor inflation into reserving decisions. Ongoing market monitoring and stress testing continues to take place in order to be able to demonstrate balance sheet resilience.

Risk	Mitigation
Blueprint Two cutover and execution of change	
Risk that Lloyd's businesses suffer losses and operational disruption as a result of failing to deliver major change programmes.	Progress against the digitalisation agenda continued in 2023 and remains a focus for risk monitoring, with the planned cutover to phase one of the new digital services in 2024 for market participants. Lloyd's continues to hold market-wide engagement sessions providing further details on the programme and tracking the progress made in delivering the digital solutions outlined in Blueprint Two, as well as demonstrating how brokers and carriers will be able to work effectively together when using different processes and technology, supported by central digital services. To manage execution risks around system implementation and ensure market readiness to connect to the new services, extensive risk and assurance programmes have been established covering technical delivery, process delivery, market readiness and Corporation readiness.
Operational resilience and evolving cyber security threats	
Risk that Lloyd's businesses suffer losses and operational disruption as a result of not maintaining robust and resilient operations, embedding cyber resilience, data capability and effective third party risk management.	The risk environment continues to develop as persistent threats from the possibility of major or systemic cyber or other operational events continue to endure. As businesses become more connected and reliant on fewer service providers, and technologies like AI and machine learning become more sophisticated, risk management remains fundamental to ensure continuity of operations in the face of material service disruption. Increasing scrutiny from regulatory authorities continues to be applied to material relationships entered into by businesses. The Corporation completed its annual self-assessment of its Operational Resilience Framework and Important Business Services with pertinent mitigation identified. The levels of operational resilience in managing agents and the risk of disruption to these firms from material third party arrangements, shared service providers or other operational events remain the responsibility of the managing agents, and this continues to be assessed by the Corporation through our principles-based oversight framework.
Talent and culture	
Risk that Lloyd's fails to deliver its strategic objectives as a result of failing to attract and retain diverse and skilled talent.	Rapidly developing technology and shifting demographics are changing the nature of the global workforce – and employees' expectations of employers. Strong competition has developed for attracting and retaining the best talent, particularly where specialist skills are required. Lloyd's aim is for our marketplace to be a global destination for diverse and highly skilled talent. Creating a diverse, inclusive and collaborative culture is therefore essential in attracting this talent and ensuring high performance at the Corporation and across our market. Culture is a key oversight principle for managing agents, who are held to account for meeting culture expectations. We continue to support these goals through a range of initiatives such as targets for ethnic minority hiring and women in leadership, development programmes for diverse leaders, the Inclusive Futures programme of initiatives, best practice workshops for market participants, Corporation and market wide culture surveys and partnering with charities working to promote social mobility, racial equality and economic opportunity across the communities we operate in. The annual Market Policies and Practices return is used to assess progress across the Lloyd's culture commitments of leadership, behaviour and speaking up.
Climate change	
Risk that Lloyd's businesses suffer losses and operational disruption as a result of physical, transition and litigation risks.	While there is inherent complexity and uncertainty in how the future climate pathway will develop, Lloyd's has controls and processes in place to manage and mitigate the exposures as they emerge, including a robust syndicate business plan and capital setting process, and an annual review of reserves. Lloyd's continues to develop its tools to assess and monitor the impact of climate change across physical risk, transition risk and litigation risk. The risks relating to the increased reporting obligations stemming from developing global regulatory and statutory requirements around sustainability will also need to be managed. In 2023 Lloyd's issued a consultation to the market on insuring the transition which proposes several activities to better understand and monitor climate change risks including developing climate key risk indicators (KRIs) and scenario testing. The results of this consultation will be assessed during 2024.

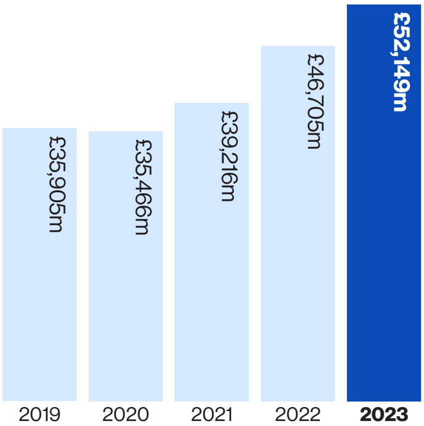
Market Results

2023 Highlights

Financial highlights

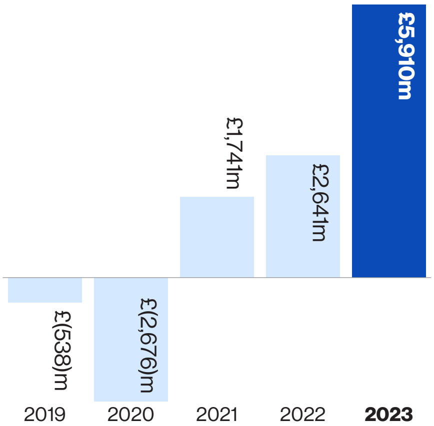
Gross written premium

£52,149m



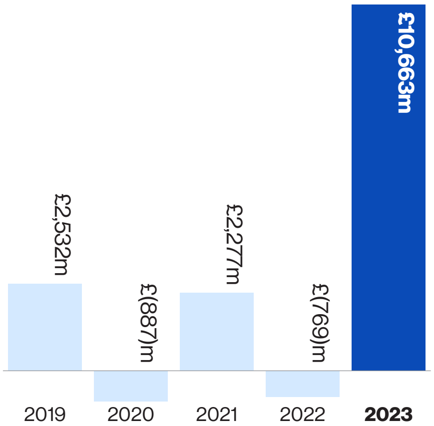
Underwriting result

£5,910m



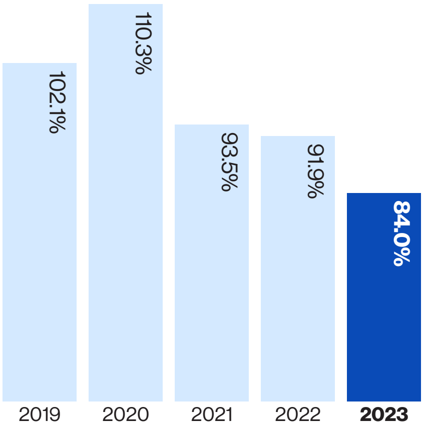
Result before tax

£10,663m



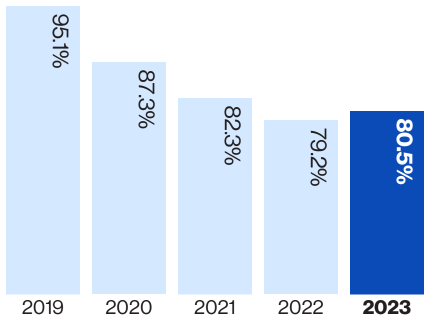
Combined ratio[1]

84.0%



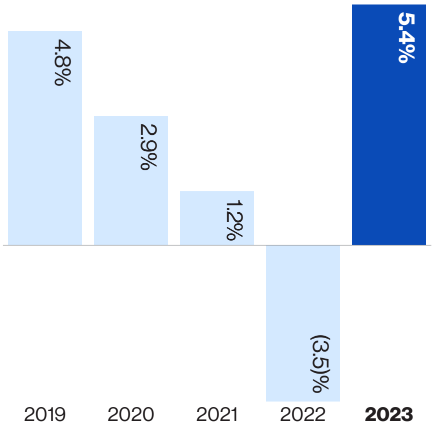
Underlying combined ratio[1]

80.5%



Return on investment[1]

5.4%

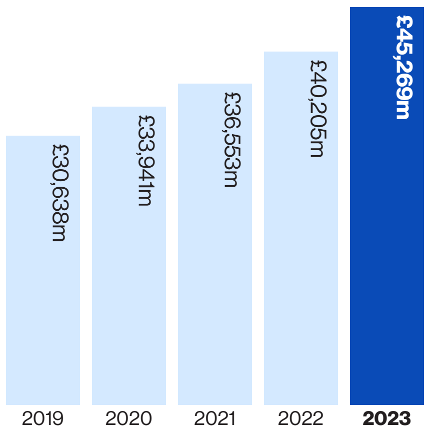


The pro forma financial statements (PFFS) are prepared so that the financial results of Lloyd's and its members taken together, and their net assets, can be compared as closely as possible with general insurance companies. The PFFS include the aggregate of syndicate annual accounts (Aggregate Accounts), members' funds at Lloyd's (FAL), the Society of Lloyd's financial statements and any central adjustments. Further information concerning the basis of preparation of the PFFS is set out on pages 38 to 40.

1. The combined ratio, underlying combined ratio, return on investment and the return on capital are metrics that are consistently used to analyse financial performance in the Lloyd's market results and/or in the Society report. These metrics (wherever used in this Annual Report) are alternative performance measures (APMs), with further information available on pages 162 and 163.

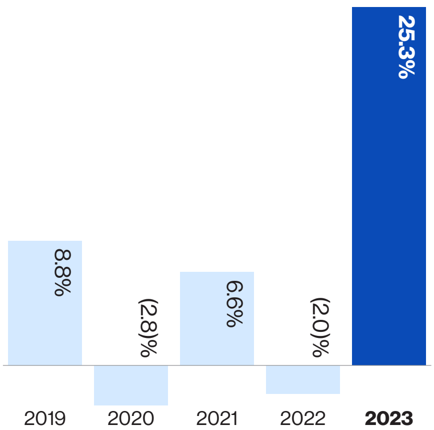
Capital, reserves and subordinated loan notes

£45,269m



Return on capital[1]

25.3%



Market results

The Lloyd's market reported an underwriting result of £5,910m with a combined ratio of 84.0% for the 2023 financial year (2022: underwriting result of £2,641m with a combined ratio of 91.9%), reflecting continued underwriting discipline and a period of lower than expected major claims. The favourable underwriting result was enhanced by a return on investment of £5,310m (2022: investment loss of £3,128m), driven by the strengthening experienced in the financial markets in the year. The strengthening of sterling against US dollars during the year resulted in a £134m loss on foreign exchange (2022: £158m gain). Net non-technical expenses remained relatively flat at £423m (2022: £440m). Overall, the result is a profit before tax of £10,663m (2022: loss before tax of £769m).

Underwriting result

The market continued to see risk adjusted price increases on renewal business across most classes, with the 24th consecutive quarter of positive price movement being reported in the fourth quarter of 2023. Price change accounted for 7.2% of premium growth. The remaining growth in gross written premium is attributable to 4.3% volume growth, with foreign exchange movements having a minimal impact.

The underwriting result rose 124% year-on-year to £5,910m driven by the continued realisation of benefits from the market's strong underwriting action and positive pricing environment led by the Property segment in particular, partially offset by less attractive conditions in some areas of Casualty.

The combined ratio of 84.0% represents a 7.9 percentage point improvement when compared with prior year. Prior year releases benefited the combined ratio by 2.2% (2022: 3.6%), with releases reported across all lines of business other than Specialty and Casualty reinsurance (impacted by reinsurance to close and loss portfolio transfer transactions) and Aviation, where carriers have reported reserve strengthening in respect of the losses arising from the Russia/Ukraine conflict.

The major claims ratio reduced to 3.5% (2022: 12.7%), below the expected level for any one year. Whilst there were a number of significant events in 2023, including the wildfires in Hawaii and the earthquake in Turkey, the shape and composition of the Lloyd's property book resulted in a relatively low exposure to these events. Our underlying combined ratio, excluding major claims and catastrophe events, remained stable at 80.5% (2022: 79.2%).

The expense ratio has remained flat at 34.4% (2022: 34.4%), with a lower acquisition expense ratio of 22.6% (2022: 23.4%) offset by a higher operating expense ratio of 11.8% (2022: 11.0%) reflecting higher wages as well as investment in strategic change by managing agents.

Investment review

The market reported net investment gains of £5,310m in 2023, representing a positive return on investment of 5.4% (2022: loss of £3,128m, (3.5)%).

2023 was a year of heightened volatility, driven by geopolitical events and increased interest rates. The year started with pressure on a number of US regional banks, and whilst there was little direct impact on the Lloyd's market due to the structure of the investment portfolio that has limited exposure to these institutions, it caused volatility across the fixed income portfolios. The last quarter of the year saw a dramatic rally across several asset classes, as declining inflation moved market positioning in favour of a soft economic landing, coupled with the expectation of central banks' rate cuts in 2024, which appeared to result in a risk-on sentiment. Overall, a wide number of asset classes saw significant gains in 2023, particularly equity market capitalisation, reversing losses seen in 2022. The US equity markets performed well due to a limited number of mega-cap US technology companies, driven by the excitement surrounding artificial intelligence and its potential for growth across a range of industries. Credit and sovereign bonds also generated positive returns, again reversing losses seen last year.

Balance sheet strength

The Lloyd's market continues to be strongly capitalised with total capital, reserves and subordinated loan notes of £45,269m at 31 December 2023, a 13% increase from the £40,205m reported at 31 December 2022. The Lloyd's market solvency ratios, both central and market-wide solvency ratios, have strengthened since 31 December 2022.

The central solvency ratio has increased from 412% at 31 December 2022 to 503% at 31 December 2023. This is due to positive fair value movements on investments and a reduction in central SCR.

The market-wide solvency ratio has increased from 181% at 31 December 2022 to 207% at 31 December 2023. This is due to the increases in members' balances, driven by strong profitability, investment returns, discounting benefits and a reduction in the market-wide SCR.

The central SCR and market-wide SCR have reduced by £150m and £350m respectively, driven by changes in inflation risk, strengthening of sterling against US dollars during the year and changes to the risk margin calculation following the HM Treasury change to reduce the cost of capital from 6% to 4%. These reductions have been partially offset by market growth.

2023 Highlights continued

Premium

As in previous years, syndicates which have a proven track record of producing sustainable profit are given greater business plan flexibility, including to grow their business.

Gross written premium grew £5,444m to £52,149m in 2023. Reinsurance and Property were the largest drivers of premium growth in the market, growing £1,973m and £2,722m respectively. All lines of business experienced growth during 2023, with the exception of Motor which reported a minor contraction and Casualty which remained relatively flat.

US dollar denominated business continues to account for the majority of business written in the Lloyd's market. However, fluctuations in the rate across the period resulted in foreign exchange having a minimal impact on premiums year-on-year.

Attritional loss ratio

The attritional loss ratio remained relatively flat at 48.3% (2022: 48.4%), reflecting continued underwriting discipline across the market.

Prior year development

2023 was the 18th consecutive year of prior year releases. The current year has benefited from prior year releases[1] of 2.2% (2022: 3.6%). There have been releases against all lines of business other than Aviation and Reinsurance (Casualty and Specialty).

Lloyd's will continue to monitor reserves closely and act to ensure that adequate market discipline is being maintained – particularly on Casualty classes, continuing our focus on the allowance for remediation actions taken by syndicates in recent years.

Major claims

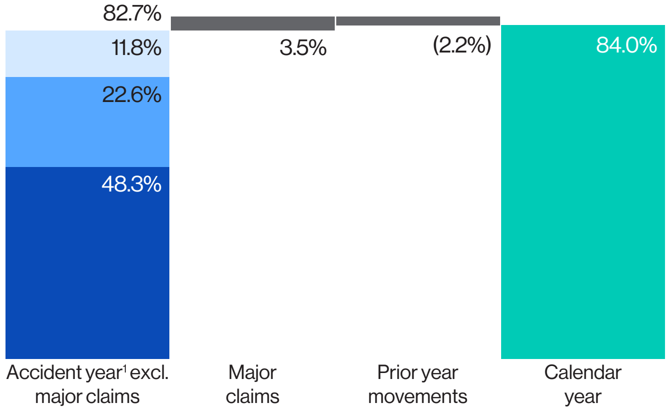
Major claims for the market were £1,283m in 2023 (2022: £4,114m), net of reinsurance and including reinstatements payable and receivable.

Major claims for 2023 include natural catastrophe losses such as the wildfires in Hawaii, earthquakes in the Middle East, floods in New Zealand, Tropical Cyclone Gabrielle and Hurricane Idalia, as well as non-natural catastrophe losses such as those arising from the conflict in Sudan.

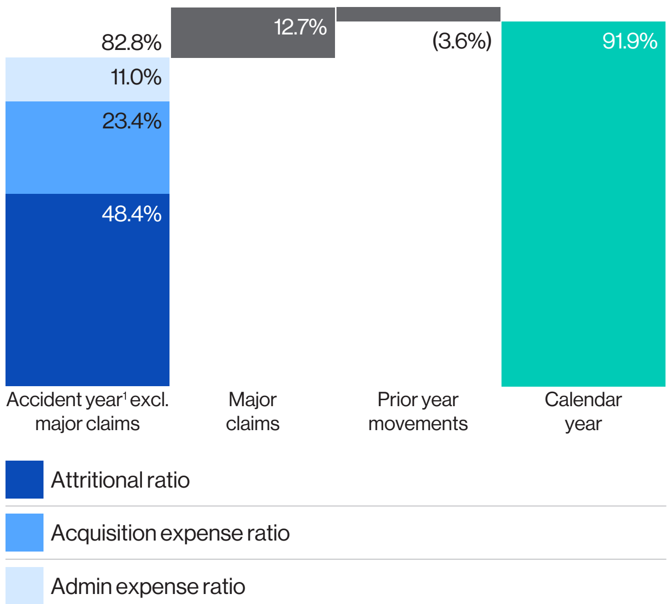
The conflict in Ukraine remains a manageable event for the market. Losses from Ukraine continue to develop, specifically aviation losses. The claims incurred but not reported (IBNR) component represent 78% of the loss (2023: greater than 90%).

Contributors to combined ratio

2023 Combined ratio (%)



2022 Combined ratio (%)



Major claims and underlying combined ratio

Major claims	% of net earned premium
2019	7.0
2020	23.0
2021	11.2
2022	12.7
2023	**3.5**
Five year average	10.9
Ten year average	10.5

Underlying combined ratio	%
2019	95.1
2020	87.3
2021	82.3
2022	79.2
2023	**80.5**
Five year average	84.3
Ten year average	86.7

1. The accident year ratio, underlying combined ratio, attritional loss ratio, prior year release ratio and expense ratio are metrics that are consistently used to analyse financial performance in the Lloyd's market results and/or in the Society report. These metrics (wherever used in this Annual Report) are alternative performance measures (APMs), with further information available on pages 162 and 163.

Reinsurance protection

The credit quality of the Lloyd's market's reinsurance protection remains extremely high, with 99% (2022: 98%) of all balance sheet reinsurance recoverables and reinsurance premium ceded being with reinsurers rated A- and above or supported by high-quality collateral assets.

Reinsurers' share of claims outstanding remains a material consideration for Lloyd's, equivalent to 51.3% of gross written premium or 63.5% of members' assets (2022: 63.0% of gross written premium or 79.3% of members' assets). The reduction in overall reinsurance recoverables reflects lower levels of catastrophe losses to reinsurance programmes in 2023 compared to 2022, as well as both reserve reduction and settlement of outstanding claims on some prior year losses, notably Hurricane Ian. No negative settlement trends have been witnessed to date.

Lloyd's outward reinsurance premium spend for the 2023 calendar year was 24.5% (2022: 26.0%) of gross written premium. This reflects a broadly stable overall position in regard to the scale of reinsurance purchased, although some reinsurance was refocused on core needs, tail risk and capital protection in order to offset the cost of reinsurance rate increases, particularly for property classes. Structural changes were most pronounced for property and war/political violence exposed classes, with casualty and liability classes least affected. Notwithstanding these adjustments, the level of reinsurance transfer remains within risk appetite.

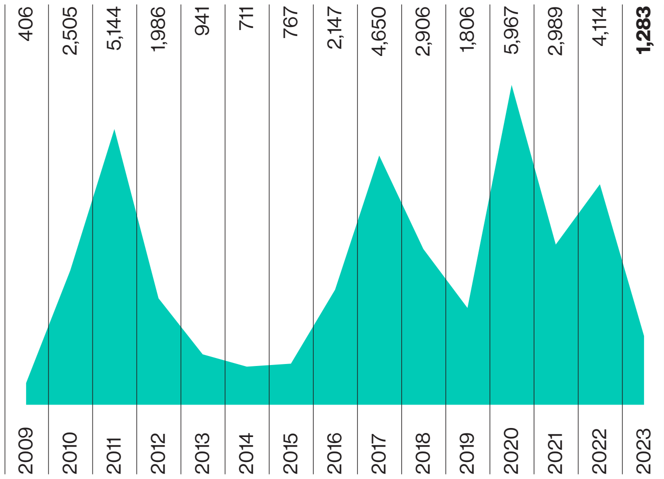
Result for the closed year and run-off years of account

Under Lloyd's three-year accounting policy for final distribution of each underwriting year of account, the 2021 underwriting year of account reached closure at 31 December 2023. The 2021 pure underwriting year suffered losses from COVID-19 as well as a number of catastrophic events, including Hurricane Ida, European floods and US Winter Storm Uri.

Despite these major claim events, the 2021 pure underwriting year of account reported an underwriting result of £4,220m that was boosted by the addition of releases from 2020 and prior years, which were reinsured to close at the end of 2022. These releases amounted to £141m. Net expenses of £2,777m were partially offset by strong investment gains of £1,199m on the 2021 underwriting year, which meant the total result was an overall profit of £2,783m (2020 underwriting year profit: £290m).

At the beginning of 2023, there were seven syndicates whose 2017, 2018 and 2019 underwriting years remained open. These run-off years reported an aggregate loss, including investment return, of £7m (2022: loss of £15m). There were five syndicates whose 2018/2020/2021 underwriting years remained open post 31 December 2023. The total number of open underwriting years at 1 January 2024 is five.

Lloyd's major losses: net ultimate claims (£m)



Five year average: £3,621m; 15 year average: £3,130m. Indexed for inflation to 2023. Claims in foreign currency translated at the exchange rates prevailing at the date of loss.

Prior year reserve movement	% of net earned premium
2019	(0.9)
2020	(1.8)
2021	(2.1)
2022	(3.6)
2023	**(2.2)**

Years of account in run-off	Number of years
2019	3
2020	9
2021	9
2022	9
2023	**5**

2023 Highlights continued

Line of business:

Reinsurance – Property

Property catastrophe excess of loss represents the largest class in this line. Other key sectors include property facultative, property risk excess and property pro-rata.

	2023	2022
Gross written premium (£m)	8,625	7,745
Accident year ratio (%)	79.6	100.5
Prior year movement (%)	(6.8)	(4.9)
Combined ratio (%)	72.8	95.6
Underwriting result (£m)	1,719	247

2023 performance

Property reinsurance gross written premium for 2023 was £8,625m (2022: £7,745m), an increase of 11.4pp. The line reported an accident year ratio of 79.6% (2022: 100.5%), representing a 20.9pp improvement year on year.

The sector experienced a determined push for price adequacy as it continues to catch up with factors placing upwards pressure on insured losses such as changes in demographics, vulnerability and exposure values. Attachment point and aggregate deployment continue to be key themes for this line given higher frequency and severity of loss activity in recent years.

Prior year movement

The prior year movement was a release of 6.8% (2022: 4.9%). Releases are generally expected as claims estimates for older losses become more certain and margins for uncertainty are released.

Experience on prior years has been favourable overall. There have been reductions in ultimate claims on some historical catastrophe events such as Hurricane Ian (2022) and further releases on attritional and large claims as risks expire. These movements have been partially offset by deteriorations on North American Winter Storm Elliot which was a late 2022 calendar year event.

Looking ahead

Despite a return to profitable conditions in 2023, factors placing upward pressure on insured losses and key unknowns such as the impact of climate change continue to pose capacity constraints which will likely contribute to the continuation of positive underwriting conditions.

Reinsurance – Casualty

Non-marine liability excess of loss represents the largest class in this line.

	2023	2022
Gross written premium (£m)	5,211	4,818
Accident year ratio (%)	83.2	94.2
Prior year movement (%)	6.8	(2.9)
Combined ratio (%)	90.0	91.3
Underwriting result (£m)	398	322

2023 performance

Casualty reinsurance gross written premium for 2023 was £5,211m (2022: £4,818m), up 8.2pp. The line reported an accident year ratio of 83.2% (2022: 94.2%), representing a 11.0pp improvement year on year.

Price changes in this segment remained robust with 2023 representing another year of compound rate increase. Continued deterioration of pre-2019 back years for casualty classes has pushed rating increases further, pushing back against initial expectations of cooling off in the class. The market continued to focus on ensuring price adequacy and that ceding commissions accurately reflect the exposure being accepted.

Prior year movement

The prior year movement was a strengthening of 6.8% (2022: release of 2.9%), predominantly driven by reinsurance to close (RITC) and Loss Portfolio Transfer (LPT) deals moving reserves from casualty to reinsurance.

Excluding the RITC impact, the experience on the remaining business has been relatively benign. Despite this, emerging issues such as the heightened economic inflationary environment continue to drive further uncertainty on this line.

Looking ahead

Social inflationary trends in the United States and to an increasing extent internationally will continue to be the primary focus for the market into 2024. Maintaining price parity with claims inflation continues to be a key theme and prudent risk selection alongside careful management of ceding commissions will remain fundamental to profitability moving forwards.

Reinsurance – Specialty

Marine reinsurance is the largest sector of the Lloyd's specialty reinsurance business, followed by energy and aviation.

	2023	2022
Gross written premium (£m)	3,502	2,802
Accident year ratio (%)	77.9	96.4
Prior year movement (%)	5.6	0.3
Combined ratio (%)	83.5	96.7
Underwriting result (£m)	433	67

2023 performance

Specialty reinsurance gross written premium for 2023 was £3,502m (2022: £2,802m), an increase of 25.0pp. The line reported an accident year ratio of 77.9% (2022: 96.4%), representing an improvement of 18.5pp year on year. Gross written premium by sector within Specialty Reinsurance was as follows: Marine, Aviation and Transport £2,761m (2022: £2,115m), Energy £734m (2022: £684m) and Life £7m (2022: £3m).

Specialty reinsurance continued to experience a strong pricing environment, following losses arising from the conflict in Ukraine, entrapment of ships in the Black Sea and the conflict in Sudan. This was driven mostly by Aviation XL and Marine XL, where the restructuring of reinsurance deals persists, and with underperforming portfolios experiencing pricing adjustments and wording tightening.

2023 saw an unbundling of Marine reinsurance composite programmes which historically had included a broad variety of coverages such as political violence, strikes, riots, conflict and civil commotion. 2023 performance continued to be negatively impacted by loss development from the conflict in Ukraine.

Prior year movement

The prior year movement was a strengthening of 5.6% (2022: strengthening of 0.3%).

This sector is predominantly Marine, Aviation and Motor business, written on an excess of loss basis. Aviation and Motor lines have seen benign experience over 2023, leading to reserve releases on prior years. Claims experience on Marine reinsurance, however, has been unfavourable, with deteriorations predominantly due to late notification of claims.

Looking ahead

This class will likely continue to be impacted by rising geopolitical tensions and events globally. Additional conflicts, such as those in the Middle East and the Red Sea, will increase uncertainty in these classes and potentially drive further considerations around risk selection, with premium, geographies, wordings and other terms and conditions under review to best service clients in areas with heightened risk, whilst protecting the long term sustainability of the class.

Property

Property consists of a broad range of risks written worldwide, made up of predominantly excess and surplus lines of business. Coverage includes specialist sectors such as terrorism, power generation, engineering and nuclear. Delegated authority arrangements such as coverholder frameworks represent a high proportion of the distribution mix for this class.

	2023	2022
Gross written premium (£m)	14,767	12,045
Accident year ratio (%)	85.2	100.1
Prior year movement (%)	(5.2)	(6.8)
Combined ratio (%)	80.0	93.3
Underwriting result (£m)	1,942	538

2023 performance

Property gross written premium for 2023 was £14,767m (2022: £12,045m), an increase of 22.6pp. The line reported an accident year ratio of 85.2% (2022: 100.1%), representing a 14.9pp improvement year on year.

2023 saw improved profitability for the Property segment as the shape and geographic concentration of the risks written by the Lloyd's market were largely sheltered from some of the notable weather events in 2023. As with the reinsurance segment, catastrophe insurers continue to grapple with increases in insured values, risks being located in high hazard locations, claims inflation and changes in overall vulnerability. In terms of the Political Violence and Terrorism segments of the portfolio, despite increased geopolitical tensions and conflicts spreading rapidly worldwide, the class performed broadly in line with expectations.

Prior year movement

The prior year movement was a release of 5.2% (2022: release of 6.8%).

Over the 2023 calendar year, there have been releases on the Property lines due to general favourable experience and lack of catastrophe activity filtering through. There have also been releases on recent catastrophe events, the largest contributor being the reduction on Hurricane Ian (2022).

Looking ahead

Positive pricing momentum is expected to continue through 2024 with reinsurance capacity likely to remain constrained, particularly where critical catastrophe or political violence exposures exist.

Aggregate appetite for catastrophe exposures, particularly high frequency, will remain a challenge in 2024. The impact of climate change will be a key focus area as syndicates look to ensure plans reflect both modelled past experience and inherent uncertainties impacting the future claims environment.

Heightened geopolitical risk globally is expected to put pressure on pricing, distribution, reinsurance protection and the deployment of aggregate limits across political risk and terrorism classes in the Property segment.

2023 Highlights continued

Line of business continued:

Casualty

General liability and professional lines represent the largest classes in this line. Other key sectors include shorter tail lines such as cyber and accident & health.

	2023	2022
Gross written premium (£m)	12,991	12,987
Accident year ratio (%)	99.6	91.7
Prior year movement (%)	(6.0)	2.0
Combined ratio (%)	93.6	93.7
Underwriting result (£m)	576	536

2023 performance

Casualty gross written premium for 2023 was £12,991m (2022: £12,987m), broadly consistent with the prior period. The line reported an accident year ratio of 99.6% (2022: 91.7%), representing a deterioration of 7.9pp year on year.

2023 saw a slowing and, in some classes, reversal of the price momentum seen in 2022 and prior. This reversal was particularly noticeable in Commercial Directors & Officers insurance where the market continued to see sustained market softening in terms of rate reductions. Likewise, Cyber has experienced increased competition and as a result there has been increased pressure on rates during 2023. In contrast US General Liability has continued to experience positive rates in response to the threat of social and economic inflation.

Prior year movement

The prior year movement was a release of 6.0% (2022: strengthening of 2.0%).

The releases on Casualty are predominantly driven by RITC/LPT deals moving reserves from Casualty to Reinsurance and, to a lesser extent, better than expected experience on Cyber and more recent prior years of account on other Casualty lines.

Given the long term nature of the underlying policies and current macro view on continuing concerns such as economic and social inflation, we would expect a greater level of uncertainty in the Casualty line being factored into the reserves.

Looking ahead

As with Casualty Reinsurance there continues to be a growing focus on social and economic inflation as well as the impact of potential recessionary economic conditions on all lines. Slowing price increases will need to be monitored against the backdrop of global economic uncertainty, periods of sustained heightened interest rates and geopolitical uncertainty.

Marine, Aviation and Transport

Marine business encompasses a wide variety of sub-lines including cargo, hull, marine war, marine liabilities, and specie and fine art. Cargo represents the largest class in this line. Aviation encompasses airline, aerospace, general aviation, space and war. Airline (hull and liability) represents the largest class in this line. Other key sectors include general aviation, airport liability, aviation product manufacturers' liability, aviation, war/terrorism and satellite launch and in-orbit risks.

	2023	2022
Gross written premium (£m)	4,297	3,851
Accident year ratio (%)	88.2	101.7
Prior year movement (%)	10.9	(11.4)
Combined ratio (%)	99.1	90.3
Underwriting result (£m)	30	280

2023 performance

Marine, Aviation and Transport gross written premium for 2023 was £4,297m (2022: £3,851m), an increase of 11.6pp. The line reported an accident year ratio of 88.2% (2022: 101.7%), a 13.5pp improvement year on year.

For Marine, compounding price increases, wording tightening and portfolio re-underwriting have resulted in a healthy portfolio. In terms of growth, price increases slowed in 2023 with growth being driven predominantly by inflationary factors and exposure. Overall, Aviation pricing fell short of expectations in most areas with the exception of Aviation War, which continued to benefit from pricing increases as a response to the conflicts in Ukraine and the Middle East.

Prior year movement

The prior year movement was a strengthening of 10.9% (2022: release of 11.4%). This consists of prior year reserve increases on Aviation, partially offset by the releases on the Marine lines.

On Aviation lines, carriers have reported reserve strengthening in respect of the losses arising from the Russia/Ukraine conflict.

On Marine lines, there is a tendency for the view of claims to be held for a number of years to allow for inherent uncertainty and so releases are common. Overall, these lines of business have performed favourably against expectations over 2023. Many carriers have reported benign claims experience on prior years for most lines of business including Marine Cargo, Hull and Liability, and across both attritional and large claims. Recent years have seen higher than average catastrophe losses, which are known to drive property damage claims. However, there has been limited movement on historical catastrophe events over 2023, with the exception of Hurricane Ida (2021) and the large oil spillage claim involving Vessel Mare Doricum (2022), where losses have deteriorated.

Looking ahead

The marine market will look to balance growth and servicing client coverage needs while managing exposures arising from conflict in the Red Sea. Expectations are that this conflict is likely to continue to place upward pressure on Marine War premiums. Aviation is likely to have a challenging 2024, as the impact of the incidents which occurred in early January (Japanese Fire, Boeing) will put pressure on Liability and Airline business. This coupled with the impact of the recent Space losses will likely drive stronger rating, wording tightening and portfolio reviews.

Energy

Energy encompasses a variety of onshore and offshore property and liability products ranging from construction to exploration, production, refining and distribution.

	2023	2022
Gross written premium (£m)	1,813	1,505
Accident year ratio (%)	91.1	96.6
Prior year movement (%)	(6.7)	(6.5)
Combined ratio (%)	84.4	90.1
Underwriting result (£m)	190	97

2023 performance

Energy gross written premium for 2023 was £1,813m (2022: £1,505m), an increase of 20.5pp. The line reported an accident year ratio of 91.1% (2022: 96.6%), representing a 5.5pp improvement year on year.

In 2023, falling income in Offshore Property was offset by growth in the Power Generation segment as well as expansion of the Renewables and Utilities offering from the market.

Energy Casualty portfolios saw strong price increases in 2023 driven by concerns over inflation and poor loss experience in certain segments of the industry.

Prior year movement

The prior year movement was a release of 6.7% (2022: release of 6.5%). The Energy line of business has seen continued prior year reserve releases over 2023.

This line contains a mix of contracts that give rise to claims that are settled on both a short-term and long-term time horizon. With respect to short-term contracts, there has been limited movement on historical catastrophe and large events, with the exception of South African Riots (2021), where losses have improved. For long-term contracts, these margins can be held for a number of years. Reductions in claims estimates for these large losses and the release of unused margin are expected to drive releases at a market level. This is evident across the market with insurers reporting releases on IBNR following benign claims experience on prior years of account with respect to both specific events and attritional claims during a hard market.

Looking ahead

Geopolitical challenges and supply chain disruptions will continue to play a major role in shaping the immediate future of the class and it is expected that this will be the primary focus of underwriters in the near term.

The transition from traditional Energy will also be an area of focus and growth, with new product development and capacity expansion across Nuclear, Renewables and Power Generation.

Motor

Lloyd's motor market primarily covers international motor insurance, with a large proportion written in North America, and an increasing focus on property damage over liability risks.

Lloyd's commercial and fleet business is diverse, ranging from light commercial vehicles and taxis to buses and heavy haulage.

	2023	2022
Gross written premium (£m)	889	895
Accident year ratio (%)	98.3	104.5
Prior year movement (%)	(2.6)	(14.8)
Combined ratio (%)	95.7	89.5
Underwriting result (£m)	31	62

2023 performance

Motor gross written premium in 2023 was £889m (2022: £895m), broadly consistent with the prior period. The line reported an accident year ratio of 98.3% (2022: 104.5%), representing a 6.2pp improvement year on year.

During the course of 2023 the market saw a significant increase in the rating environment for UK Motor after many years of inadequate pricing in the segment. 2023 saw a dramatic step change in rate and hardening in underwriting approach to address the performance challenges and inflationary impacts.

International Motor has remained consistent from a pricing perspective after multiple years of positive rate change and stable results.

UK Motor has grown nominally in line with price increases, while International Motor continues to grow rapidly as the market realises opportunities in new technologies, transportation platforms and a profitable underwriting environment.

Prior year movement

The prior year movement was a release of 2.6% (2022: release of 14.8%). This is driven by favourable claims experience against expectation for the UK and International Motor lines, including favourable experience on both attritional and large claims.

Looking ahead

Motor will likely continue to be a highly competitive segment in which pricing gains and profitability can be very quickly eroded. Inflation management and supply side disruptions from geopolitical events will be two of the primary underwriting concerns to address, while rapid implementation of new technologies in the sector should present further challenges and opportunities.

Statement of Council's Responsibilities

Statement of the Council's responsibilities in respect of the Pro Forma Financial Statements

The Pro Forma Financial Statements (PFFS) are prepared so that the financial results of the Society of Lloyd's (the Society) and its members taken together, and their net assets, can be compared as closely as possible with general insurance companies.

The Council of Lloyd's is responsible for the preparation and approval of the PFFS in accordance with the basis of preparation set out in note 2.

The maintenance and integrity of the Lloyd's website is the responsibility of the Council of Lloyd's; the work carried out by the auditors does not involve consideration of these matters and accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation of financial statements may differ from legislation in other jurisdictions.

The Lloyd's Annual Report presents the financial results of the Society of Lloyd's and its members. Lloyd's is not an insurance company. It is a Society of members, both corporate and individual, which underwrite insurance via syndicates. These syndicates can comprise one single corporate member or any number of corporate and individual members, underwriting severally for their own account. In view of Lloyd's unique structure, the Annual Report includes two sets of financial statements.

Pro Forma Financial Statements

The PFFS include the results of the syndicates as reported in the syndicate annual returns, members' funds at Lloyd's (FAL), the Society of Lloyd's Group financial statements and any central adjustments (see note 2).

Society of Lloyd's Group Financial Statements

The consolidated financial statements of the Society comprise the Society and its subsidiaries, the Lloyd's Central Fund and the Society's interest in associates and joint ventures (the Group).

Report of PricewaterhouseCoopers LLP to the Council on the 2023 Pro Forma Financial Statements

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's on the preparation of the 2023 Lloyd's Pro Forma Financial Statements

Opinion

In our opinion the Council of Lloyd's has prepared the Lloyd's Pro Forma Financial Statements (the "PFFS") for the financial year ended 31 December 2023, defined below, in all material respects in accordance with the basis of preparation set out in note 2.

This opinion is to be read in the context of what we say in the remainder of this report.

What we have assured

The PFFS, which are prepared by the Council of Lloyd's, comprise: the Pro Forma Balance Sheet as at 31 December 2023; the Pro Forma Profit and Loss account, the Pro Forma Statement of Comprehensive Income, and the Pro Forma Statement of Cash Flows for the year then ended; and the notes to the Pro Forma financial statements.

The financial reporting framework that has been applied in the preparation of the PFFS is set out in note 2, the "basis of preparation".

Our assurance does not extend to information in respect of earlier periods or to any other information included in the Lloyd's Annual Report 2023 within which the PFFS for the year ended 31 December 2023 are included.

What a reasonable assurance engagement involves

We performed a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – *'Assurance Engagements other than Audits or Reviews of Historical Financial Information'*, issued by the International Auditing and Assurance Board.

We complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the IESBA Code of Ethics. We apply International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The PFFS have been compiled by aggregating financial information reported in syndicate annual returns and accounts, which have been submitted to the Council of Lloyd's and on which the auditors of each syndicate have reported, members' Funds at Lloyd's (FAL) and the financial statements of the Society of Lloyd's (the Society). Our work did not involve assessing the quality of the work performed by the respective auditors of the syndicate annual returns and accounts or the Society of Lloyd's group financial statements, nor performing any audit procedures over the financial or other information of the syndicates or the Society of Lloyd's.

Our examination of the preparation of the PFFS consisted principally of:

- obtaining an understanding of how the Council of Lloyd's has compiled the PFFS from the audited syndicate annual returns and accounts, the Society of Lloyd's books and records and Members' Funds at Lloyd's;
- checking (on a sample basis) that the financial information included in the PFFS was correctly extracted from the syndicate annual accounts and the Society of Lloyd's books and records;
- evaluating evidence to support the existence and valuation of Members' Funds at Lloyd's; and
- evaluating the evidence supporting the adjustments made in the preparation of the PFFS and obtaining evidence that the PFFS have been prepared in accordance with the basis of preparation set out in the PFFS notes.

The engagement also involves evaluating the overall presentation of the PFFS. We do not independently assess and do not opine on the appropriateness of the basis of preparation of the PFFS.

The responsibilities of the Council of Lloyd's and our responsibilities

The Council of Lloyd's is responsible for establishing and selecting suitable criteria (the basis for preparing the PFFS) and the preparation and approval of the PFFS in accordance with the basis of preparation set out in note 2. According to the Statement of Council's Responsibilities, the PFFS are prepared so that the financial results of the Society of Lloyd's and its members taken together, and their net assets, can be compared as closely as possible with general insurance companies.

Our responsibility is to express an opinion about whether the preparation of the PFFS has been performed by the Council of Lloyd's on the basis set out in note 2.

This report including our conclusions has been prepared solely for the Council of Lloyd's in accordance with our engagement letter dated 5 September 2023 (the "instructions"). Our examination has been undertaken so that we might state to the Council of Lloyd's those matters which we are required to state in this report in accordance with the instructions and for no other purpose. To the fullest extent permitted by law, we do not accept or assume any responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
London

27 March 2024

Pro Forma Profit and Loss Account

(For the year ended 31 December 2023)

		2023		2022	
	Note	£m	£m	£m	£m
Technical account					
Gross written premiums	9	52,149		46,705	
Outward reinsurance premiums		(12,798)		(12,135)	
Net written premiums			39,351		34,570
Change in the gross provision for unearned premiums		(2,592)		(2,445)	
Change in the provision for unearned premiums, reinsurers' share		166		333	
Change in net provision for unearned premiums			(2,426)		(2,112)
Earned premiums, net of reinsurance	9		36,925		32,458
Allocated investment return transferred from the non-technical account	9		2,711		(1,448)
Gross claims paid		22,378		21,405	
Claims paid, reinsurers' share		(6,967)		(7,350)	
Net claims paid			15,411		14,055
Change in provision for gross claims		1,562		7,358	
Change in provision for claims, reinsurers' share		1,329		(2,758)	
Change in net provision for claims			2,891		4,600
Claims incurred, net of reinsurance	9		18,302		18,655
Net operating expenses	9, 11		12,713		11,162
Balance on the technical account for general business			**8,621**		1,193
Non-technical account					
Balance on the technical account for general business			8,621		1,193
Investment return on syndicate assets		2,919		(1,613)	
Notional investment return on members' funds at Lloyd's	6	2,082		(1,338)	
Investment return on Society assets		309		(177)	
Total investment return	12		5,310		(3,128)
Allocated investment return transferred to the technical account			(2,711)		1,448
(Loss)/profit on foreign exchange			(134)		158
Non-technical income			71		75
Non-technical operating expenses			(494)		(515)
Result for the financial year before tax			**10,663**		**(769)**

All operations relate to continuing activities.

Pro Forma Statement of Comprehensive Income

(For the year ended 31 December 2023)

	Note	**2023 £m**	2022 £m
Result for the financial year before tax	8	10,663	(769)
Currency translation differences		(288)	273
Other comprehensive gains/(losses) in the syndicate annual accounts		21	(46)
Remeasurement (losses)/gains on pension liabilities in the Society annual accounts		(14)	113
Total comprehensive income/(loss) for the year		**10,382**	(429)

Pro Forma Balance Sheet

(For the year ended 31 December 2023)

	Note	2023 £m	2023 £m	2022 £m	2022 £m
Financial investments	13		89,278		83,583
Deposits with ceding undertakings			531		899
Reinsurers' share of technical provisions					
Provision for unearned premiums	18(a)	5,036		4,847	
Claims outstanding	18(c)	26,768		29,408	
			31,804		34,255
Debtors					
Debtors arising out of direct insurance operations	14	15,274		14,162	
Debtors arising out of reinsurance operations	15	9,055		9,418	
Other debtors		1,172		887	
			25,501		24,467
Other assets					
Tangible assets		28		23	
Cash at bank and in hand	16	11,408		12,289	
Other		113		151	
			11,549		12,463
Prepayments and accrued income					
Accrued interest and rent		242		166	
Deferred acquisition costs	18(b)	5,835		5,387	
Other prepayments and accrued income		355		310	
			6,432		5,863
Total assets			**165,095**		161,530
Members' funds at Lloyd's	6	31,895		34,139	
Members' balances	17	10,266		2,961	
Members' assets (held severally)			42,161		37,100
Central reserves (mutual assets)			2,504		2,502
Total capital and reserves	8		44,665		39,602
Subordinated loan notes	2, 4		604		603
Total capital, reserves and subordinated loan notes			**45,269**		40,205
Technical provisions					
Provision for unearned premiums	18(a)	25,065		23,228	
Claims outstanding	18(c)	78,774		80,905	
			103,839		104,133
Deposits received from reinsurers			1,387		1,545
Creditors					
Creditors arising out of direct insurance operations	20	1,055		1,016	
Creditors arising out of reinsurance operations	21	9,221		10,254	
Other creditors including taxation		2,419		2,705	
Senior debt	2, 4	303		303	
			12,998		14,278
Accruals and deferred income			1,602		1,369
Total capital, reserves and liabilities			**165,095**		161,530

Approved by the Council on 27 March 2024 and signed on its behalf by

Bruce Carnegie-Brown
Chairman

John Neal
Chief Executive Officer

Pro Forma Statement of Cash Flows

(For the year ended 31 December 2023)

	Note	2023 £m	2022 £m
Result for the financial year before tax		10,663	(769)
Increase in gross technical provisions		1,802	14,273
Decrease/(increase) in reinsurers' share of gross technical provisions		885	(4,952)
Increase in debtors		(1,759)	(4,127)
(Decrease)/increase in creditors		(433)	1,924
Movement in other assets/liabilities		(308)	(578)
Investment return		(5,245)	3,128
Depreciation, amortisation and impairment charge		15	20
Tax paid		(57)	(23)
Foreign exchange		606	(1,317)
Other		(106)	43
Net cash inflows from operating activities		**6,063**	7,622
Investing activities			
Purchase of equity and debt instruments		(49,037)	(46,945)
Sale of equity and debt instruments		42,317	39,357
Purchase of derivatives		(208)	(345)
Sale of derivatives		249	275
Investment income received		1,477	750
Other		64	(279)
Net cash outflows from investing activities		**(5,138)**	(7,187)
Financing activities			
Net (profits paid to)/losses collected from members		(534)	360
Net capital transferred out of syndicate premium trust funds		(338)	(298)
Redemption of subordinated loan notes		–	(194)
Interest paid on subordinated and senior loan notes		(37)	(46)
Net movement in members' funds at Lloyd's		(347)	869
Other		(93)	(103)
Net cash (outflows)/inflows from financing activities		**(1,349)**	588
Net (decrease)/increase in cash and cash equivalents		**(424)**	1,023
Cash and cash equivalents at 1 January		13,781	12,416
Foreign exchange differences on cash and cash equivalents		(143)	342
Cash and cash equivalents at 31 December	22	**13,214**	13,781

Notes to the Pro Forma financial statements

(For the year ended 31 December 2023)

1. The Pro Forma financial statements

The Pro Forma financial statements (PFFS) are prepared so that the financial results of Lloyd's and its members taken together, and their net assets, can be compared as closely as possible with general insurance companies.

2. Basis of preparation

General

The PFFS have been prepared by aggregating audited financial information reported in syndicate returns and annual accounts (Aggregate Accounts), members' funds at Lloyd's (FAL) and the audited financial statements of the Society of Lloyd's (the Society) on pages 122 to 159 and by overlaying central adjustments as noted below and elsewhere in the report.

The Council considers the environment in which the Society of Lloyd's and Lloyd's market participants are operating and any associated risks which could have an impact on the reasonableness of financial information presented in the PFFS. Where the Council considers it appropriate, central adjustments may be included in the PFFS to reflect the impact of any additional risks, as deemed necessary in preparing the PFFS.

Having assessed the principal risks, the Council considered it appropriate to adopt the going concern basis of accounting in preparing the PFFS; the going concern and viability statement of the Society is included within the Society Report on page 109.

The Aggregate Accounts report the audited results for calendar year 2023 and the financial position at 31 December 2023 for all life and non-life syndicates that transacted business during the year. The results and total capital and reserves for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 9). The Aggregate Accounts are reported as a separate document and can be viewed at www.lloyds.com. In order to provide more meaningful information in the Aggregate Accounts and PFFS, the Society has required syndicates to consistently report certain disclosures, presented on a basis which may vary from the presentation included in the individual syndicate's annual accounts.

The profit and loss account in the PFFS aggregates the syndicate results, the notional investment return on members' capital and the results of the Society. The balance sheet in the PFFS aggregates the assets and liabilities held at syndicate level, members' assets held as FAL and the central resources of the Society. Central adjustments are overlaid.

The PFFS have, where practicable, been prepared in compliance with United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice (UK GAAP)), including Financial Reporting Standard 102 (FRS 102) and the applicable Accounting Standard on insurance contracts Financial Reporting Standard 103 (FRS 103). In preparing the PFFS, note disclosures have been included for those areas the Council considers material to enable the PFFS to depict a comprehensive view of the financial results and position of the Lloyd's market and to enable comparison with general insurance companies.

Application of UK GAAP is not practicable for the following items:

- Use of the aggregation basis to prepare the PFFS;
- Notional investment return on members' funds at Lloyd's;
- The statement of changes in equity;
- Taxation; and
- Related party transactions.

The approach taken in preparing the PFFS is outlined in (a) to (e):

(a) Aggregation

The PFFS have not been prepared in accordance with full consolidation principles and do not present a consolidated view of the results of the Lloyd's business taken as a single entity for the reasons detailed further below. However, the PFFS may be used as a reasonable presentation of the results and state of affairs of the Lloyd's market on a basis that is broadly comparable with general insurance companies.

The syndicates' financial information included in the PFFS has been prepared in accordance with the recognition and measurement requirements of UK accounting standards by reference to the accounting policies that are deemed most appropriate by the managing agents. Where different accounting policies have been selected by managing agents in preparing syndicate annual accounts, no adjustments are made to align the bases of recognition and measurement in the PFFS. In addition, no adjustments are made to eliminate inter-syndicate transactions and balances except for those relating to inter-syndicate loans, Special Purpose Arrangements (SPA) and reinsurance to close (RITC) arrangements between syndicates. Transactions between syndicates and the Society are also eliminated in the PFFS. These adjustments are described below:

Inter-syndicate loans

The syndicate annual accounts report debtor and creditor balances for inter-syndicate loans totalling £435m (2022: £447m). These amounts have been eliminated from those amounts reported in the balance sheet to provide a more meaningful presentation of the balance sheet for users of the PFFS.

Special Purpose Arrangements (SPA)

The Aggregate Accounts include the results and assets of the SPA (see Glossary on page 165). Due to the nature of the SPA, the quota share of the host syndicates' business is reported as gross written premium in both the host syndicate and the SPA annual accounts. This leads to an overstatement of the original premium written by the whole Lloyd's market. To provide users of the PFFS with a more meaningful presentation of the market's figures, all the transactions arising from the insurance contracts between the SPA and host syndicates have been eliminated. The key impact of this elimination is that gross written premium is reduced by £443m (2022: £862m). The elimination does not affect the PFFS result or the balance due to members. All other inter-syndicate reinsurance arrangements are included in full, with the exception of RITC transactions as detailed below.

Reinsurance to close arrangements between syndicates

The Aggregate Accounts include the results of the syndicates, including the arrangements where prior years of account are ceded to other syndicates. Due to the nature of the arrangements, the ceding and accepting syndicates report these as current period transactions impacting gross written premium, net earned premium and net incurred claims.

This leads to an overstatement of these balances for the Lloyd's market as a whole. To provide users of the PFFS with a more meaningful presentation of the market's figures, RITC arrangements between syndicates for prior years of account have been eliminated. The impact of this elimination is a reduction in gross written premium, net earned premium and net incurred claims by £1,943m (2022: £1,057m), £1,048m (2022: £861m) and £1,048m (2022: £861m) respectively. The elimination does not affect the PFFS result or the balance due to members.

Transactions between syndicates and the Society

The following transactions have been eliminated:

- Central Fund contributions, members' subscriptions and other market charges levied by the Society are reported as net operating expenses in the syndicate returns and as income in the Society's financial statements.
- Syndicate loans to the Central Fund are reported as assets in the syndicate returns and as equity in the Society financial statements. Interest on the loans is reported as investment income in syndicate returns and as a reduction to equity in the Society's financial statements.
- Technical insurance-related transactions and balances existing between the syndicates and the subsidiaries of the Society are reported in both the syndicate returns and in the Society's financial statements.
- Loans funding statutory insurance deposits and other deposits received from syndicates are reported as assets within the syndicate returns and as liabilities in the Society financial statements.

Central reserve margin (CRM)

Claims reserves reported in the pro forma balance sheet include a CRM of £480m (2022: £267m) in addition to the reserves held by syndicates, to reflect the heightened risk of atypical reserve movement at an aggregate level. The CRM is reviewed biannually and any movement is reflected in the pro forma profit and loss account in that year.

(b) Notional investment return on members' funds at Lloyd's (FAL)

A notional investment return on FAL has been estimated, which is the equivalent of insurance companies generating investment return on the capital that they hold to support their underwriting. Where Lloyd's is the investment manager for FAL, the actual return achieved has been included. For other assets the notional investment return, net of management fees, is estimated on the average value of FAL during the year, based on yields from indices for each type of asset held. The typical investment return on bank deposits has been applied to FAL, provided as letters of credit or bank guarantees. The actual return achieved on FAL investments will differ from the notional return due to individual stocks held, daily cash flows and transactional charges. Notional investment return on FAL is reported in the non-technical account.

Due to the estimation of the notional investment return, movements in FAL recorded within the financing section of the statement of cash flows is comprised of both cash and non-cash activity.

(c) Statement of changes in equity

Where Lloyd's is not the investment manager for FAL, actual changes are not available and therefore a statement of changes in equity has not been included. However, a statement of changes in members' balances has been included in note 17, which, along with the Society's Group statement of changes in equity (on page 125), represents the changes in equity of the other components of the PFFS.

(d) Taxation

The PFFS report the market's result before tax. Members are responsible for tax payable on their syndicate results and investment income on FAL. For consistency, the results of the Society are also reported pre-tax in the profit and loss account. The balance sheet in the Society financial statements includes the Society's own tax provision balances.

(e) Related party transactions

Individual syndicates or their members do not disclose details of insurance and/or reinsurance transactions with other (non-related) syndicates or members within the market. Therefore, analysis and/or disclosure of these transactions within the Lloyd's market in the PFFS is not possible. Other than the disclosures made in note 24, a more detailed related party transaction note is therefore not included within the PFFS. The annual accounts of each syndicate or member provide, where appropriate, the required disclosures on related parties. The related party transactions of the Society are disclosed in note 34 on page 159 of the Society financial statements.

Members' funds at Lloyd's (FAL)

FAL comprise the capital provided by members, which is generally held centrally, to support their underwriting, and are the equivalent of capital shown in insurance companies' accounts. The valuation of FAL has, therefore, been included in the pro forma balance sheet. FAL is available to meet cash calls made on the member in respect of a syndicate liability. The assets in FAL must be readily realisable and may include letters of credit and bank and other guarantees.

The total resources, including FAL, for members writing ongoing insurance must be at least equivalent to the aggregate of the member's Economic Capital Assessment (ECA) requirement and certain liabilities in respect of its underwriting business. Each member's ECA to support its underwriting at Lloyd's is determined using Lloyd's Solvency Capital Requirement to ultimate capital setting methodology.

Lloyd's Private Impact Fund and Lloyd's Private Credit Fund

In 2023, the Society invested in two new investment vehicles; the Lloyd's Private Impact Fund (LPIF) and Lloyd's Private Credit Fund (LPCF). The funds comprise a range of privately held equity impact investments and US debt assets respectively. The Society is currently the sole investor in the LPIF and the majority investor in the LPCF. Under the conditions of FRS 102, the funds are considered to qualify as Special Purpose Entities and subsidiaries of the Society. However, the funds qualify as unconsolidated subsidiaries as they are held as part of an investment portfolio, and therefore accounted for at fair value as an investment on the balance sheet, with changes in fair value being recognised through profit and loss.

Notes to the Pro Forma financial statements continued

2. Basis of preparation continued

The investments are classified as Level 3 in the fair value hierarchy as a market value is not readily available. The funds are managed by a third-party investment manager. Agreed valuation techniques, which will include inputs such as discount rates, models and comparable market data to establish the fair value of the underlying investments, are applied on a quarterly basis by an Alternative Investment Fund Manager (AIFM) acting as a valuation agent for the fund, independently of the fund managers.

Subordinated loan notes

In accordance with the terms of the Society's subordinated loan notes, the capital raised is available for payment to policyholders in advance of repayment to the note holders and is included in 'capital, reserves and subordinated loan notes' in the pro forma balance sheet. Note 25(a) to the Society financial statements on page 153 provides additional information.

Senior debt

Unsecured senior debt of £300m was issued by the Society on 21 January 2020, increasing liabilities. The debt has been issued to finance the investment in the Future at Lloyd's strategy. Note 25(b) to the Society financial statements on page 153 provides additional information.

Society financial statements

The PFFS include the results and capital and reserves reported in the financial statements of the Society of Lloyd's, comprising the consolidated financial statements of the Society of Lloyd's and its subsidiaries, the Lloyd's Central Fund and the Society's interest in associates and joint ventures.

3. Accounting policies

Sources of significant accounting judgements and estimation uncertainty

The PFFS aggregates judgements, estimates and assumptions made by managing agents in respect of syndicate balances, and the Council, in respect of the Society of Lloyd's and FAL balances. These judgements, estimates and assumptions affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual result.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about the estimates and assumptions that have a significant risk of a material change to the carrying value of assets and liabilities recognised in the PFFS within the next financial year are set out below:

- Claims provisions and related recoveries are the most significant accounting estimate in preparing the PFFS, in particular for losses incurred but not reported (IBNR). Variances between the estimated and actual cost of settling claims impact claims incurred, net of reinsurance and the balance on the technical account for general insurance. Total gross outstanding claims at 31 December 2023 is £78,774m (2022: £80,905m). The total estimate as at 31 December 2023, net of reinsurers' share, is £52,006m (2022: £51,497m) and is included within the pro forma balance sheet (see note 3(a) and note 18(c)).

  Total gross outstanding claims includes a margin of £4,590m (2022: £3,816m), comprised of amounts reported in the Signing Actuary Opinion (SAO) and the central reserve margin.
- Estimated premium income, in particular estimates for premiums written under delegated authority agreements, is a significant estimate. Variances between the estimated premium income and actual received impact gross written premium and provisions for unearned premium (see note 3(a) and note 9).
- Valuation of investments: the fair value of financial instruments that are not traded in an active market (Level 3), is determined by using valuation techniques which require significant judgement. The valuation techniques used to establish the fair value of the underlying investments may incorporate discounted cash flow models or a more market-based approach, whilst the main inputs might include discount rates, fundamental pricing multiples, recent transaction prices, or comparable market information to create a benchmark multiple. The estimation uncertainty impacts the carrying value of financial investments, which is the largest PFFS asset class, however, a relatively small proportion is valued at Level 3 of the fair value hierarchy (see note 3(a) and note 13).
- Notional investment return on FAL: the return is estimated based on yields from indices for each type of asset held. The key judgement made in estimating the notional return is the choice of indices from which the yields are derived for each category of asset and the level of investment management charges, and this estimation uncertainty affects the notional investment return presented separately in the profit and loss account (see note 6).

The Council considers the environment in which the Society of Lloyd's and Lloyd's market participants are operating and any associated risks which could have an impact on the reasonableness of financial information presented in the PFFS. Where the Council considers it appropriate, central adjustments may be included in the PFFS to reflect the impact of any additional risks, as deemed necessary in preparing the PFFS.

(a) Aggregate Accounts

General

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, managing agents must prepare syndicate annual accounts under UK GAAP. However, where UK GAAP permits different accounting treatments, each managing agent is able to adopt the accounting policies it considers most appropriate to its syndicate. The following accounting policies are, therefore, an overview of the policies generally adopted by syndicates.

Premiums written

Premiums written represent premiums on business incepting during the year, together with adjustments for premiums written in previous accounting periods. Premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Unearned premiums
Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportioned as appropriate.

Outward reinsurance premiums
Outward reinsurance premiums comprise the cost of reinsurance arrangements placed and are accounted for in the same accounting period as the related insurance contracts. The provision for reinsurers' share of unearned premiums represents that part of reinsurance premium ceded that is estimated to be earned in following financial years.

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

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

These methods 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. 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 amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the line of business, the claims experience for the year and the current security rating of the reinsurers involved. Statistical techniques are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of future claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The Directors of each syndicate's managing agent 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, the ultimate liability will vary as a result of subsequent information and events, which 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.

Additional information on insurance risk is disclosed in note 4.

Discounted claims provisions
Due to the long delay between the date of an incurred claim and the final settlement of the claim, the outstanding claims provisions are discounted to take account of the expected investment income receivable between claim event and settlement dates on the assets held to cover the provisions. This is only applicable to the syndicates that discount their claims provisions. Additional detail is disclosed in note 19 of the PFFS.

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

The provision for unexpired risks is calculated at syndicate level by reference to lines of business that are managed together, and may take into account relevant investment return.

Acquisition costs
Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Foreign currencies
The Council considers that the functional and presentational currency of the PFFS and Aggregate Accounts is pounds sterling. In the context of the PFFS and Aggregate Accounts, the Council views this to be the equivalent of a group which has different operating units with a mix of functional currencies.

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction, or an average rate for the period in which it was recorded when this is a reasonable approximation.

At each period end, foreign currency monetary items are translated using the closing rate. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account in the Aggregate profit and loss account.

3. Accounting policies continued

(a) Aggregate Accounts continued

Foreign currencies continued

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain is required to be recognised within other comprehensive income, and in the non-technical account where the gain is required to be recognised within profit or loss.

Translation of overseas operations

On aggregation, the results and financial position of overseas subsidiaries and branches are translated into pounds sterling from their functional currencies as follows:

i. Assets and liabilities are translated at the closing rate at the reporting date;
ii. Income and expenses are translated at the average exchange rate for the year; and
iii. Any resulting exchange differences are recognised in the Group statement of comprehensive income.

Investments

Investments are stated at fair value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value, and deposits with credit institutions and international deposits are stated at cost, less any provision for impairment.

Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Syndicate investment return

Syndicate 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.

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and the valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Syndicate 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 where the investments generating the return relate to insurance business.

Tangible assets

Tangible assets relate to plant and equipment and the Lloyd's Collection, with additional detail disclosed in note 18 to the Society of Lloyd's financial statements on page 147.

Taxation

The PFFS report the market's result before tax because it is the members rather than the syndicates that are responsible for tax payable on their syndicate results and investment income on FAL. No provision has therefore been made in the PFFS for income tax payable by members. Any payments on account of members' tax liabilities made on their behalf by a syndicate during the year are included in the balance sheet within other debtors or other creditors including taxation.

Operating expenses

Operating expenses have been charged to the syndicates in accordance with the policies adopted by the managing agents.

Profit commission

Where profit commission is charged by the managing agent it will normally be fully paid once the appropriate year of account closes, normally at 36 months. The profit commission is generally accrued in the profit and loss account in accordance with the earned profit.

Managing agents may make payments on account of their anticipated profit commission from the syndicate premium trust funds prior to the closure of a year of account where they have transferred open year surpluses (interim profits) from the syndicate level premium trust funds to the members' personal reserve fund. Any payments on account of such commission are restricted to the profit commission expensed in the profit and loss account in striking the level of interim profits declared and subsequently released.

Cash and cash equivalents

Cash at bank and in hand includes cash in hand (which includes deposits held at call with banks), other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within other creditors.

(b) Members' funds at Lloyd's (FAL)

FAL is valued in accordance with its market value at the year end, and using year end exchange rates. Investments are stated at fair value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value, and deposits with credit institutions and international deposits are stated at cost.

Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Letters of credit are stated at the amount guaranteed by the issuing credit institution.

As disclosed in the basis of preparation a notional investment return on FAL is estimated, which is recognised in the non-technical account.

Members that only participate on one syndicate may hold the capital supporting their underwriting in their syndicate's premium trust funds. Where a member takes advantage of this facility, the capital held in the premium trust fund is reported within members' balances and the investment return retained within the non-technical account.

(c) Society of Lloyd's (the Society)

The accounting policies adopted in the Society of Lloyd's financial statements are set out on pages 127 to 132.

4. Risk management

Governance framework

The following governance structure relates to the Society as a whole, as the preparer of the PFFS. Individual syndicates will report, in their syndicate annual accounts, the governance structure applied to them by their managing agents.

An Act of Parliament, the Lloyd's Act 1982, defines the governance structure and rules under which Lloyd's operates. Under the Act, the Council is responsible for the management and supervision of the market. Lloyd's is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

The Council currently has three working, three external and five nominated members. The working and external members are elected by Lloyd's members. The Chairman and Deputy Chairs are elected annually by the Council from among its members. All members are approved by the PRA.

The Council can discharge some of its functions directly by making decisions and issuing resolutions, requirements, rules and byelaws. Other decisions are delegated to associated committees.

The Council is responsible for the day to day management of the Lloyd's market. It lays down guidelines for all syndicates and operates a business planning and monitoring process to safeguard high standards of underwriting and risk management, thereby improving sustainable profitability and enhancing the financial strength of the market.

The principal committees of the Council are the Nominations & Governance Committee, the Remuneration Committee, the Audit Committee and the Risk Committee; the other committees of the Council include the Market Supervision and Review Committee, the Sustainability Committee, the Capacity Transfer Panel, the Underwriting Advisory Panel, the Investment Committee and the Technology & Transformation Advisory Panel.

Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society is a regulated undertaking and subject to the supervision of the PRA under the Financial Services and Markets Act 2000. Within this supervisory framework, the Society applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, Solvency II and Lloyd's capital requirements apply at an overall and member level only, not at a syndicate level. Accordingly, the capital requirements in respect of individual syndicates are 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'). This differs from the Solvency II regulatory one-year SCR which captures the risk that emerges over the next 12 months while the ultimate measure captures the adverse development until all liabilities have been paid. The SCRs of each syndicate are subject to review by the Society and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a several 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 that reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, the Society applies a capital uplift to the member's capital requirement to determine the ECA. The capital uplift applied for 2023 was 35% (2022: 35%) of the member's SCR 'to ultimate'. The purpose of setting capital on an ultimate basis, rather than a one year basis, and the ECA uplift, which are a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

4. Risk management continued

Solvency Capital Requirement (Solvency II basis)

The Solvency II SCR represents the amount of capital required to withstand a 1 in 200 year loss event over a one year horizon. Given Lloyd's unique structure there are two SCRs that are monitored under the Solvency II regime:

- The Lloyd's market-wide SCR (MWSCR) is calculated to cover all of the risks of 'the association of underwriters known as Lloyd's', ie those arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together, at a 99.5% confidence level over a one year time horizon as provided for in Solvency II legislation. All of the capital of the component parts of the market taken together are available to meet the MWSCR.
- The Lloyd's central SCR (CSCR) is calculated in respect of only the risks facing the Society, including the Central Fund, at the same confidence level and time horizon used to calculate the MWSCR.

The CSCR captures the material risk that members do not have sufficient funds to meet their underwriting losses even having complied with the Society's rigorous capital setting rules.

The MWSCR and CSCR are derived from the Lloyd's Internal Model (LIM), which has been approved by the PRA. Individual syndicates also derive SCRs from their own internal models that are subject to approval by the Society's Capital and Planning Group. The appropriateness of each syndicate's internal model, including changes thereto and the reasonableness of the key assumptions, are assessed as part of the Society's oversight of the Lloyd's market.

The Lloyd's Internal Model

The LIM is a purpose-built model designed to calculate the MWSCR and CSCR as required under Solvency II. It covers all risk types and all material risks for the aggregation of syndicates as well as for the Society, allowing for the unique capital structure of Lloyd's. The LIM consists of three main components: the Lloyd's Investment Risk Model (LIRM), which simulates economic variables and total assets returns; the Lloyd's Catastrophe Model (LCM), which models catastrophe risk using syndicates' views of risk; and the Capital Calculation Kernel (CCK), which is the main element of the LIM where all other risks are simulated, and all risks are combined.

Syndicates calculate their own SCR. However, the market-wide and central capital requirements are derived from the Society's parameterisation at a whole market level to build a view of total market capital requirements from the ground up using market level assumptions. The LIM uses a methodology whereby losses from insurance and other risks are simulated by line of business, allocated to syndicates and through to members to assess the level of capital required by the market and centrally to meet 1 in 200 year losses over the one year time horizon.

Syndicates are the source of the majority of risks. They source all of the insurance business; manage the bulk of the asset portfolios; hold the majority of the counterparty exposures; and conduct most of the day to day operational activity. The syndicate risks include: insurance risk (underwriting, reserving and catastrophe risk); market risk on syndicate assets (including credit risk on premium trust funds (PTF)); reinsurance and other credit risk; and syndicate operational risk. At the central level, additional risks arise from market risk on central assets and funds at Lloyd's (FAL), central operational risk and pension fund risk.

Details of the major risk components are set out below.

Insurance risk

The dominant category of risk faced by Lloyd's syndicates is insurance risk. This is the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. In practice, insurance risk can be subdivided into:

i. underwriting risk
ii. reserving risk
iii. credit risk
iv. catastrophe risk

Underwriting risk

This includes the risk that a policy will be written for too low a premium, provide inappropriate cover, or that the frequency or severity of insured events will be higher than expected.

Underwriting strategy is agreed by the Board of each managing agent and set out in the syndicate business plan that is submitted to the Society for agreement each year. Agreement of business plans – and setting the capital requirements needed to support these plans – is the key control the Society uses to manage underwriting risk.

The Society reviews each syndicate business plan to ensure it meets Lloyd's standards and is consistent with the capabilities of the managing agent. Once a plan is agreed, the Society uses performance management data to identify whether each syndicate's business performance is progressing in line with the business plan or that variations are understood and accepted.

The managing agents' underwriting controls should ensure that underwriting is aligned with their strategy, agreed business plan and underwriting policy.

Managing agents are expected to have controls in place to ensure that regulatory requirements and the scope of Lloyd's market licences are clearly understood and that risks are written within those requirements.

Managing agents need to have clear processes for pricing business and an audit trail to show how pricing will deliver the projected results within the approved business plan and how pricing will be managed over the relevant underwriting cycle.

Reserving risk

Reserving risk arises where the reserves established in the balance sheet are not adequate to meet eventual claims arising. The level of uncertainty varies significantly across lines of business but can arise from inadequate reserves for known or incurred but not reported (IBNR) claims. These shortfalls can arise from inadequate reserving processes or from the naturally uncertain progress of insurance events.

Lloyd's current level of aggregate market reserves remains robust, and the continued level of overall reserve releases is supported by underlying claims experience being more favourable than expected. This will not necessarily translate to all syndicates.

There are currently specific reserving issues, and the main perceived risks relate to macro influences resulting in heightened inflation, interest rate environment, impact of recession, geopolitical uncertainty, climate change and cyber business.

The Society analyses reserve developments at line of business and syndicate levels quarterly, and briefs the market on issues it considers need to be taken into account. A central adjustment (refer to note 2(a)), has been included to reflect the very different nature of these uncertainties. Case-specific claim reserves should make financial provision at reported loss levels, without prejudice to coverage. Legal advisers', underwriters' and loss adjusters' judgement are used to set the estimated case reserves. Reserving processes use a variety of statistical analyses such as projections of historical loss development patterns, with results adjusted for expert judgement. Lloyd's syndicates have significant exposure to volatile lines of business that carry material inherent risk that the ultimate claims settlement will vary from previous assessments of reserves.

Syndicates' reserves are annually subject to a formal independent actuarial opinion and are monitored by the Society. The actuarial opinions are covered by a combination of formal Actuarial Professional Standards and specific Lloyd's guidance and rules.

Credit risk

The market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. This can occur because the reinsurer is unable to settle its liabilities. Managing agents are expected to have a clear and comprehensive plan for the reinsurance of each syndicate. This takes into account risk appetite for retained insurance risk and the potential for the accumulation of risk.

The managing agent should monitor and assess the security of, and exposure to, each reinsurer and intermediary. Reinsurance credit risk is subject to quarterly review by Lloyd's.

Catastrophe risk

Catastrophe risk is the risk of loss occurring across all lines of business from worldwide catastrophe events. Managing agents may use catastrophe modelling software, where appropriate, to monitor aggregate exposure to catastrophe losses. The Society has developed a suite of Realistic Disaster Scenarios to measure syndicate level and aggregate market exposure to both natural catastrophes and man-made losses. These are monitored frequently, and syndicates supply projected probabilistic exceedance forecasts for Lloyd's key exposures with their capital and business plans. Further enhancements to the monitoring and oversight of aggregate market catastrophe risk exposure have been implemented within the approved internal model under Solvency II.

Notes to the Pro Forma financial statements continued

4. Risk management continued

Lloyd's MWSCR*

The MWSCR is broken down into the various risk components as shown below.

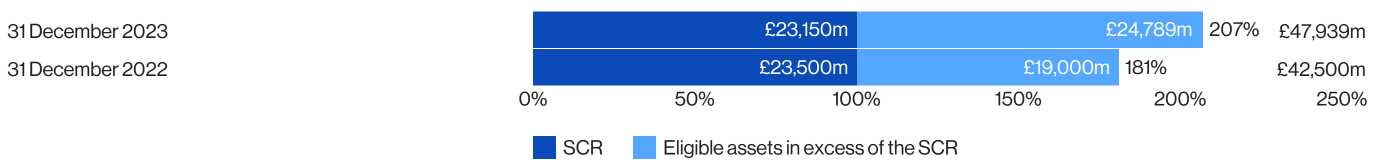
	31 December 2023 SCR £m	31 December 2022 SCR £m
Reserving risk	9,324	7,285
All other (attritional) underwriting risk	8,500	7,811
Catastrophe risk	180	447
Market risk	3,775	6,582
Reinsurance credit risk	777	706
Operational risk	597	561
Pension risk	5	7
MWSCR before adjustments	**23,158**	23,399
Foreign exchange adjustment	(8)	101
MWSCR	**23,150**	23,500

The decrease in overall market-wide SCR is driven by changes in inflation risk, strengthening of sterling against US dollars during the year and a regulatory change to the risk margin made by HM Treasury to reduce cost of capital from 6% to 4%. These reductions have been partially offset by market growth.

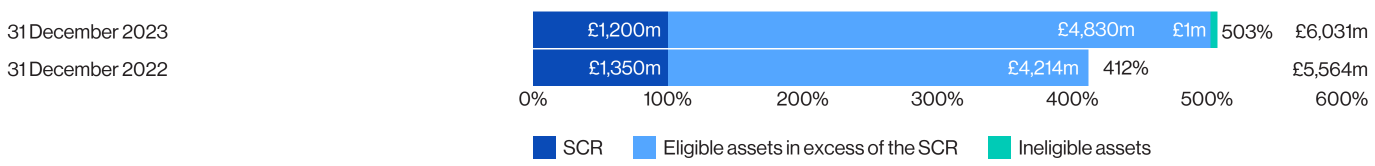
Solvency Capital Requirement coverage

Coverage of the MWSCR and CSCR is an ongoing and continuous requirement, and the Society reports the results of its solvency test – ie the amount of the MWSCR, eligible assets to cover it and the solvency ratio – on a quarterly basis to the PRA. Lloyd's solvency coverage for both MWSCR and CSCR is set out below.

Lloyd's MWSCR*



Lloyd's CSCR*



* Represents the position based on solvency returns which have not been assured by independent auditors; this may differ from the final 2023 submissions.

The central solvency ratio has increased to 503% from 412% at 31 December 2022 and the market-wide solvency ratio has increased to 207% from 181% at 31 December 2022. The increase in the market-wide ratio reflects strong profitability and investment returns. Refer to page 25 for further details.

In addition to the quarterly reporting to the PRA, internal risk appetites have been set to monitor the coverage of the MWSCR and CSCR as part of the Risk Management Framework in place at Lloyd's. During 2023, the solvency coverage ratios for both the MWSCR and CSCR were in excess of internal risk appetites and regulatory requirements.

- MWSCR: The Society aims to hold market capital sufficient to provide financial security to policyholders and capital efficiency to members. Members are required to put up funds to meet their ECA, which is set as their SCR (on an ultimate view of risk) plus an uplift of 35%. The Society does not require excess capital to be held above this level and considers that the risk appetite of 140% of SCR gives an appropriate buffer following diversification benefits. In the event that the capital put up by a member falls below their ECA through losses incurred or an increase in their risk profile, additional funds must be deposited. If members do not recapitalise, their authority to continue to trade is restricted to the level of their available capital or ultimately fully withdrawn and they cease trading. Such action would then reduce their risk and the aggregate MWSCR.

- CSCR: All policies written at Lloyd's are supported by central assets managed by the Society, which underpin the financial strength ratings of the Lloyd's market and its international licence network. Accordingly, the risk appetite for 200% CSCR coverage reflects the prudent approach to maintaining adequate central assets to meet a 1 in 200 year event and be in position to continue to write new business.

Solvency cover ratios	MWSCR* coverage	CSCR* coverage
31 December 2023	**207%**	**503%**
31 December 2022	181%	412%
Risk appetite for solvency cover ratio	140%	200%

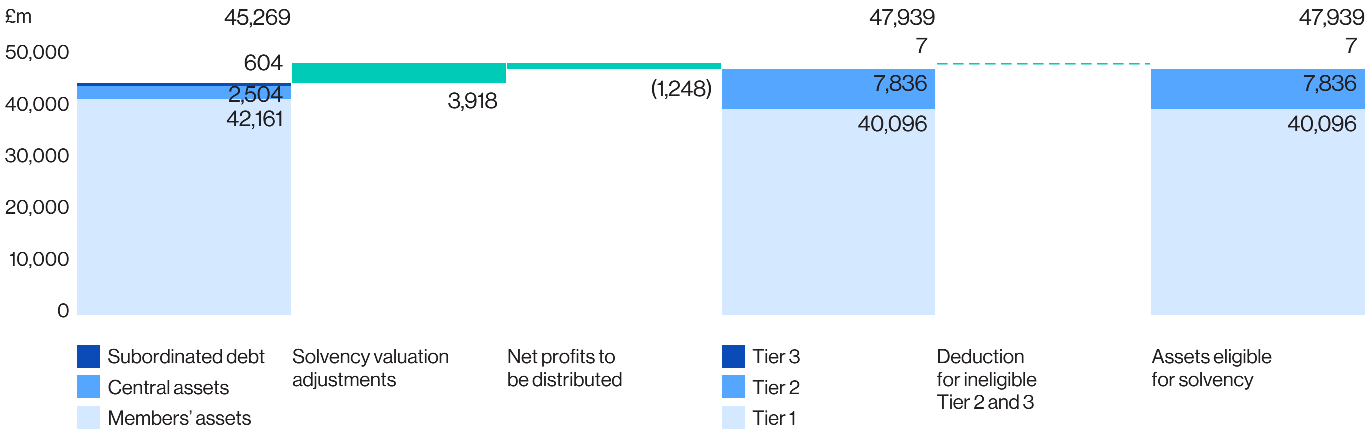
The 2019 tranche of syndicate loans will be repaid on the fifth anniversary of commencement, being 29 March 2024, reducing the CSCR by 7%, with no impact to the MWSCR. Further, the subordinated debt maturing in 2024 currently accounts for 1% of the market-wide solvency ratio and 26% of the central solvency ratio.

Assets eligible for solvency

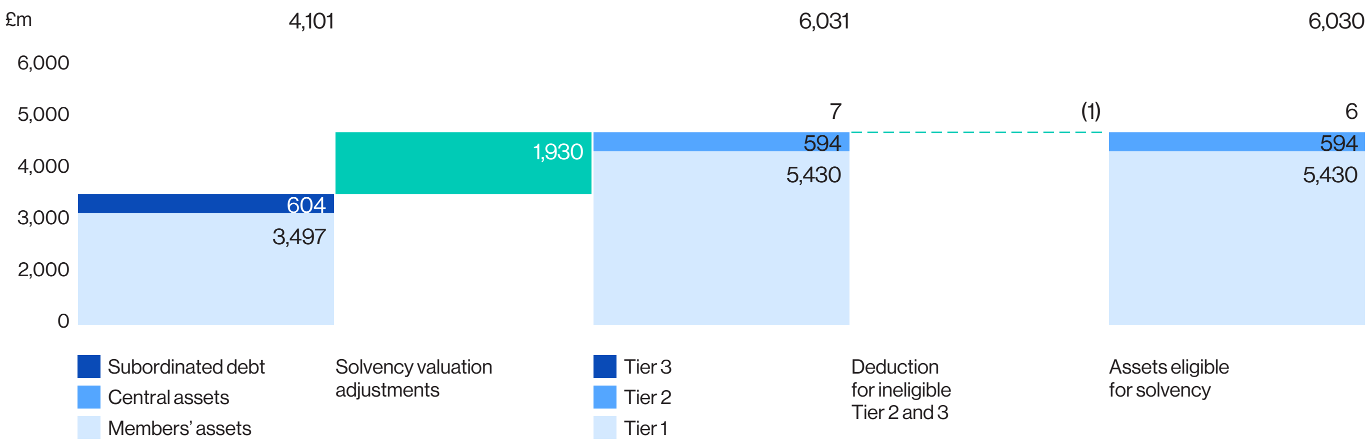
The assets of the syndicates, members' FAL and the Society all contribute towards coverage of the MWSCR, after adjustments to value items in accordance with Solvency II valuation principles. Members' assets are however not fungible. The Society assets and callable layer, in the chain of security, are available to cover the CSCR.

The eligibility of assets to cover the SCR under Solvency II is determined by a tiering test. Tier 1 assets are fully available to cover the SCR, while Tier 2 and Tier 3 assets in aggregate can cover up to 50% of the SCR. The majority of the assets available to cover the MWSCR are Tier 1. A proportion of members' FAL is provided in the form of letters of credit, which are classed as Tier 2 assets, restricting their ability to cover the MWSCR. However, given the total value of these instruments at 31 December 2023 is less than 50% of the SCR, there are no unrestricted assets. These letters of credit are callable on demand, and when called the proceeds, namely cash, would qualify as Tier 1 assets. The capital tiering rules also apply to the coverage of the Central SCR. The inclusion of the subordinated debt and deferred tax asset results in Lloyd's available Tier 2 and 3 central capital of £601m (2022: £588m). Given the total Tier 2 and 3 central capital is more than the maximum allowance – 50% of the SCR – there is a deduction for ineligible Tier 2 and Tier 3 in 2023 of £1m (2022: nil).

Lloyd's MWSCR* (£m) – reconciliation of assets from a UK GAAP basis to a Solvency II basis



Lloyd's CSCR* (£m) – reconciliation of assets from a UK GAAP basis to a Solvency II basis



* Represents the position based on solvency returns which have not been assured by independent auditors; this may differ from the final 2023 submissions.

Notes to the Pro Forma financial statements continued

4. Risk management continued

Claims development tables

The tables below illustrate the development of the estimates of earned ultimate cumulative claims for syndicates in aggregate after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Non-sterling balances have been converted using 2023 year end exchange rates to aid comparability. As these tables are on an underwriting year basis, there is an apparent jump from figures for the end of the underwriting year to one year later, as a large proportion of premiums are earned in the year of account's second year of development.

Gross

Underwriting year	2013 and prior years £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**	Total £m
At end of underwriting year		7,620	7,356	8,943	17,084	13,801	10,467	12,107	14,956	15,147	12,252	
One year later		14,485	15,172	19,680	27,381	25,065	23,237	22,002	27,211	25,479	–	
Two years later		15,358	16,113	21,185	29,299	27,417	24,043	22,840	27,936	–	–	
Three years later		15,210	16,972	21,987	29,488	27,937	23,529	22,412	–	–	–	
Four years later		16,413	17,298	22,207	30,032	28,407	23,606	–	–	–	–	
Five years later		16,382	17,510	22,464	30,225	28,732	–	–	–	–	–	
Six years later		16,402	17,487	22,649	30,457	–	–	–	–	–	–	
Seven years later		16,353	17,546	22,909	–	–	–	–	–	–	–	
Eight years later		16,385	17,680	–	–	–	–	–	–	–	–	
Nine years later		16,226	–	–	–	–	–	–	–	–	–	
Cumulative payments		15,149	15,857	20,011	26,505	23,016	17,058	13,817	13,078	7,471	1,201	
Estimated balance to pay	4,248	1,077	1,823	2,898	3,952	5,716	6,548	8,595	14,858	18,008	**11,051**	78,774

Net

Underwriting year	2013 and prior years £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**	Total £m
At end of underwriting year		6,156	5,898	6,909	9,700	8,991	7,568	8,567	11,200	10,406	10,167	
One year later		11,723	12,041	14,709	16,985	16,700	16,464	15,342	19,386	18,783	–	
Two years later		12,139	12,682	15,600	18,347	18,154	16,620	15,681	19,815	–	–	
Three years later		12,033	13,590	16,237	18,582	18,390	15,843	15,487	–	–	–	
Four years later		12,864	13,455	16,134	18,757	18,274	15,654	–	–	–	–	
Five years later		12,713	13,541	16,202	18,635	18,456	–	–	–	–	–	
Six years later		12,741	13,469	16,232	18,769	–	–	–	–	–	–	
Seven years later		12,637	13,407	16,283	–	–	–	–	–	–	–	
Eight years later		12,492	13,466	–	–	–	–	–	–	–	–	
Nine years later		12,478	–	–	–	–	–	–	–	–	–	
Cumulative payments		11,863	12,469	14,804	16,522	15,237	11,720	9,806	10,298	5,934	1,092	
Estimated balance to pay	2,393	615	997	1,479	2,247	3,219	3,934	5,681	9,517	12,849	9,075	52,006

Financial risk

Credit risk

Credit risk is the exposure to loss if a counterparty fails to perform its contractual obligations.

As discussed on page 45, the market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. Syndicates are also exposed to credit risk in their premium debtors. Credit risk in respect of premium debt is controlled through broker approval and regular monitoring of premium settlement performance. Syndicates and members are also exposed to credit risks in their investment portfolios. PRA and Lloyd's investment guidelines are designed to mitigate credit risk by ensuring diversification of holdings.

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

The table below shows the maximum exposure to credit risk for the components of the balance sheet. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives.

2023	**Neither past due nor impaired £m**	**Past due £m**	**Impaired £m**	**Total £m**
Debt securities	66,366	–	–	66,366
Participation in investment pools	3,417	–	–	3,417
Loans with credit institutions	3,524	–	–	3,524
Deposits with credit institutions	5,321	–	–	5,321
Derivative assets	33	–	–	33
Other investments	171	–	–	171
Reinsurers' share of claims outstanding	26,775	–	(7)	26,768
Cash at bank and in hand, including letters of credit and bank guarantees	11,408	–	–	11,408
Total	**117,015**	**–**	**(7)**	**117,008**

2022	Neither past due nor impaired £m	Past due £m	Impaired £m	Total £m
Debt securities	61,072	–	–	61,072
Participation in investment pools	2,695	–	–	2,695
Loans with credit institutions	4,352	–	–	4,352
Deposits with credit institutions	5,559	–	–	5,559
Derivative assets	111	–	–	111
Other investments	156	–	–	156
Reinsurers' share of claims outstanding	29,414	–	(6)	29,408
Cash at bank and in hand, including letters of credit and bank guarantees	12,289	–	–	12,289
Total	115,648	–	(6)	115,642

In aggregate there were no material financial assets that would be past due or impaired whose terms have been renegotiated, held by syndicates, the Society or within FAL in the current or prior period.

In aggregate there were no material debt and fixed income assets held that were past due or impaired beyond their reported fair values, either for the current or prior periods under review or on a cumulative basis. For the current period and prior period, in aggregate there were no material defaults on debt securities.

Assets held as collateral comprise cash and debt securities received as collateral against reinsurance assets transferred from syndicates' reinsurers.

4. Risk management continued

Financial risk continued

Credit risk continued

The table below provides information regarding the credit risk exposure at 31 December 2023 by classifying assets according to the credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as other. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated. This table is the sum of assets neither past due nor impaired.

2023	Rated AAA £m	Rated AA £m	Rated A £m	Rated BBB £m	Other £m	Total £m
Debt securities	21,013	18,180	17,515	8,583	1,075	66,366
Participation in investment pools	217	138	209	285	2,568	3,417
Loans with credit and other institutions	–	–	3	–	3,521	3,524
Deposits with credit institutions	2,204	823	1,086	321	887	5,321
Derivative assets	–	–	10	–	23	33
Other investments	–	–	1	–	170	171
Reinsurers' share of claims outstanding	342	8,875	15,391	42	2,125	26,775
Cash at bank and in hand	483	739	9,941	61	184	11,408
Total credit risk	**24,259**	**28,755**	**44,156**	**9,292**	**10,553**	**117,015**

2022	Rated AAA £m	Rated AA £m	Rated A £m	Rated BBB £m	Other £m	Total £m
Debt securities	20,251	14,183	15,175	7,056	4,407	61,072
Participation in investment pools	178	167	106	38	2,206	2,695
Loans with credit and other institutions	8	44	10	–	4,290	4,352
Deposits with credit institutions	2,169	1,128	1,024	368	870	5,559
Derivative assets	–	–	5	–	106	111
Other investments	2	3	2	–	149	156
Reinsurers' share of claims outstanding	485	8,633	17,884	337	2,075	29,414
Cash at bank and in hand	641	571	10,801	81	195	12,289
Total credit risk	23,734	24,729	45,007	7,880	14,298	115,648

Liquidity risk

Liquidity risk arises where there are insufficient funds to meet liabilities, particularly claims. Managing agents are expected to manage the cash needs of their syndicates on an ongoing basis and to avoid becoming forced sellers of assets. Generally, syndicates have a high concentration of liquid assets, namely cash and government securities.

The Society centrally monitors syndicate liquidity and conducts stress tests to monitor the impact on liquidity of significant claims events.

The table below summarises the maturity profile of financial liabilities for the market.

2023	No stated maturity	0-1 yrs £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Total £m
Claims outstanding	480	24,777	28,049	12,397	13,071	78,774
Derivatives	–	30	3	–	–	33
Deposits received from reinsurers	398	213	330	128	318	1,387
Creditors	741	10,243	1,213	172	293	12,662
Other liabilities	202	158	21	–	–	381
Subordinated loan notes	–	306	–	–	298	604
Senior debt	–	4	–	–	299	303
Total	**1,821**	**35,731**	**29,616**	**12,697**	**14,279**	**94,144**

Financial risk continued
Liquidity risk continued

2022	No stated maturity	0-1 yrs £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Total £m
Claims outstanding	267	26,816	28,548	12,364	12,910	80,905
Derivatives	–	38	6	1	–	45
Deposits received from reinsurers	377	282	382	147	357	1,545
Creditors	1,104	11,165	1,168	168	325	13,930
Other liabilities	164	167	5	1	–	337
Subordinated loan notes	–	1	304	–	298	603
Senior debt	–	4	–	–	299	303
Total	1,912	38,473	30,413	12,681	14,189	97,668

Market risk – overview
Market risk is the risk of loss, or of adverse change in financial situation resulting from fluctuations in the level of the market prices of assets and liabilities arising from exposure to economic variables and market forces such as inflation, interest rates and rates of foreign exchange.

Syndicate assets are held in premium trust funds and are subject to the asset rules contained in the PRA's handbook and must comply with Lloyd's Membership & Underwriting Requirements. Managing agents manage asset risk through their investment strategy.

Oversight of market risk includes the monitoring of investment management. The Society monitors assets across the full chain of security to ensure the asset disposition of the market and Society remains appropriate, closely monitoring global economic and market trends.

The potential financial impact of changes in market value is additionally monitored through the capital setting process, and asset mix must be reported to the Society on a quarterly basis, including credit rating analysis of fixed income portfolios.

Market risk comprises three types of risk:

i. currency risk
ii. interest rate risk
iii. equity price risk

Currency risk
Managing agents must identify the main currencies in which each syndicate transacts its business. For the market overall, the US dollar is the largest currency exposure. Assets are then held in each of those currencies to match the relevant liabilities. Managing agents must ensure that assets match liabilities and take corrective action where a mismatch arises. The Society also reviews the matching of assets to liabilities at the syndicate level as well as at the market level. In addition, many members seek to match their capital disposition by currency against their peak exposures.

The profile of the aggregate of the Lloyd's market assets and liabilities, categorised by currency at their translated carrying amounts was as follows:

2023	**Sterling £m**	**US dollar £m**	**Euro £m**	**Canadian dollar £m**	**Australian dollar £m**	**Other £m**	**Total £m**
Financial investments	11,832	60,377	4,039	8,253	2,286	2,491	89,278
Reinsurers' share of technical provisions	4,478	23,891	1,550	1,328	512	45	31,804
Insurance and reinsurance receivables	3,811	18,100	932	705	620	161	24,329
Cash at bank and in hand	2,452	6,916	706	447	447	440	11,408
Other assets	1,582	5,245	628	485	244	92	8,276
Total assets	**24,155**	**114,529**	**7,855**	**11,218**	**4,109**	**3,229**	**165,095**
Technical provisions	(17,213)	(70,520)	(6,183)	(6,399)	(2,857)	(667)	(103,839)
Insurance and reinsurance payables	(1,559)	(7,553)	(460)	(403)	(238)	(63)	(10,276)
Other liabilities and subordinated loan notes	(2,079)	(3,094)	(449)	(444)	(57)	(192)	(6,315)
Total liabilities and subordinated loan notes	**(20,851)**	**(81,167)**	**(7,092)**	**(7,246)**	**(3,152)**	**(922)**	**(120,430)**
Total capital and reserves	**3,304**	**33,362**	**763**	**3,972**	**957**	**2,307**	**44,665**

4. Risk management continued

Financial risk continued

Currency risk continued

2022	Sterling £m	US dollar £m	Euro £m	Canadian dollar £m	Australian dollar £m	Other £m	Total £m
Financial investments	11,577	56,589	3,119	7,384	2,010	2,904	83,583
Reinsurers' share of technical provisions	4,659	26,268	1,481	1,277	516	54	34,255
Insurance and reinsurance receivables	3,012	18,089	897	826	609	147	23,580
Cash at bank and in hand	2,565	7,656	813	439	448	368	12,289
Other assets	1,557	5,008	603	434	211	10	7,823
Total assets	23,370	113,610	6,913	10,360	3,794	3,483	161,530
Technical provisions	(16,571)	(71,937)	(5,989)	(6,183)	(2,707)	(746)	(104,133)
Insurance and reinsurance payables	(1,542)	(8,436)	(507)	(467)	(247)	(71)	(11,270)
Other liabilities and subordinated loan notes	(2,162)	(3,415)	(406)	(336)	(70)	(136)	(6,525)
Total liabilities and subordinated loan notes	(20,275)	(83,788)	(6,902)	(6,986)	(3,024)	(953)	(121,928)
Total capital and reserves	3,095	29,822	11	3,374	770	2,530	**39,602**

Sensitivity analysis

A 10% strengthening or weakening of the pound sterling against the following currencies at 31 December would have increased/(decreased) the result before tax and members' balances for the financial year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2023	**Impact on result before tax £m**	**Impact on members' balances £m**
Strengthening of US dollar	492	3,164
Weakening of US dollar	(402)	(2,589)
Strengthening of euro	(21)	88
Weakening of euro	17	(72)

2022	Impact on result before tax £m	Impact on members' balances £m
Strengthening of US dollar	392	3,318
Weakening of US dollar	(320)	(2,715)
Strengthening of euro	(70)	17
Weakening of euro	57	(14)

The impact on the result before tax is different from the impact on members' balances as the calculation of the notional return on members' funds at Lloyd's is not affected by currency movements.

Interest rate risk

Interest rate risk is the risk that the value and future cash flows of a financial instrument will fluctuate because of changes in interest rates. Lloyd's operates a generally conservative investment strategy with material cash and short-dated bond portfolios, which reduces the interest rate risk exposure.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the result before tax and equity of the effects of changes in interest rates.

2023	**Impact on result before tax £m**	**Impact on members' balances £m**
+ 50 basis points	(632)	(840)
- 50 basis points	638	847

2022	Impact on result before tax £m	Impact on members' balances £m
+ 50 basis points	(561)	(764)
- 50 basis points	557	760

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

Such risks are managed by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each sector and market.

In aggregate there is no significant concentration of equity price risk.

The analysis below is performed for reasonably possible movements in market indices on financial instruments with all other variables held constant, showing the impact on the result before tax due to changes in fair value of financial assets and liabilities (whose fair values are recorded in the profit and loss account) and members' balances (that reflects adjustments to the result before tax and changes in fair value of available for sale financial assets that are equity instruments).

2023	**Impact on result before tax £m**	**Impact on members' balances £m**
5% increase in equity markets	174	371
5% decrease in equity markets	(174)	(371)

2022	Impact on result before tax £m	Impact on members' balances £m
5% increase in equity markets	154	332
5% decrease in equity markets	(154)	(332)

Notes to the Pro Forma financial statements continued

4. Risk management continued

Financial risk continued

Concentration risk

The Society closely monitors concentrations of risk across the market and tests risk exposure against clearly defined risk appetites, as established by the Council. Specialist supervisory teams across the Society monitor concentrations across the following areas: region perils, line of business, geographical location, method of distribution in insurance and investment counterparties, among others.

While syndicates define the type of business that they write, at the market level the Society seeks to avoid an inappropriate concentration of premium sources, monitoring concentration of business in poorly performing lines, material sources of premium by method of placement, as well as coverholder concentration, which feature in metrics reported quarterly to the Council. Managing agents controlling more than 10% of overall market gross written premium are also subject to Council review. Any reported metrics outside of appetite are reported to, and discussed by, the Risk Committee and the Council. Specific and targeted actions can then be agreed, which will be discussed with specific managing agents or the market as a whole, as appropriate. These actions can vary considerably depending on the nature of the risk or the line of business impacted, with different levels of the requirements placed on syndicates, which forms part of the Society's oversight role of the market.

Further analysis of premiums, claims, expenses and underwriting result by line of business is included within note 9, with commentary on the performance of each line of business included on pages 24 to 31.

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. Managing agents monitor regulatory developments to ensure ongoing compliance and any impact on claims reserves. Additionally, given current developments in the global regulatory landscape, the Society closely monitors changes that may adversely impact the global licence network. The Society is actively working with the market to assist and adapt to the changes in the UK regulatory architecture and managing agents are now expected to deliver against the Principles for doing business at Lloyd's. Similarly, the Society monitors global political trends and is taking action at both a market and Society level in response to a growing geopolitical risk facing companies operating around the world.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Managing agents manage these risks through internal compliance monitoring and the use of detailed procedure manuals. The Society applies a principles-based oversight framework to agents and monitors delivery against these.

Group risk

Group risk is the risk of loss resulting from risk events arising within a related entity. While Lloyd's is not a group, the Society monitors potential risks that could affect Lloyd's, for example arising from the activities of a parent company of a syndicate or managing agent. While, by its nature, group risk is difficult to control, the Society mitigates its potential impact through the implementation of controls, including the Principles for doing business at Lloyd's, limiting any material impairment to Lloyd's brand, reputation or strategic priorities.

5. Prior year reserves

Movements in reserves are based upon estimated cost of claims as at 31 December 2023, taking into account all available information as at the balance sheet date. These estimates are subject to variability until the date at which the underlying claims are settled. Such changes in estimates are reflected in the technical account of the year in which they occur. The aggregate of the prior year surpluses/deficiencies is a net surplus of £812m (2022: £1,181m), reflecting favourable claims development compared with projections. Surpluses have been reported across all lines of business except Specialty and Casualty reinsurance, (impacted by reinsurance to close and loss portfolio transfer deals) and Aviation, where the reserve deterioration is predominantly caused by the increase in Ukraine loss estimates.

6. Members' funds at Lloyd's

The valuation of members' FAL in the balance sheet totals £31,895m (2022: £34,139m). The notional investment return on FAL included in the non-technical profit and loss account totals £2,082m (2022: £(1,338)m). The notional investment return on FAL has been calculated by applying quarterly yields from indices, net of management fees, to the value of FAL at the beginning of each quarter except where the Society is the investment manager for FAL, in which case the actual return achieved has been included. A significant proportion of FAL investments are US dollar denominated and, for these assets, US dollar yields from indices are applied. The following table shows the indices used and the return applied for the full year.

		Proportion of FAL		Investment return	
Investment type	Index	**2023 %**	2022 %	**2023 %**	2022 %
UK equities	FTSE All share	4.1	3.4	7.3	(0.0)
UK government bonds	UK Gilts 1-3 years	4.0	7.0	2.9	(3.1)
UK corporate bonds	UK Corporate 1-3 years	2.7	2.2	3.7	(3.3)
UK deposits managed by Lloyd's	Return achieved	3.3	3.8	4.6	0.7
UK deposits managed externally including letters of credit	GBP LIBID 1 month	7.0	6.9	4.4	1.1
JPY government bonds	JPY Gilts 1-3 years	3.8	–	(0.0)	–
US equities	S&P 500 Index	8.2	7.0	24.4	(22.0)
US government bonds	US Treasuries 1-5 years	19.6	21.9	4.1	(4.8)
US corporate bonds	US Corporate 1-5 years	24.3	24.3	5.8	(5.5)
US deposits managed by Lloyd's	Return achieved	6.2	7.8	5.3	0.7
US deposits managed externally including letters of credit	USD LIBID 1 month	16.8	15.7	4.8	1.4

7. Society of Lloyd's (the Society)

As stated in note 2(a), syndicates and the Society separately report the transactions and balances for technical insurance related transactions, members' subscriptions and other charges, Central Fund contributions and interest on syndicate loans. These balances are reversed from the Society's results to arrive at the adjusted result of the Society in note 8 below.

8. Aggregation of results and net assets

A reconciliation between the results, statement of comprehensive income and net assets reported in the syndicate annual accounts, members' FAL and by the Society, is set out below:

Profit and loss account	**2023 £m**	2022 £m
Result per syndicate annual accounts	8,470	469
Adjusted result of the Society	111	100
Notional investment return on members' funds at Lloyd's	2,082	(1,338)
Result for the financial year before tax	10,663	(769)

Capital and reserves	**2023 £m**	2022 £m
Net assets per syndicate annual accounts	10,327	3,006
Adjusted net assets of the Society	2,443	2,457
Members' funds at Lloyd's	31,895	34,139
Total capital and reserves	44,665	39,602

The adjusted result of the Society includes the elimination of transactions between syndicates and the Society (which have been reported within both the syndicate annual accounts and the Society financial statements) and movements in the central reserve margin (as disclosed in note 2(a)). The adjusted net assets of the Society include a central reserve margin of £480m (2022: £267m).

Notes to the Pro Forma financial statements continued

9. Segmental analysis

The syndicate returns to the Society provided additional information to derive the following table in respect of the lines of business reviewed in the financial highlights.

2023	Gross written premiums £m	Net earned premium £m	Net incurred claims £m	Net operating expenses £m	Underwriting result £m
Reinsurance	17,338	12,902	(6,432)	(3,920)	2,550
Casualty	12,991	8,973	(4,694)	(3,703)	576
Property	14,767	9,710	(4,010)	(3,758)	1,942
Marine, Aviation and Transport	4,297	3,352	(2,056)	(1,266)	30
Energy	1,813	1,215	(637)	(388)	190
Motor	889	728	(447)	(250)	31
Life	54	45	(26)	(16)	3
Total from syndicate operations	52,149	36,925	(18,302)	(13,301)	5,322
Transactions between syndicates and the Society (notes 2 and 7) and insurance operations of the Society				588	588
PFFS premiums and underwriting result	**52,149**	**36,925**	**(18,302)**	**(12,713)**	**5,910**
Allocated investment return transferred from the non-technical account					**2,711**
Balance on the technical account for general business					**8,621**

2022	Gross written premiums £m	Net earned premium £m	Net incurred claims £m	Net operating expenses £m	Underwriting result £m
Reinsurance	15,365	11,355	(7,221)	(3,498)	636
Casualty	12,987	8,568	(4,734)	(3,298)	536
Property	12,045	8,028	(4,292)	(3,198)	538
Marine, Aviation and Transport	3,851	2,878	(1,527)	(1,071)	280
Energy	1,505	981	(542)	(342)	97
Motor	895	601	(307)	(232)	62
Life	57	47	(32)	(16)	(1)
Total from syndicate operations	46,705	32,458	(18,655)	(11,655)	2,148
Transactions between syndicates and the Society (notes 2 and 7) and insurance operations of the Society				493	493
PFFS premiums and underwriting result	46,705	32,458	(18,655)	(11,162)	2,641
Allocated investment return transferred from the non-technical account					(1,448)
Balance on the technical account for general business					1,193

The geographical analysis of direct insurance premiums by location where contracts were concluded is as follows:

	2023 £m	2022 £m
United Kingdom	34,145	30,324
EU member states	5	4
Rest of the world	661	1,012
Total	**34,811**	31,340

10. Life business

The PFFS include the results of all life and non-life syndicates transacting business during 2023. The results and net assets for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 9).

11. Net operating expenses

	2023 £m	2022 £m
Acquisition costs	11,800	10,429
Change in deferred acquisition costs	(650)	(485)
Administrative expenses	3,257	2,668
Reinsurance commissions and profit participation	(1,694)	(1,450)
Total	**12,713**	11,162

Total commissions on direct insurance business accounted for in the year amounted to £7,732m (2022: £6,924m).

12. Investment return

Interest and similar income	**2023 £m**	2022 £m
From financial instruments designated as at fair value through profit or loss	1,462	796
From available for sale investments	93	62
Dividend income	28	20
Interest on cash at bank	227	97
Other interest and similar income	38	4
Notional investment return on members' funds at Lloyd's	2,082	(1,338)
Investment expenses	(74)	(61)
Total	**3,856**	(420)

Other income from investments designated as at fair value through profit or loss		
Realised losses	(215)	(415)
Unrealised gains/(losses)	1,675	(2,284)
Other relevant losses	(6)	(9)
Total	**1,454**	(2,708)
Total investment return	**5,310**	(3,128)

13. Financial investments

	2023 £m	2022 £m
Shares and other variable yield securities	10,446	9,638
Debt securities and other fixed income securities	66,366	61,072
Participation in investment pools	3,417	2,695
Loans and deposits with credit and other institutions	8,845	9,911
Other investments	204	267
Total financial investments	**89,278**	83,583

Notes to the Pro Forma financial statements continued

13. Financial investments continued

Disclosures of fair values in accordance with the fair value hierarchy

Fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy includes the following classifications:

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

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is categorised at Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

2023	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Sub-total fair value £m**	**Assets held at amortised cost £m**	**Total £m**
Shares and other variable yield securities	5,833	3,332	1,280	10,445	1	10,446
Debt and other fixed income securities	27,362	38,995	9	66,366	–	66,366
Participation in investment pools	2,122	1,222	73	3,417	–	3,417
Loans and deposits with credit and other institutions	4,908	3,173	145	8,226	619	8,845
Other investments	6	20	178	204	–	204
Total assets	**40,231**	**46,742**	**1,685**	**88,658**	**620**	**89,278**
Derivative liabilities	(6)	(22)	(5)	(33)	–	(33)
Total liabilities	**(6)**	**(22)**	**(5)**	**(33)**	**–**	**(33)**

2022	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Assets held at amortised cost £m	Total £m
Shares and other variable yield securities	4,493	3,956	1,188	9,637	1	9,638
Debt and other fixed income securities	26,703	34,359	10	61,072	–	61,072
Participation in investment pools	2,053	641	1	2,695	–	2,695
Loans and deposits with credit and other institutions	5,653	3,472	152	9,277	634	9,911
Other investments	16	93	158	267	–	267
Total assets	**38,918**	**45,521**	**1,509**	**82,948**	**635**	**83,583**
Derivative liabilities	(16)	13	(1)	(4)	–	(4)
Total liabilities	**(16)**	**13**	**(1)**	**(4)**	**–**	**(4)**

14. Debtors arising out of direct insurance operations

	2023 £m	2022 £m
Due within one year	15,049	13,981
Due after one year	225	181
Total	**15,274**	14,162

15. Debtors arising out of reinsurance operations

	2023 £m	2022 £m
Due within one year	8,563	8,933
Due after one year	492	485
Total	**9,055**	9,418

16. Cash at bank and in hand

Cash at bank and in hand of £11,408m (2022: £12,289m) includes letters of credit and bank guarantees held in trust within members' FAL to meet policyholder claims as required, totalling £7,314m (2022: £7,661m).

17. Members' balances

	2023 £m	2022 £m
Balance at 1 January	2,961	2,208
Result for the year per syndicate annual accounts	8,470	469
(Distribution)/losses collected in relation to closure of underwriting years	(780)	102
Advance distributions from open underwriting years	(83)	(53)
Cash calls requested	329	311
Net movement on funds in syndicate (see note below)	(338)	(298)
Foreign exchange (losses)/gains	(259)	273
Other	(34)	(51)
Balance at 31 December	**10,266**	2,961

Members participate on syndicates by reference to years of account. Members' ultimate results, assets and liabilities are assessed by year of account, with reference to policies incepting in that year of account. Members' balances represent the net profit/(loss) to be distributed/(collected) by syndicates to/(from) the members. Where there are profits and members' funds at Lloyd's held in excess of members' capital requirements, they will be distributed in the second quarter of 2024.

Members that only participate on one syndicate may hold the capital supporting their underwriting in their syndicate's premium trust funds. These funds are known as funds in syndicate (FIS). At 31 December 2023, there was £3,225m (2022: £3,474m) of FIS within members' balances. Where a member takes advantage of this facility in the year, the movement is reflected in the above table as 'net movement on funds in syndicate'.

18. Technical provisions and deferred acquisition costs

(a) Provision for unearned premiums

2023	**Gross £m**	**Reinsurers' share £m**	**Net £m**
At 1 January	23,228	4,847	18,381
Premiums written in the year	52,149	12,798	39,351
Premiums earned in the year	(49,557)	(12,632)	(36,925)
Foreign exchange movements	(755)	23	(778)
At 31 December	**25,065**	**5,036**	**20,029**

2022	Gross £m	Reinsurers' share £m	Net £m
At 1 January	19,074	4,076	14,998
Premiums written in the year	46,705	12,135	34,570
Premiums earned in the year	(44,260)	(11,802)	(32,458)
Foreign exchange movements	1,709	438	1,271
At 31 December	23,228	4,847	18,381

Notes to the Pro Forma financial statements continued

18. Technical provisions and deferred acquisition costs continued

(b) Deferred acquisition costs

	2023 £m	2022 £m
At 1 January	5,387	4,528
Change in deferred acquisition costs	650	485
Foreign exchange movements	(192)	380
Other	(10)	(6)
At 31 December	**5,835**	5,387

(c) Claims outstanding

2023	Gross £m	Reinsurers' share £m	Net £m
At 1 January	80,905	29,408	51,497
Claims paid during the year	(22,378)	(6,967)	(15,411)
Claims incurred during the year	23,940	5,638	18,302
Foreign exchange movements	(3,321)	(1,295)	(2,026)
Other	(372)	(16)	(356)
At 31 December	**78,774**	**26,768**	**52,006**

2022	Gross £m	Reinsurers' share £m	Net £m
At 1 January	67,800	24,208	43,592
Claims paid during the year	(21,405)	(7,350)	(14,055)
Claims incurred during the year	28,763	10,108	18,655
Foreign exchange movements	5,763	2,211	3,552
Other[1]	(16)	231	(247)
At 31 December	80,905	29,408	51,497

1. Other movements include loss portfolio transfers which have driven an increase in reinsurers' share of claims outstanding.

19. Discounted claims

Discounting may be applied to claims provisions where there are individual claims with structured settlements that have annuity-like characteristics, or for books of business with mean term payment greater than four years. Certain syndicates have elected to discount their claims provisions.

The claims have been discounted as follows:

	Average discounted rates		Average mean term of liabilities	
Line of business	2023 %	2022 (restated)* %	2023 years	2022 (restated)* years
Motor (third-party liability)	2.89	2.85	14.99	12.55
Motor (other lines)	3.00	3.00	33.00	25.00
Third-party liability	3.81	3.76	23.61	22.73

The period that will elapse before claims are settled is determined using impaired life mortality rates.

The claims provisions before discounting are as follows:

	Before discounting		Effect of discounting		Discounted provision	
	2023 £m	2022 (restated)* £m	2023 £m	2022 (restated)* £m	2023 £m	2022 (restated)* £m
Total claims provisions	1,234	1,227	(502)	(481)	732	746
Reinsurers' share of total claims	876	734	(331)	(255)	545	479

* Comparatives for 2022 have been restated as a result of the identification and correction of an error in a syndicate submission. This restatement has no impact on the balance sheet.

20. Creditors arising out of direct insurance operations

	2023 £m	2022 £m
Due within one year	1,047	989
Due after one year	8	27
Total	**1,055**	1,016

21. Creditors arising out of reinsurance operations

	2023 £m	2022 £m
Due within one year	7,951	9,074
Due after one year	1,270	1,180
Total	**9,221**	10,254

22. Note to the statement of cash flows

Cash and cash equivalents comprise the following:

	2023 £m	2022 £m
Cash at bank and in hand	11,408	12,289
Short-term deposits with credit institutions	2,144	1,788
Overdrafts	(338)	(296)
Total	**13,214**	13,781

Of the cash and cash equivalents, £106m (2022: £344m) is held in regulated bank accounts in overseas jurisdictions.

23. Five year summary

Results	2023 £m	2022 £m	2021 £m	2020 £m	2019 £m
Gross written premiums	52,149	46,705	39,216	35,466	35,905
Net written premiums	39,351	34,570	28,439	25,826	25,659
Net earned premiums	36,925	32,458	26,657	25,876	25,821
Result attributable to underwriting	5,910	2,641	1,741	(2,676)	(538)
Result for the year before tax	10,663	(769)	2,277	(887)	2,532
Assets employed					
Cash and investments	100,686	95,872	83,998	79,951	73,193
Net technical provisions	72,035	69,878	58,590	56,034	53,201
Other net assets	16,014	13,608	10,349	9,229	9,852
Capital and reserves	44,665	39,602	35,757	33,146	29,844
Statistics					
Combined ratio (%)	84.0	91.9	93.5	110.3	102.1
Return on capital (%)	25.3	(2.0)	6.6	(2.8)	8.8

24. Related party transactions

The annual accounts of each syndicate provide, where appropriate, the required disclosures on related parties. Syndicate level disclosures are specific to that syndicate and its managing agent. For 2023, there were no material related party transactions conducted outside normal market conditions reported in the syndicate annual accounts requiring disclosure. The related party transactions of the Society are disclosed in note 34 on page 159.

25. Events after the reporting period

Subsequent to the balance sheet date, the Society has approved the repayment of the 2019 tranche of syndicate loans. For further information refer to the Society Report, note 24.

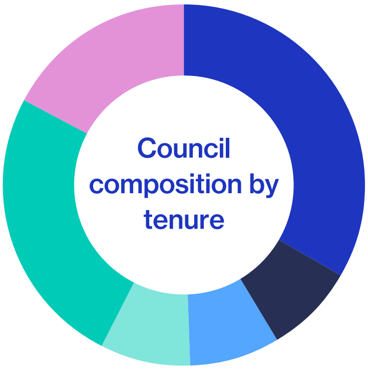
Society Report

Governance at a glance

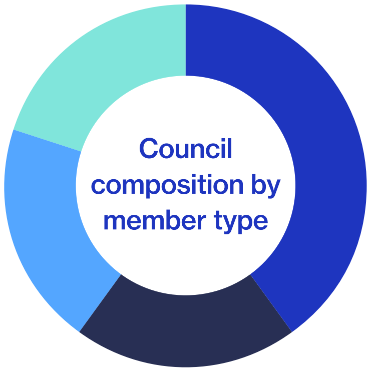
The Society's governance structure provides challenge, clarity and accountability. The Council of Lloyd's is the governing body of the Society of Lloyd's (the 'Society'). Certain functions are reserved to the Council, but beyond the reserved functions the Council delegates authority to carry out specified functions to committees including the Remuneration, Nominations & Governance, Risk and Audit Committees and the Executive, as summarised below.

Council composition[1]

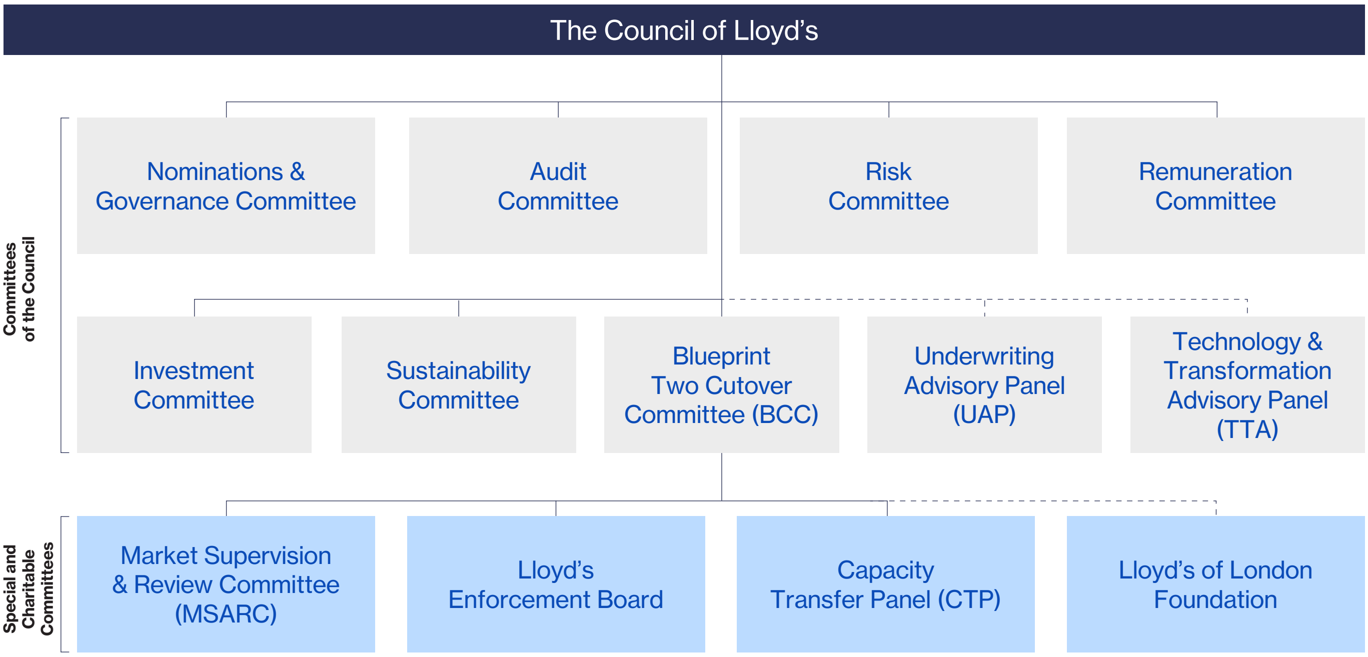
0 to 1 years	33%
2 to 3 years	8%
4 to 5 years	8%
5 to 6 years	8%
6 to 7 years	25%
7 to 8 years	17%



Nominated members	40%
External members	20%
Working members	20%
Executive directors	20%



Organisational chart[2]



1. Please note, lower boundaries are inclusive. For example, a member with a five-year tenure would be included in the five to six years' tenure category.
2. As at 27 March 2024.

Council

Management and superintendence of the affairs of the Society and has the power to regulate and direct the business of insurance at Lloyd's and make Byelaws.

See page 68 for further information

See page 70 for the Council Statement

Committees of the Council

Nominations & Governance Committee

Responsible for reviewing the governance arrangements and leadership needs of the Society and its subsidiaries.

See page 75 for further information

Remuneration Committee

Responsible for setting remuneration arrangements for the Chairman, Chief Executive Officer, the Executive Directors and any other direct reports, executive management or other persons as appropriate.

See page 88 for further information

Audit Committee

Assists the Council in monitoring the integrity of the Society's financial reporting, assessing the effectiveness of the systems of internal control of the Society and monitoring the effectiveness, independence and objectivity of the internal and external auditors.

See page 78 for further information

Risk Committee

Assists the Council in its oversight of the identification and control of material risks to the objectives of Lloyd's.

See page 84 for further information

Investment Committee

Recommends to the Council the investment objectives and parameters of centrally managed assets and is responsible for reviewing performance against these. It monitors investment operations and has a monitoring/ oversight role in respect of the Investment Platform.

See page 100 for further information

Sustainability Committee

Responsible for reviewing, challenging and approving submissions in respect of the Lloyd's sustainability, culture and responsible business strategies.

See page 100 for further information

BCC

Assists the Council by reviewing proposals by the Executive on key milestones for the achievement of Blueprint Two phases one and two cutover dates.

See page 101 for further information

UAP

Assists the Chief of Markets by sharing, where appropriate, insights and assessments regarding underwriting conditions, developments and trends in the insurance market (including any long-term issues) and providing expert advice on technical market matters.

See page 101 for further information

TTA

Assists the Council by sharing insights, expert advice and assessments of developments in the delivery, communication and adoption of the Blueprint Two programme, identifying issues and challenges for consideration, focus and review by the BCC and the Council.

See page 101 for further information

Special and Charitable Committees

MSARC

Takes decisions regarding the exercise of the Society's enforcement powers. It acts as a review body capable of amending, modifying or withdrawing certain decisions taken by the Executive affecting managing agents.

See page 102 for further information

Lloyd's Enforcement Board

Has jurisdiction over enforcement proceedings (save the power to impose administrative fines) instituted by the Council unless and until the enforcement proceedings are referred to an enforcement tribunal.

See Enforcement Byelaw for more information

CTP

Exercises the Council's powers in relation to syndicate minority buyouts and mergers.

See page 102 for further information

Lloyd's of London Foundation

The independent charity founded and funded by Lloyd's which provides a vehicle for charitable activity and engagement for the Lloyd's Corporation. The Foundation is a centre of expertise for delivering long-term meaningful social impact with the support of employees, market firms and other stakeholders.

See page 17 for further information

The day-to-day powers and functions of the Council are carried out by the Society's Executive. The Executive then delegates to the Executive Leadership Group as appropriate.

Executive Committee

The Executive Committee is composed of the Chief Executive Officer, Chief Financial Officer, Chief Investment Officer, Chief of Markets, Commercial Director, Chief Operations Officer, Chief People Officer, Chief Risk Officer, Chief Underwriting Officer, Corporate Affairs Director, Deputy Chief Financial Officer and General Counsel.

Details of the Executive Committee can be found on www.lloyds.com

Governance essentials

(Corporate Governance Code Principles B, C, F, G, H and I; Provisions 7, 14 and 16)

To support and enhance our governance framework there are various components in place, which we summarise below.

Terms of reference and appointment terms

- Terms of reference (TOR) exist for the Council and its committees.
- The Chairman's role and responsibilities are defined by the Lloyd's Act 1982, the Constitutional Arrangements Byelaw and his TOR.
- There are TOR for the Chairman and Deputy Chairs (including the Senior Independent Deputy Chairman).
- There are also TOR for the Chief Executive Officer and members of the Executive Committee.
- TOR provide a clear division of responsibilities between the leadership of the Council and the Executive leadership of the Society.

TOR are available to view at www.lloyds.com

The terms and conditions of appointment of Non-Executive members of the Council are available on request by members of the Society to the Secretary to the Council.

Training

- New Council members are provided with a guide for members of the Lloyd's committees and a tailored induction programme that includes briefings with senior executive management on Lloyd's, its operations and the key current issues.
- Council members receive annual training on their duties as members of the Council and on new developments that are relevant to the business of Lloyd's; a recent teach in was held on artificial intelligence.

Conflicts of interest

- A register of interests of members of the Council and their committees is maintained by the Secretary to the Council and is available for inspection on request by members of the Society.
- On appointment, non-executive members of the Council notify the Secretary to the Council of any conflicts of interest. Thereafter, there is an ongoing obligation for members of the Council to notify the Secretary to the Council of any conflicts of interest which arise after appointment. The Council is provided with a view of the conflict position bi-annually and as required.
- Where a conflict of interest arises, the member is recused from the meeting. In addition, papers for meetings are redacted appropriately. Training is provided annually.

Indemnities

- The Society has given indemnities to a number of its subsidiary undertakings, and the Directors thereof, in respect of any claims or actions which may be brought against them, or any future operating losses incurred by them in connection with the companies' activities.
- The Society has also given indemnities to and has agreed to cover certain specific costs that may be incurred by members of the Council, its committees and Directors of certain subsidiaries, the Society's employees, and certain individuals and organisations who have been asked to carry out or provide services to the Society or on behalf of, or for the benefit of, its members.

Independent professional advice

- Council members and committee members have access to independent professional advice, if required.
- In addition, Council members and committee members have access to the advice of the Secretary to the Council, who is responsible for advising the Council on all governance matters. Both the appointment and removal of the Secretary to the Council are matters for the Council as a whole.

Council and committee attendance in 2023

- Regular annual meetings are scheduled at appropriate intervals in line with an agreed meeting schedule, with the Council ordinarily holding eight scheduled meetings a year.
- Additional unscheduled meetings are arranged as required, and in exceptional circumstances the timing of scheduled meetings may need to be adjusted, and while every effort is made to arrange that all members are able to attend that is not always possible at short notice.
- Outside of the formal Council and committee meetings, non-executives have unfettered access to the executive, regularly liaise with management on activities aligned to their key skills and attend appropriate management strategy and training events.
- All members of Council also attended an annual strategy day.
- Attendance at scheduled Council and committee meetings is set out in the remainder of this report.
- Where a member has been appointed or retired during the year, meeting attendance is shown against the number of possible scheduled meetings they could have attended rather than the annual number of scheduled meetings.

The Code

The Council is committed to the principle of good corporate governance and supports the application of the principles of the UK Corporate Governance Code 2018 (the 'Code'). An internal assessment of the Code has been undertaken. Except where expressly stated below, the Society has complied throughout the reporting period with the Code insofar as its principles/provisions can be applied to the governance of a Society of members and a market of separate and competing entities.

We set out below the Society's disclosure on how the principles/provisions of the Code have been complied with, directing the reader to the relevant part of the Governance sections of the Society Report which contains more information and an explanation of any divergences (with appropriate signposting to assist the reader). The table below also directs the reader to relevant parts of the Strategic Report.

Principles			Provisions		
1. Board leadership and company purpose	**Comply?**	**More info**	**Number**	**Comply?**	**More info**
(A) Board's role	✓	p.12-19; p.64-74	1-8	✓	p.8-19; p.64-102
(B) Company's purpose, values, strategies and culture alignment	✓	p.8-19; p.64-102	1-8	✓	p.8-19; p.64-102
(C) Company's resources and controls to assess and manage risk	✓	p.64-102	1-8	✓	p.8-19; p.64-102
(D) Stakeholder engagement	✓	p.64-102	1-8	✓	p.8-19; p.64-102
(E) Workforce policies, practices and raising concerns	✓	p.64-102	1-8	✓	p.8-19; p.64-102
2. Division of responsibilities					
(F) Chair's role	✓	p.64-102	9-10	✓	p.64-102
(G) Board composition and division of responsibilities	✓	p.64-102	12-14	✓	p.64-102
(H) Non-executive directors' roles and sufficient time to meet responsibilities	✓	p.64-102	16	✓	p.64-102
(I) Board resources	✓	p.64-102	11, 15	Departure	p.68 and 77
3. Composition, succession and evaluation					
(J) Appointments, succession planning and diversity	✓	p.64-102	17	Departure	p.75-77
(K) Board and committees' skills, experience, knowledge and length of service	✓	p.64-102	18	Departure	p.68-69
(L) Board annual evaluation and individual evaluation	✓	p.64-102	19-23	✓	p.64-102
4. Audit, risk and internal control					
(M) Independence and effectiveness of internal and external audit	✓	p.64-102	24	Departure	p.78
(N) Fair, balanced and understandable assessment of the Company's position and prospects	✓	p.64-102	25-31	✓	p.20-21; p.64-102
(O) Principal risks and procedures to manage risk and oversee internal control framework	✓	p.20-21; p.64-102	25-31	✓	p.20-21; p.64-102
5. Remuneration					
(P) Remuneration policies and practices, strategy and long-term sustainable success, executive remuneration alignment to company purpose, values and long-term strategy	✓	p.64-102	32	Departure	p.90
(Q) Executive, director and senior manager remuneration and formal, transparent procedures	✓	p.64-102	33-37 & 39-40	✓	p.64-102
(R) Independent judgement and discretion and remuneration outcomes	✓	p.64-102	38, 41	Departure	p.97-99

Council report

Council responsibility *(Code Principle A)*

The Council is the governing body of the Society of Lloyd's (the 'Society') and has ultimate responsibility for overall management of the market. The terms of reference of the Council can be found on www.lloyds.com.

Council members *(Code Principle K; Provisions 10 and 19)*

Biographical details of members of the Council can be found on www.lloyds.com

Council attendance *(Code Principles D and G; Provisions 9, 10 and 14)*

		Scheduled meetings attended*
Chair	**Bruce Carnegie-Brown**	**8/8**
Nominated members[1]	Angela Crawford-Ingle	8/8
	Fiona Luck	8/8
	Neil Maidment	8/8
	Lord Mark Sedwill	8/8
	John Sununu[2]	2/2
	Joe Hurd[3]	8/8
External members	Jeffery Barratt[4]	7/7
	Karen Green[5]	6/7
	Dominick Hoare	8/8
	Marcus Johnson[6]	1/1
	Sean McGovern[7]	1/1
Working members[8]	Andrew Brooks	8/8
	Victoria Carter	8/8
	Richard Dudley[9]	7/8
Executive Directors of the Council	Burkhard Keese	8/8
	John Neal	8/8
	Patrick Tiernan	8/8

* Eight scheduled meetings were held during 2023.

1. For the purposes of the UK Corporate Governance Code the nominated members listed above are considered to be independent.
2. John Sununu ceased as a member of the Council with effect from 9 May 2023.
3. Joe Hurd was appointed as a nominated member of the Council with effect from 10 May 2023. Joe Hurd participated as an observer from 1 January 2023 until his appointment date.
4. Jeffery Barratt ceased as a member of the Council with effect from 30 November 2023.
5. Karen Green ceased as a member of the Council with effect from 30 November 2023.
6. Marcus Johnson was appointed as an external elected member of the Council with effect from 1 December 2023.
7. Sean McGovern was appointed as an external elected member of the Council with effect from 1 December 2023.
8. Dominic Christian ceased as a member of the Council with effect from 31 January 2023, due to completion of a full nine-year term. No meetings took place during this time.
9. Richard Dudley was appointed as an elected working member of the Council with effect from 1 February 2023.

Council composition *(Code Principles D, G, H and K; Provisions 3, 11, 18 and 19)*

The composition and appointment/election processes for Council members are prescribed by the Lloyd's Act 1982 and the Constitutional Arrangements Byelaw.

The Council comprises a maximum of 15 members, split between three working, three external, six independent nominated members and three executive nominated members (the latter known as 'the Executive Directors of the Council') as set out in the table below. Accordingly, and in line with best practice, the Council's composition ensures that no one individual or a small group of individuals dominate the Council's decision-making.

Nominated members	Appointed by the Council, on the recommendation of the Nominations & Governance Committee, by a 'Special Resolution' which requires separate majorities of (a) the working members of Council, and (b) the other members of Council combined.
External and Working members	Elected by the external and working members of Lloyd's. In elections for working members voting operates on a one member, one vote basis. In elections for external members, voting is weighted by allocated underwriting capacity as determined under the Constitutional Arrangements Byelaw (No. 2 of 2010).
Executive Directors of the Council	The Chief Executive Officer, Chief Financial Officer and Chief of Markets.

Members are usually appointed or elected for a three-year term, renewable up to a maximum of nine years in total, save that Executive Directors of the Council have no maximum term of office. Members are not therefore subject to annual re-election, and this is a departure from Provision 18 of the Code. This deviation from the Code is considered appropriate in the context of appointment and election procedures that enable representation of the members of the Society and the market for all key appointments – with direct election of the three working and three external members, and oversight of the selection process for nominated members by a Nominations and Governance Committee, which comprises an equal number of elected market representatives and independent non-executives.

The majority of the Council is non-executive but, as the elected market members are not considered to be independent, the composition of the Council deviates from Provision 11 of the Code, in that independent members do not form a majority. This departure from the Code is considered appropriate, as the composition of the Council is tailored to the needs of the Society and the Lloyd's market and meets the requirements of the Lloyd's Act 1982 (which does not apply to other companies). The presence of elected market members on the Council enables the independent nominated members to gain an understanding of the views of key stakeholders in the Lloyd's market. It is acknowledged that the presence of market members on the Council elevates the risk of conflicts of interest arising. This risk is actively managed via the Council's conflict of interest procedures, which are outlined on page 66.

Chairman and Deputy Chairs *(Code Principle F; Provisions 9, 12, 18 and 32)*

In accordance with the Lloyd's Act 1982, the Chairman and Deputy Chairs of Lloyd's are elected annually by special resolution of the Council from among its members. If the Chairman is not a working member of the Society, then at least one of the Deputy Chairs must be. At the date of this report there are three Deputy Chairs: Lord Mark Sedwill (nominated member), Victoria Carter (working member) and Andrew Brooks (working member).

The Chairman leads the Council, and his principal responsibility is to create the conditions to ensure the overall effectiveness of the Council.

The Chairman is contracted to work three days a week but commits as much time as is necessary to undertake the role. The Council acknowledges that the Chairman has other commitments outside Lloyd's and is satisfied that these can be accommodated alongside the Chair position of Lloyd's. For the purposes of the Code, the Chairman was considered to be independent upon his appointment. Lord Mark Sedwill, a nominated member, was appointed Senior Independent Deputy Chairman (the Society's equivalent of the senior independent director), with effect from 3 December 2021.

Council meetings *(Code Principles F and H; Provisions 3 and 13)*

The meetings of the Council are structured to allow open discussion. At each meeting the Council receives certain regular reports – for example, a written report from the Chief Executive Officer and updates from committees of the Council. The Chief Financial Officer, Chief Risk Officer, Chief of Markets, General Counsel and Secretary to the Council also produce reports for the Council. Members of the Executive Committee attend Council meetings, as appropriate. Private sessions are held regularly by the Chairman at the end of Council meetings without the Executive being present.

Council responsibilities *(Code Principle A)*

Under the Lloyd's Act 1982, the Council undertakes the management and superintendence of the affairs of the Society and has the power to regulate and direct the business of insurance at Lloyd's. Certain functions are reserved to the Council, including:

- setting Lloyd's strategy;
- the making, amendment or revocation of Byelaws (which are available on the Acts and Byelaws page on www.lloyds.com);
- setting the Corporation budget;
- setting Central Fund contribution rates;
- appointing the Chairman and Deputy Chairs of Lloyd's;
- approving Lloyd's risk appetites;
- permitting a company to act as a managing agent; and
- setting Society level capital requirements.

Beyond the reserved functions, the Council can delegate its powers or functions to any person, committee or employee of the Society.

The Council has responsibility for the day-to-day management of the market. The Council has delegated authority to carry out specified functions to committees including the Remuneration, Nominations and Governance, Risk and Audit Committees and the Executives. The day-to-day powers and functions of the Council are carried out by the Society's Executive.

Regulation

The Society is authorised under the Financial Services & Markets Act 2000 and is regulated by the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA). Managing agents are authorised by the PRA and are regulated by the PRA and FCA. Additionally, all managing agents are approved by the Society and are subject to the Society's market oversight regime.

Constitutional Requirements *(Code Principles A, B and R; Provisions 7 and 35)*

The Constitutional Requirements, as set out in the Constitutional Arrangements Byelaw (No. 2 of 2010), align, so far as appropriate, the Society's governance arrangements with the Companies Act 2006. They include provisions concerning the duties and responsibilities of Council members.

In summary, members of the Council and their committees are required to act in a way which "would be most likely to promote the success of the Society for the benefit of the members as a whole and in accordance with the Objects of the Society" and must have regard to:

- the likely consequences of any decision in the long term; and
- the needs of the Society to:
  - foster business relations with those who do business at Lloyd's;
  - have regard to the interests of its employees;
  - consider the impact of its operations on the community and the environment; and
  - maintain a reputation for high standards of business conduct.

The Constitutional Requirements also deal with conflicts of interest and set out the duties of Council members which include a responsibility to exercise independent judgement and maintain collective responsibility.

Statement by the members of the Council

in relation to paragraph 3.2 of the Constitutional Arrangements Byelaw, equivalent to s.172(1) of the Companies Act 2006 (the 'Act').

The members of Council are committed to fulfilling their responsibilities under paragraph 3.2 of the Constitutional Arrangements Byelaw, ensuring that they take into account the likely impact of any decision, in the long term, as well as the interests of our stakeholders. While not subject to the Act, the Council has accordingly elected to include this statement.

Refer to the Constitutional Arrangements Byelaw for more information (available on www.lloyds.com).

Stakeholder engagement *(Code Principles B, D and E; Provisions 2, 3, 5 and 23)*

The Council has a duty to act in the interests of the Society's members. All decisions have been taken to ensure the long-term interests of the Society's members are protected. Our governance is designed to ensure that we take into account the views of Lloyd's members and broader stakeholders. The Council has a duty to recognise the need to act fairly between different members and categories or classes of members who may have different interests. The composition of the Council includes six elected market representatives, the presence of whom enables the independent nominated members of the Council to gain an understanding of the views of key stakeholders in the Lloyd's market and ensures the representation of market views in key decisions.

Engagement with our stakeholders is undertaken in a variety of ways, including discussion panels, surveys, conferences and consultations. The Society consults throughout the year with members and market participants on strategic initiatives, as summarised below.

Stakeholders	Lloyd's engagement
Members, investors and rating agencies	
Engagement assists member decisions. Rating agencies assess our financial strength and help our stakeholders make decisions.	• Council members report and engage with members of the Society at the Annual General Meeting, including: – Chief Executive Officer summary business presentation. – Resolutions to be voted on by members. The resolutions to be considered at general meetings are published on the Corporate Notices page at www.lloyds.com. • Annual report and accounts available on the Financial Results page at www.lloyds.com. • Forecast information is released each quarter to assist with member planning. • Members agents are invited to attend results presentations where they can ask questions on behalf of their constituent members. • Head of Member Relations newsletters are sent to members, which contain updates and requests for feedback. • Head of Member Engagement is in place with contact details made available to members. • Regular and ad-hoc member events, held with the member associations, including the Association of Lloyd's Members (ALM) and the High Premium Group (HPG), including monthly events attended by members of the Executive Committee and Executive Leadership Group. • Engagement with members' agents day to day. • Funds at Lloyd's (FAL) online portal for members. • Regular investor updates, bi-annual senior management roadshows, ad-hoc investor dinners and a dedicated Investor Relations channel so investors can raise questions. • Formal touch-point meetings with rating agencies and ad-hoc interaction in response to enquiries and clarifications.

Stakeholders	Lloyd's engagement
Market participants	
• Customers • Managing agents • Distributors • Industry and market associations Engagement with market participants is vital to ensure the market operates as intended to 'share risk to create a braver world'.	• The Chief of Markets presents quarterly 'market messages' to market stakeholders, which includes objectives for syndicate business plans and market oversight information. • Enhanced market stakeholder representation on Lloyd's governance forums through the inclusion of market and market association representation on the TTA and BCC. • Centralised Blueprint Two website to assist with Blueprint Two adoption. Further detail is available on the Velonetic website at velonetic.co.uk. • Crystal platform which provides Lloyd's market participants with quick and easy access to international regulatory and taxation requirements to support the writing of international business. Further detail is available on the Crystal page at www.lloyds.com. • Culture Dashboard, which tracks the progress made against all areas of the Lloyd's market culture survey and Markets Policies and Practices return. Further detail is available on the Culture Dashboard page at www.lloyds.com. • Lloyd's Lab, which continues to support the market to increase the pace of successful innovation. In 2023, the Lloyd's Lab launched its regional themes in Europe and Asia Pacific (responding to local challenges of climate and cyber resilience) and the Lab Challenge programme; in collaboration with Moody's analytics (to support the market's customer carbon emissions methodology). Further detail is available on the Lloyd's Lab Challenge page at www.lloyds.com. • Future of reporting Technical Provision Data (TPD) transformation consultation with the market during 2023; the aim is to reduce costs to the market and increase data quality. Further detail is available on the Future of Reporting page at www.lloyds.com. • Lloyd's Claim Scheme consultation (see below). • 'Insuring the Transition' roadmap consultation (see below).
Our suppliers	
It is important to engage with our suppliers to ensure that they can deliver the services required and that they align with our values. Lloyd's is committed to ensuring that no modern slavery or human trafficking is taking place in our supply chains or any part of our business.	• Each supplier is provided with Lloyd's Code of Conduct which is in line with our Modern Slavery Statement. Please see the Responsible Business page at www.lloyds.com to access the Statement. • Lloyd's works with suppliers to uphold high standards of conduct (including safe working conditions, treating workers with dignity and respect, and acting fairly and ethically). • A varied and robust schedule of activities are undertaken to maintain high standards (including desk-top audits of our key suppliers to ensure modern slavery statements are available as required). • Due diligence is undertaken including additional questions around modern slavery for goods-based services. • Further detail is available on the Supplier Information page at www.lloyds.com.
Governments and legislators	
It is important that we input into the formulation of policies relevant to Lloyd's and our market, including those on risk, resilience, sustainability, regulation and other key issues.	• Responding to consultations and requests for information. During 2023 this included, but was not limited to, responding to the FCA and PRA's consultation on Diversity and Inclusion in Financial Services, the Financial Reporting Council's Corporate Governance consultation, the PRA's consultations on Solvency II, and responding to a series of consultations and engagements with HM Treasury, the PRA, and the FCA on how UK financial regulators could embed a new competitiveness mandate. • Proactive engagement with policy makers to ensure Lloyd's views are heard, including (but not limited to) providing oral and written evidence to Parliamentary select committees, attending a series of meetings between Lloyd's and ministers and MPs, and attending and sponsoring events at the political party conferences.

Statement by the members of the Council continued

<table>
<tr><th>Stakeholders</th><th>Lloyd's engagement</th></tr>
<tr><td colspan="2">Regulators</td></tr>
<tr><td>Lloyd's is dual-regulated by the PRA and FCA (with whom we engage on a frequent basis). This interaction is enhanced due to Lloyd's role in overseeing the market.</td><td>• Interaction generally takes one of the following forms:
– regular planned engagement with persons holding Senior Management Functions (as designated under the Senior Managers and Certification Regime);
– regular planned engagement with wider senior management in relation to strategy;
– regular planned engagement with Lloyd's Regulatory Engagement team;
– project- or programme-driven interaction, instigated either by Lloyd's or by the FCA/PRA; and
– ad-hoc interaction in response to issues.
• The Council is kept informed of key regulatory matters through reports from the Chief Risk Officer at Risk Committee and Council meetings.
• Core monitoring tools such as the FCA's Firm Evaluation Letter (FEL) and the PRA's annual Periodic Summary Meeting Review Letter ('PSM'), along with associated action plans, are reviewed by the Council.
• The FCA and PRA attend Council meetings, as appropriate, including to present the FEL and PSM.</td></tr>
<tr><td colspan="2">Our employees</td></tr>
<tr><td>It is important we continue to have a working knowledge of what matters to our people, as they drive the long-term success of Lloyd's.</td><td>• Seven employee check-in sessions held throughout 2023, with Lloyd's Chief Executive Officer, Executive Committee, Executive Leadership Group, and Council members speaking and answering questions. For an example, please see the Inclusive Futures page at www.lloyds.com.
• Published vlogs and notes from the Executive Committee and Executive Leadership Group, together with a leadership Engagement Event covering the Lloyd's Vision.
• Functional town hall meetings held throughout the year with attendees including the Chief Executive Officer.
• Global Leadership Team meets quarterly, rotating around regional hubs. A Global Network Forum is held annually to bring together key stakeholders from around the global network including Regional Directors, Regional Managers and Country Managers.
• Employee engagement survey and Group technology staff survey. Outcomes included creating action plans to address areas for continued improvement, including employee dialogue and functionality within Microsoft Teams.
• Employee Change Forum (ECF). In 2023 the Corporation ECF discussed and gave feedback on a range of topics, including employee engagement action plans, the Corporation Vision and proposed changes to HR policies. Functional ECFs were actively involved in the creation of local employee engagement action plans which complement the organisation-wide plan and have led to the continued update of the 'You said. We did' hub for employees.
• Recognition awards for employees, who are nominated by their colleagues for demonstrating the Lloyd's values. The values reflect how the Corporation needs to work to deliver its four strategic pillars, while also making the Corporation a great place to work. The values are incorporated into annual and mid-year performance reviews, meaning an individual's performance is measured on both what is delivered (the output), and how it is delivered (the behaviours demonstrated). Further detail is available on the 'Our Values' page at www.lloyds.com.
• Following an employee vote, in 2023 the Lloyd's of London Foundation (the 'Foundation') launched its three flagship partner charities. The Chairman of Lloyd's is the Chair of the Foundation. Further detail is available on the Lloyd's of London Foundation page at www.lloyds.com.
• Dive In festival (an initiative of Inclusion@Lloyd's) was held with the theme of 'Unlocking innovation: the power of inclusion'. Further detail is available on the Dive In page at www.lloyds.com.</td></tr>
<tr><td colspan="2">Communities in which we operate</td></tr>
<tr><td>Lloyd's (and insurance as an industry) has a clear social purpose in helping communities become more resilient, sustainable and inclusive.</td><td>• The Foundation works with partner charities and provides volunteering and engagement opportunities for employees, including the employee bike ride event with the Chief Executive Officer, from Lloyd's Lime Street office to Brussels. The event raised money for the Foundation's partner charities, as well as the Charlie Watkins Foundation (and our Brussels charity partner, Youth Start).
• The Chairman, Chief Executive Officer and Corporate Affairs Director attended New York Climate Week and COP28.
• Lloyd's partnered with the UN Capital Development Fund (UNCDF) to improve insurance access for climate-vulnerable countries. Further detail is available on the UNCDF News page (20 September) at www.lloyds.com.</td></tr>
</table>

Blueprint Two stakeholder engagement – case study

During 2023, Lloyd's worked with Velonetic, DXC, market association partners (IUA, LMA, LIIBA and LIMOSS), placing platforms (including PPL and Whitespace), and market participants through an agreed engagement structure designed to deliver participation and insight at senior and practitioner level across the market. This included monthly newsletters, quarterly market events (with follow-up question and answer sessions) and specific resources to support the adoption of Blueprint Two (adoption guide, the model office, centralised Blueprint Two website, training site, Vanguard programme and other tailored market events, including a market session on interoperability). For a high-level summary, please see the table below.
For further detail, please see the Digitalisation section within the Strategic Report.

2023	Market survey	Market working sessions/ Progress events	Q&A/ Breakfast sessions	Webinars/ Conferences	Guidance/ Training	Service provider sessions	Quarterly progress updates	Monthly newsletter
January					●	●		●
February	●		●	●		●		●
March		●				●	●	●
April				●		●		●
May				●		●		●
June		●				●	●	●
July			●			●		●
August						●		●
September	●	●		●		●	●	●
October				●	●	●		●
November			●	●	●	●		●
December	●	●				●	●	●

Chairman and Senior Independent Deputy Chair stakeholder engagement *(Code Principles F and L; Provisions 3, 12 and 13)*

The Chairman undertakes a variety of external engagements with a wide range of stakeholders, including meetings with UK and international regulators and government officials, senior market executives, the Lloyd's Market Association (LMA), and members' agents, attending events and speaking at conferences.

The Chairman maintains an ongoing dialogue with all non-executive members of Council, including holding private sessions at the end of Council meetings, without the Executive present. The Chairman also meets with each member of the Council individually at least once a year. The Secretary to the Council also meets individually with each non-executive member of the Council at least once a year. The Senior Independent Deputy Chairman leads meetings of the other non-executive Council members without the Chairman present, at least annually, to appraise the Chairman's performance, and on any other occasions as necessary.

Statement by the members of the Council continued

Council decisions and their impact on stakeholders *(Code Principles A and B; Provisions 1, 3 and 5)*

We place great importance on considering the needs of all our stakeholders in our decision-making. The following table sets out examples of decisions taken by the Council during 2023 and how the views of our stakeholders were considered together with the long-term value implications.

Decision/ progress	How we took stakeholders and their views into account	Long-term implications
Blueprint Two	During 2023, the second of the five build sequences were completed, supporting our transition to phase one digital services. At this reporting date, market adoption plans are advancing and testing of the new solutions will increase through the second quarter of 2024. The market will cutover to phase one of the new digital services in 2024. Blueprint Two updates were provided at each Council meeting, including a demonstration of the Model Office before it was launched. The Model Office is a space built for market participants to explore and understand how the digital solutions will work to explore the benefits with interactive storyboards to help highlight the challenges of the current systems together with the solutions and benefits of the new technology for brokers and underwriters. The space has facilitated, and will continue to facilitate, adoption workshops led by Lloyd's and Velonetic. In December 2023, the resources also became accessible remotely, providing further access to support market participants. A number of Blueprint Two events have been held throughout the year (refer to the table on page 73) and these included the quarterly market events, which the Council were invited to attend. In October 2023, the Council approved the establishment of the Blueprint Two Cutover Committee ('BCC'). The BCC assists the Council by reviewing proposals made from the Executive on key milestones for the achievement of the Blueprint Two phases one and two cutover dates. On 7 December 2023, Velonetic and Lloyd's agreed (following a request from the LMA Board) to move the launch date of phase two of the Blueprint Two digital services (which includes the Digital Gateway) from October 2024 to April 2025. This will allow market participants to focus on the cutover to phase one digital services in 2024. The LMA Board made the request following feedback from managing agents. **Stakeholders engaged with: market participants (including the LMA and brokers).**	The Blueprint Two solutions will offer market participants the opportunity to innovate in the way they serve their customers, and operate more efficiently, at a lower cost base – better, faster and cheaper.
Lloyd's Claim Scheme	In May, following consultation with the market, the Council approved changes to the Lloyd's Claim Scheme (renamed Lloyd's Claim Arrangements) with effect from 1 June 2023. The consultation responses indicated broad acceptance of the proposals and the feedback allowed Lloyd's to refine them, including operational elements and supporting readiness materials for the market (including frequently asked questions). Further detail is available on the Lloyd's Claims Lead Arrangements page on www.lloyds.com. **Stakeholders engaged with: market participants, LMA, LIIBA, PRA and FCA.**	The changes enhance the policyholder and broker experience, improving information and transparency for the market.
Lloyd's strategic priorities	In July 2023, the Council held its annual strategy day, which considered the two and five year activities that were the focus for the Corporation, under five distinct chapters. The needs of our customers, the market and our people were central to the Council's considerations and to the shaping of the strategic direction, which focuses on enhancing and tailoring Lloyd's unique advantages to better serve those stakeholders. **Stakeholders considered: customers, employees and market participants.**	Lloyd's strategic initiatives will aim to realise the aspirations of the market.
Sustainability strategy	In October 2023, the Council approved the 'Insuring the Transition' roadmap consultation document which has been going through a market consultation process during Q1 2024. The consultation sets out Lloyd's proposed approach for the next three years across all areas of sustainability for the market, including underwriting, investments, exposure management and capital and reserving. Further detail is available on the Consultation launch news page (23 November 2023) at www.lloyds.com. As part of the formation of the draft roadmap, Lloyd's engaged with the market and brokers to understand the needs of the market and help iterate the roadmap prior to publication. **Stakeholders engaged with: market participants, including brokers, managing agents and insurance associations.**	The plan will support customers in facing the challenges of transitioning to a lower carbon business model.

Committees of the Council

Nominations and Governance Committee report

Committee responsibility *(Code Provision 17)*

The Committee reviews the governance arrangements and leadership needs of the Society and its subsidiaries.

The terms of reference of the Committee can be found at www.lloyds.com.

Committee attendance *(Code Provision 14)*

		Scheduled meetings attended*
Chair	**Bruce Carnegie-Brown**	**2/2**
Council members[3]	Jeffery Barratt[1]	2/2
	Andrew Brooks[2]	2/2
	Victoria Carter	2/2
	Fiona Luck	2/2
	Lord Mark Sedwill	2/2

Notes:

* Two scheduled meetings and four ad-hoc meetings were held during 2023.

1. Jeffery Barratt ceased as a member of the Committee with effect from 30 November 2023.
2. Andrew Brooks was appointed as a member of the Committee with effect from 9 February 2023.
3. Dominic Christian ceased as a member of the Committee with effect from 31 January 2023 (with no meetings taking place during this time). Sean McGovern was appointed as a member of the Committee with effect from 5 December 2023. No meetings were held after this date.

Key areas of focus

Appointments and renewals
Succession planning for the Chairman
Skills evaluation
Council Diversity Policy
External effectiveness review

Statement by Chair of Nominations and Governance Committee

I am pleased to present the Report of the Nominations and Governance Committee (the 'Committee') for the year ended 31 December 2023. The report explains the work of the Committee during the year.

Bruce Carnegie-Brown

Chair, Nominations and Governance Committee

27 March 2024

Committee composition *(Code Provision 17)*

The Committee is chaired by the Chairman of Lloyd's and its remaining members are drawn from the Council. Executive Council members are not eligible to become members of the Committee. Three of the Committee's six members are elected representatives of the Lloyd's market. Accordingly, the Committee's composition does not comply with Provision 17 of the Code in that independent nominated members do not form a majority. The composition of the Committee is, however, considered appropriate as it ensures representation of members and the market in relation to key appointments. Further information on the expertise of Committee members is available on the biographies page on www.lloyds.com.

Committee meetings

The Chief Executive Officer, Chief People Officer and Secretary to the Committee regularly attend Committee meetings at the invitation of the Chair of the Committee. The Committee reports to the Council on its proceedings after each meeting and on all matters relating to the exercise of its duties and powers. A written report is also submitted to the Council annually.

Committee responsibilities *(Code Provision 17)*

The Committee is responsible for keeping under review the governance arrangements and leadership needs of the Society and its subsidiaries. Its functions include making recommendations to the Council on the appointment of the Chairman, Chief Executive Officer, nominated Council members, key members of the Executive, members of Council committees and the Secretary to the Council.

The Committee is also responsible for succession planning arrangements for these positions.

The Committee seeks to ensure that the members of the Council and its committees have an appropriate combination of skills, knowledge, experience and diversity, and have sufficient time to fulfil their Lloyd's roles. Further detail on the members of Council is available on the Council of Lloyd's page at www.lloyds.com.

Committees of the Council continued

Nominations and Governance Committee report continued

2023 Key areas of focus *(Code Principles H, I, J, K and L; Provisions 15, 17, 21, 22 and 23)*

1. Composition of the Council and its committees	
Appointments and renewals	Recommended to the Council that Andrew Brooks be elected as a Deputy Chair of Lloyd's, and that Lord Mark Sedwill and Victoria Carter be re-elected as Senior Independent Deputy Chair and Deputy Chair of Lloyd's respectively. Recommended to the Council that Angela Crawford-Ingle, Fiona Luck and Neil Maidment be reappointed as nominated non-executive members of the Council on the expiry of their terms of office on 31 May 2023. Recommended to the Council that Matthew Wilson be appointed as a non-executive special adviser to certain Council committees. Reviewed and made recommendations in relation to the membership of the Council's committees and other appointments made by the Council, including to the Board of Lloyd's Europe. The Committee's recommendations referred to above were all supported and approved by the Council.
Succession planning for the Council and senior management	Effective succession plans are in place for key executive and non-executive positions and are reviewed at least annually by the Committee. This includes both emergency and medium-term succession plans for the Chairman and the Chief Executive Officer. During 2023, the Committee reviewed succession planning arrangements for Bruce Carnegie-Brown on completion of his term of office as Chairman of Lloyd's in June 2025, to ensure an orderly transition through a transparent and rigorous process that promotes diversity in its broadest sense. The Committee carried out an evaluation of the skills, knowledge, experience and diversity on the Council and its committees and identified, using a skills matrix, desired areas of expertise and recruitment. In 2023, for the first time, the Committee recommended to the Council that details of the desired areas so identified be included in the Notices of Council Elections. The Council agreed with the recommendation. The Committee reviewed a number of changes to the composition of the Executive Committee proposed by the Chief Executive Officer.
Diversity and inclusion policies	In alignment with the Society's continued strategic focus on building a more inclusive culture for the Society and the market, the Council Diversity Policy places great emphasis on ensuring that the Committee considers candidates from a wide range of backgrounds on merit and against objective criteria. In conducting its annual review of the Council Diversity Policy in Q4 2023, the Committee noted that the targets originally set under that policy in 2020 had been achieved during 2023, but that following the 2023 Council elections the number of female elected market representatives had been reduced by one. On the recommendation of the Committee, the Council agreed that Lloyd's policy remained to seek to meet those targets and it re-set the Council Diversity Policy on that basis. Under the Council Diversity Policy, a target is set that a minimum of 33% of the Council should be female and/or from a non-white background and this will be demonstrated with: • a minimum of two of the six elected market representatives and two of the six independent nominated members being female; and • at least one member being from a non-white background. Please refer to www.lloyds.com to access the Council Diversity Policy. As set out above, the Council's composition includes elected external and working members. This has the potential to impact on the Council's ability to reach its diversity targets. To encourage the election of candidates from a diverse range of backgrounds, the Notice of Council Elections specifically emphasises the importance of diversity on the Council.

2. Corporate governance	
Potential conflicts of interest and other professional activities	The Society has a conflicts of interest procedure in place under paragraph 3.5 of the Constitutional Arrangements Byelaw (please refer to www.lloyds.com to access the Byelaw). Changes to the non-Lloyd's professional activities of the non-executive members of Council require the approval of the Chairman and are submitted to the Committee for review. The Committee reviews the changes and satisfies itself that the changes to non-Lloyd's commitments do not interfere with the relevant Council member's commitments to the Council and do not give rise to conflicts of interest. While approval of the Council as a whole is not required and it is acknowledged that this is a departure from Provision 15 of the Code, the Committee reports to the Council after each meeting and accordingly Lloyd's approach is considered appropriate and proportionate. The Committee also reviews any proposals to permit senior executives to take on external non-executive roles, again taking into account time commitment and potential for conflicts.
Internal governance oversight	The Committee reports to the Council on its proceedings after each meeting, and on all matters relating to the exercise of its duties and powers. A written report is also submitted to the Council annually.
Annual governance effectiveness review	In line with governance best practice, Lloyd's conducts a governance effectiveness review annually which is facilitated by an independent external reviewer every third year. An external review was conducted in late 2023/early 2024 by YSC Consulting ('YSC') (part of Accenture). The external review was undertaken through observations of the Council and selected committees (Remuneration, Audit, Risk and Nominations and Governance); discussions (supported by surveys) with Council members, Executive Committee members and other senior leaders of the Society; access to meeting documentation and governance pathways; and access to the outcomes of the internal reviews undertaken since the last external review. In conjunction with the external review, an internal review was undertaken of the work of the Sustainability Committee and the Investment Committee, completed by way of a questionnaire. In all cases, feedback was sought on the operation and dynamics of the Council and committees, and the composition, diversity and effectiveness of working was considered. The Committee reviewed the findings of these reports (external and internal) and agreed the actions to be taken forward under the leadership of the Chair and the Secretary to the Council during 2024. The findings of these reviews were also shared with the relevant committees and with the Council. The overall conclusions from the external review were that Council and its committees were working effectively with an improved focus on strategic discussions at the Council (an area highlighted in previous reviews as an area for improvement). The review identified that there was an opportunity to undertake forward looking assessments in regard to Council's composition to help manage future events and possible scenarios. The overall conclusion from the internal review were that the quality and timeliness of materials submitted to the ESG and Investment committees had improved (identified in last year's internal review as an area for improvement), with further initiatives identified to further develop the specific committees. This included re-naming the ESG Committee to the Sustainability Committee to capture the committee's remit and future activities more accurately. Please refer to previous reports for further information on the prior years' effectiveness reviews.

Committees of the Council continued

Audit Committee report

Committee responsibility

The Committee assists the Council in discharging its responsibilities for monitoring the integrity of the Society's financial reporting; assessing the effectiveness of the systems of internal control of the Society; and monitoring the effectiveness, independence and objectivity of the internal and external auditors.

The Audit Committee's terms of reference of can be found at www.lloyds.com

Committee attendance *(Code Provision 14)*

		Scheduled meetings attended*
Chair	**Angela Crawford-Ingle**	**7/7**
Council members[5]	Jeffery Barratt[1]	5/6
	Victoria Carter[2]	6/6
	Dominick Hoare	7/7
	Joe Hurd[3]	3/3
	Neil Maidment	7/7
	John Sununu[4]	3/4

Notes:

* Seven scheduled meetings were held during 2023.

1. Jeffery Barratt ceased as a member of the Committee with effect from 30 November 2023.
2. Victoria Carter was appointed as a member of the Committee with effect from 9 February 2023.
3. Joe Hurd was appointed as a member of the Committee with effect from 10 May 2023.
4. John Sununu ceased as a member of the Committee with effect from 9 May 2023.
5. Marcus Johnson was appointed as a member of the Committee with effect from 5 December 2023. Marcus Johnson attended as an observer to the December meeting.

Key areas of focus

Change and development areas
Reserves
Global Network
Letters of credit
Tax strategy
Internal Audit
Annual Report and interim pro-forma financial Statements and Aggregate Accounts
Viability statement and going concern
Solvency II Pillar 3 reporting

Statement by Chair of Audit Committee

(Code Provisions 25-31)

I am pleased to present the report of the Audit Committee (the 'Committee') for the year ended 31 December 2023. The report explains the work of the Committee during the year and the key role played by the Committee in overseeing the integrity of the Society's financial reporting and internal control environment. The report comprises the following sections:

- Committee composition;
- Committee meetings;
- Committee responsibilities;
- 2023 key areas of focus;
- Financial reporting and external audit;
- Internal Audit; and
- Internal control.

Angela Crawford-Ingle
Chair, Audit Committee

27 March 2024

Committee composition *(Code Principle K; Provision 24)*

The Committee's members are drawn from the Council and it is chaired by an independent nominated member of the Council, Angela Crawford-Ingle.

At the end of 2023, the Audit Committee comprised of three independent nominated members of the Council, two external members of the Council and one working member of the Council.

The Council requires the Committee to operate effectively and efficiently and its members to have a balance of skills and experience to enable it to fulfil its responsibilities in a robust and independent manner. Members of the Committee have varied and extensive experience as executives/non-executives in the international insurance, reinsurance and asset management sectors, as well as audit, risk and prudential regulation. Further information on the expertise of Committee members is available on the Biographies page at www.lloyds.com.

As three of the Committee's six members are elected market representatives (due to the requirements of the Lloyd's Act 1982 and the Constitutional Arrangements Byelaw for Council membership), the Audit Committee's composition does not comply with Provision 24 of the Code in that the Committee is not comprised entirely of independent members. However, the Audit Committee's composition is deemed appropriate notwithstanding this departure as the Council has taken this approach to maximise the pool of skills and experience available to it when appointing the members of the Audit Committee, the benefits of which outweigh any perceived risk to the independence of the Committee. The Society has a conflicts of interest procedure in place and no Executive Director of the Council is eligible to be a member of the Committee.

The Council has determined that, by virtue of their professional backgrounds, the members of the Committee collectively have the competence and skills required to discharge the responsibilities of the Committee as set out in its terms of reference. In addition, the Council considers that Angela Crawford-Ingle has the recent and relevant financial experience required to chair the Committee.

Committee meetings *(Code Provisions 3 and 29)*

The Chairman of Lloyd's, the Chief Executive Officer, the Chief Financial Officer, the Deputy Chief Financial Officer, the Head of Internal Audit and other senior management regularly attend Committee meetings at the invitation of the Chair of the Audit Committee, together with representatives of the external auditors, PricewaterhouseCoopers LLP (PwC). The Audit Committee as a whole meets privately with the Head of Internal Audit and the external auditors.

The Committee reports to the Council on its proceedings after each meeting. Additional reports are submitted to the Council on matters of material interest as and when necessary. The Committee also submits an annual report to the Council.

The Chair of the Committee meets informally with and has open lines of communication with the Executive Committee, Head of Internal Audit, external auditors and senior management to discuss topical issues and the operations of the Society. These meetings provide an opportunity for any matters to be raised confidentially.

The Committee received appropriate technical updates and presentations throughout the year on financial reporting, accounting policy and regulatory developments.

Dialogue between Audit Committee and Risk Committee *(Code Principle C)*

The Chair of the Audit Committee is also a member of the Risk Committee and the Chair of the Risk Committee is a member of the Audit Committee. Reports on the activities of the Risk Committee are provided to the Audit Committee, as required. When relevant, the two Committees meet together. The arrangements in place enhance collaboration between the two committees as some responsibilities can overlap and impact on the other's work.

Committee responsibilities *(Code Principles E, M and N; Provisions 6 and 25-31)*

The Committee is a committee of the Council. Set out below are the Committee's responsibilities together with a note of the common activities undertaken. For further information on each responsibility, please refer to the relevant paragraphs in this report as marked in the table below.

Committee responsibility	
1. Oversees the Society's system of internal control, including financial reporting controls, and reviews its effectiveness. *See Internal control, Financial reporting and external audit and Internal Audit paragraphs.	• Ensuring that an annual report on financial controls and internal control is undertaken. • Monitoring the effectiveness, independence and objectivity of the internal and external auditors. • Overseeing the effectiveness of the interactions with the external auditors. • Approving the appointment and reappointment of the external auditors. • Overseeing Internal Audit, including ensuring that the Internal Audit team has the appropriate resources and budget.
2. Assists the Council in fulfilling its oversight responsibilities over financial reporting (which includes monitoring the integrity of the Society's financial reporting and the ongoing solvency position). *See 2023 Key areas of focus section.	Overseeing the: • Strategic Report, Society Report (which includes the Group financial statements of the Society) and annual pro-forma financial statements (PFFS) (hereinafter referred to as 'Lloyd's Annual Report' where appropriate), and interim pro-forma financial statements; • Aggregate Accounts; and • Lloyd's Solvency and Financial Condition Report (SFCR) and Regular Supervisory Report (RSR) to the Prudential Regulatory Authority (PRA).
3. Ensures that appropriate arrangements are in place by which employees may, in confidence, raise concerns relating to possible impropriety relating to the Society, in matters of financial reporting or other matters. *See Internal control paragraph.	Overseeing the effectiveness of systems and controls in relation to whistleblowing.

Committees of the Council continued

Audit Committee report continued

2023 Key areas of focus *(Code Provision 26)*

The Committee considered the following areas as part of its 2023 activities:

- **Change and development areas:** An overview of finance priorities and projects was presented, including, reporting rationalisation (quarterly financial reporting and technical provisions data), central settlement (related to Blueprint Two), Lloyd's Investment Platform and member services transformation. A note of the 2023 ongoing process improvements across finance was also received.
- **Reserves:** Various reserve updates were received throughout the year providing views on areas of uncertainty such as inflation (which included Lloyd's published view as well as guidance provided to the market on managing inflation) and Ukraine. The conclusion was that the overall adequacy of the reserves was appropriate.
- **Global Network:** International reports were provided throughout the year covering key regions and projects together with focused briefings on the Global Network, Lloyd's international regulatory funding and trust funds. In addition, the first centralised Global Network Board effectiveness review (flowing from the new centralised governance framework) was presented.
- **Letters of credit (LOCs):** An overview of LOCs and a reminder of the controls in place was provided.
- **Tax strategy:** The Committee recommended to the Council the approval of the Corporation's tax strategy, which was subsequently approved. Further detail is available on the Tax Information page at www.lloyds.com.
- **Internal Audit:** During 2023, 40 audits were undertaken by Internal Audit. The audits can be grouped together under the following themes: Corporation Change Framework and Change Activity; Blueprint Two activity including cutover readiness, Culture Strategy, the Global Excellence programme and broader global network oversight, and embedding principles-based oversight across the Corporation.
- **Lloyd's Annual Report and Interim PFFS and related disclosures and Aggregate Accounts:** The Committee reviewed the annual and interim report and the Aggregate Accounts and recommended them for approval by the Council. The key areas of judgement were considered and supported by the Committee, in approving the respective financial statements, including:
  - **Notional investment return estimation on Funds at Lloyd's (FAL):** notional investment return is estimated on FAL, equivalent to the investment return an insurer would generate on the capital they hold to support their underwriting.
  - **Pensions:** assessing the reasonableness and consistency of the key assumptions that impact the valuation of the net pension assets.
  - **Capitalisation of project costs:** reviewing capitalisation of costs relating to the underwriting floor, where appropriate, including the approach and reasonableness supporting the carrying value and useful life of such assets.
  - **Management of the reserve margin for uncertainties:** the PFFS includes a central reserve margin, in addition to the reserves held by syndicates to reflect the heightened risk of atypical reserve movement at an aggregate level.
  - **Valuation of financial investments (including FAL):** reviewing the basis upon which the reasonable fair valuation of financial investments was determined.
  - **Insurance contract liabilities and related reinsurance** contracts: reviewing the reasonableness of key assumptions and methodology over the valuation of assets and liabilities.
- **Viability statement and going concern:** Consideration of the viability statement and the confirmation of the continuing status of the Society as a going concern as part of the annual and interim reporting processes, which includes the impact from major claims in the Lloyd's market. The Committee was presented with the net assets, solvency and liquidity position to consider the assessment, including the stress testing assessments undertaken.
- **Solvency II Pillar 3 reporting for the market and the Society:** The Committee reviewed the ongoing capital and solvency position of the Society. It also considered the reporting requirements and governance arrangements for Solvency II Pillar 3 reporting for both the market and the Society, by reviewing and approving the SFCR and RSR for the year ending 31 December 2022 for submission to the PRA.

Financial reporting and external audit

Financial reporting *(Code Principles M and N)*

A key focus of the Committee is its work in assisting the Council in ensuring that the Lloyd's Annual Report, when taken as a whole, is fair, balanced and understandable. The Committee has considered the key messages and themes being communicated in the Annual Report, as well as the appropriateness of significant accounting estimates and judgements and the information provided to the Committee throughout the year. The Committee, having completed its review, has recommended to the Council that, when taken as a whole, the 2023 Strategic Report, Society Report (which includes the Group financial statements of the Society) and PFFS is fair, balanced and understandable and provides the information necessary to assess the Society's position and performance, business model and strategy.

During the year, the Committee continued to keep abreast of any significant and emerging accounting developments, including reports provided by the external auditor outlining recent insurance and regulatory hot topics.

External audit and Committee role *(Code Principle M; Provisions 25 and 26)*

The Committee places great importance on the quality, effectiveness and independence of the external audit process and monitors and reviews the objectivity and independence of the external auditors. The Committee also monitors the Society's relationship with its external auditor.

The Committee assesses the effectiveness of the external auditors on an ongoing basis throughout the year by way of the following activities:

- Reviewing and approving the external audit plan and delivery in line with the plan.
- During Committee meetings and private sessions with external audit (without the Executive in attendance).

- Reports from external audit as appropriate, including any particular matters for consideration. The Committee then ensures appropriate action is taken in response.
- Meetings between the external audit partner and the Chair of the Audit Committee, as appropriate.
- Approving the fees proposed by the external auditors following consideration by management.
- Reviewing the External Audit Policy annually.
- The Committee also performs a specific annual evaluation on the performance of the external auditors, through questionnaires that are completed by members of the Committee, the Executive and the Executive Leadership Group (on behalf of their teams). Feedback from the questionnaire was discussed by the Committee and with the external auditors. Overall feedback was positive and where opportunities for improvement were identified, PwC was asked to take account of that feedback in the planning of future audit activity. The questionnaires included assessment against the following criteria:
  - Audit scope and planning, including communication and feedback.
  - Audit team, including composition, use of specialists and understanding of Lloyd's.
  - Communication, including whether information was timely, effective and complete; and whether insights and points of view were provided on a forward-looking basis.
  - Independence, including information on compliance with independence requirements and safeguards in place to detect any independence issues.
  - Fees, including appropriateness given audit scope.

The Committee oversees the engagement of the external auditors for non-audit services to ensure any such work does not impair the ongoing independence and objectivity of the external audit. This includes:

- Non-audit services policy to govern the non-audit services that may be provided to the Society by the external auditors and setting out the circumstances in which the external auditors may be permitted to undertake non-audit services.
- All non-audit services require approval from the Committee and must be justified and, if appropriate, tendered before approval. A breakdown of the fees paid to the external auditors for non-audit work is set out in note 12 to the Society financial statements (within the Society Report). Significant non-audit engagements undertaken by the external auditors in 2023 include services pursuant to legislation (work undertaken on the Aggregate Accounts and regulatory returns) and non-audit services (the PFFS).
- Regular reporting provided to the Committee on engagements undertaken by the external auditors in order to monitor the types of services provided and the fees incurred.
- Receiving confirmation from the external auditor that it believes that it remains independent within the meaning of the applicable regulations and professional standards. Further, PwC operates a rotation system of the lead audit partner after five years.

The Committee has primary oversight on the appointment, reappointment or removal of the external auditor and the audit fee payable. In May 2023, PwC was reappointed as the auditors of the Aggregate Accounts at the Society's AGM. A comprehensive audit tender was undertaken in 2022 for the 2023 year end (the previous tender was completed in 2012 for 2014 year end). In July 2022, PwC were reappointed and continued in their role as auditors for the Society and all Group entities. The next required audit tender will take place in or around 2032 in line with required practice, at which point PwC will not be eligible to participate in the re-tender. Overall, the Committee is satisfied with the performance of the Society's external auditors, PwC. The Committee has concluded that there has been appropriate focus by the external auditor and that the external auditor has provided robust challenge throughout the audit process.

Internal Audit

Internal Audit authority, scope and remit

(Code Principle M)

The Internal Audit function provides the Committee and Executive Committee with independent and objective assurance on the effectiveness of internal control and risk management across the Society and its subsidiaries. The use of Internal Audit is governed by the Audit Charter (further detail is available on the Governance Structure page on www.lloyds.com), which sets out the authority, scope and remit of the Internal Audit function.

Internal Audit's remit only extends to the Society of Lloyd's and, as such, it does not undertake internal audit reviews of market participants. However, given the Corporation's role in providing market oversight activity, Internal Audit does undertake reviews of the mechanisms in place to ensure this oversight is both appropriate and proportionate. This includes reviews of various elements of the principles-based oversight framework, the re-imagining oversight project, the role of the Capital and Planning Group, and the annual business planning/capital return approval cycles.

The Head of Internal Audit has a direct reporting line to the Chair of the Committee with an administrative reporting line to the Chief Executive Officer.

Internal Audit submits a risk-based annual plan of work for the Committee's review and approval. This considers an independent view of the risks facing the Corporation, as well as other factors such as strategic initiatives, emerging risks and change. The annual plan is regularly reviewed by the Committee and updated as necessary to ensure appropriate focus on the key risks. The Committee satisfies itself as to the quality, experience, and expertise of the Internal Audit function through:

- Regular interaction with the Head of Internal Audit and by way of ongoing assessment by stakeholders who have been subject to an internal audit. The results of the ongoing assessment are discussed with the Chair of the Audit Committee and shared with the Committee periodically, as appropriate.
- An annual evaluation of Internal Audit which is undertaken through the Committee completing a questionnaire, with the results presented to the Committee and discussed.

Committees of the Council continued

Audit Committee report continued

- An External Quality Assessment (EQA) being undertaken on Internal Audit at least every five years (in accordance with best practice). The last EQA took place in 2021 and concluded that Internal Audit 'generally conforms' to the Chartered Institute of Internal Auditors International Professional Practices Framework (IPPF) Standards and Code of Ethics (the Standards).
- Review of the Internal Audit strategy each year which is presented to the Audit Committee. The Internal Audit strategy is designed to align to the Lloyd's four strategic pillars.

Internal control *(Code Principles E and O; Provisions 6 and 29)*

The Council has responsibility for the Society's system of internal control and for reviewing its effectiveness. The Council has delegated responsibility to the Audit Committee for reviewing the effectiveness of the system of internal control and for monitoring the risk and internal controls framework of the Society. The internal control system is designed to reduce, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Over the past 18 months notable developments have included a significant increase in internal headcount within the function, and reduction on reliance from co-source providers. In addition, the function has transitioned to being a global function, with teams located in China, London and Brussels working together across various legal entity audit plans and engagements.

The Committee concluded that Internal Audit has the skills and resources needed to complete the Internal Audit plan.

Internal control elements

Annual financial reporting control assessment	• An annual assessment of the effectiveness of the internal controls over financial reporting takes place in conjunction with year-end reporting (undertaken by Finance) and is reviewed by the Committee.
Risk management/ RCSA	• The adequacy of the Group's overall risk management and control arrangements is coordinated by Risk Management with ongoing RCSAs undertaken and a bi-annual RCSA and key control attestation process. The results are reported to the Risk Committee and incorporated within the Annual Internal Audit Control Opinion.
Annual Internal Audit plan	• Reporting on the broader control environment is provided by delivery of an approved Internal Audit plan comprised of risk-based internal audit reviews performed across the business, with the outcomes being reported to management, the Executive Committee and the Audit Committee. The independent, objective assurance services performed by Internal Audit are designed to improve the organisation's operations.
Annual Internal Audit Control Opinion	• Internal Audit co-ordinate the reporting on the effectiveness of the control environment to the Committee. Internal Audit completes an annual Control Opinion that provides an assessment of the control environment based on: – Prior Internal Audit reviews through the delivery of the risk-based annual audit plan. – Engagement with internal stakeholders, including the Chief Executive Officer, members of the Executive Committee and the Executive Leadership Group, as well as periodic engagement with non-executive directors and regular/periodic attendance at key management meetings. – Regular interactions with the Risk Management and Financial Crime and Compliance functions. – Review of RCSAs and annual financial control assessment. – Interactions with other stakeholders, including the Corporation's external auditors and regulators.
Annual Whistleblowing Report	• An annual report on the effectiveness and operation of the Society's whistleblowing systems and controls (with Council being provided with a copy for information) is undertaken by the Financial Crime and Compliance function. • Systems and controls include having a whistleblowing policy (which is now part of the Lloyd's Consolidated Compliance Policy and Procedure) and appropriate channels in place (eg Whistleblowing helpline and web reporting provider) to ensure that employees may, in confidence, raise concerns. Training is provided annually, as appropriate, to the Council and to all Corporation employees. • The Financial Crime and Compliance function is responsible for overseeing the whistleblowing controls. The Whistleblowing Escalation Group (WEG) support the procedures in place, with the Head of Financial Crime and Compliance being a member. • The Chair of the Audit Committee is the Lloyd's Whistleblowers' Champion and has responsibility for ensuring the integrity, independence and effectiveness of Lloyd's policies and procedures for whistleblowing.

Reports and updates on control issues were received throughout the year. The Committee reviewed the:

- **Internal Audit status reports:** The Head of Internal Audit provided quarterly status reports on the Internal Audit plan including actions taken to implement any recommendations, the status of progress against previously agreed actions and executive summaries providing an Executive response to any finding. In 2023, consistent with the key observations of Internal Audit's 2022 Control Opinion, Internal Audit reviewed the following areas as part of the Internal Audit plan and reached the following conclusions:
  - RCSA: In the 2022 Control Opinion it was noted that there were "opportunities for improvement with the RCSA process as the framework is further integrated". During 2023, Internal Audit's conclusion was that there had been significant progress in a number of areas specifically around accountability, introduction of key controls, reduction in material risks and reduction in risk actions.
  - IT and Operational Controls: In the 2022 Control Opinion this area was noted as an area of focus. Internal Audit have observed that this area continues to be developed with a remediation plan drafted to consolidate activity.
- **Quarterly whistleblowing updates:** Quarterly updates were provided by the Head of Financial Crime and Compliance throughout the year explaining developments and enhancements to the whistleblowing arrangements, such as testing, training and awareness with an opportunity for Committee members to ask questions.
- **Whistleblowing attestation:** The third (and final) attestation in connection with whistleblowing systems and controls was provided to the PRA on 31 March 2023, supported by a monitoring and assurance review which found that the Lloyd's framework was effective.
- **External auditors' control report:** The external auditors provided controls observations and findings report in respect of the year ended 31 December 2023 Society audit. The observations were addressed by Finance as appropriate and reported to the Audit Committee.
- **Annual whistleblowing report:** The report covered the period from 31 August 2022 until 31 August 2023. The conclusion was that whistleblowing arrangements and systems and controls in the UK are effective, with significant progress made since December 2019.
- **Annual financial reporting control assessment:** The conclusion was that the Society's system of internal control over financial reporting provides reasonable but not absolute assurance against material misstatement. Supporting this conclusion was a summary of the Society's key controls around the production of financial statements, PFFS and Aggregate Accounts for the Lloyd's Market.
- **Internal Audit's annual 2023 control opinion ('Control Opinion'):** The Control Opinion concluded that the control framework is adequately designed and operating to provide reasonable assurance that the key risks are managed appropriately. The key observations were that:
  - There have been improvements to the RCSA process (please see above) and significant progress has been made over the oversight and activities of the Global Network (including enhanced reporting) with areas of focus for 2024 (including validation activity).
  - Management continues to provide suitable focus and attention to the governance around Blueprint Two readiness for both the Corporation and wider market ahead of the 2024 cutover and this will continue to be monitored in 2024.
  - Following review, management have been working to embed a consistent governance structure and change methodology with Internal Audit undertaking reviews as appropriate.

Based on the Committee's assessment of internal control, the Committee concluded that the Society's system of internal control continues to provide reasonable (although not absolute) assurance against material misstatement or loss.

Committees of the Council continued

Risk Committee report

Committee responsibility *(Code Principle O; Provision 28)*

The Committee assists the Council in its oversight of the identification and control of material risks to the objectives of Lloyd's.

The terms of reference of the Risk Committee can be found at www.lloyds.com.

Committee attendance *(Code Provision 14)*

		Scheduled meetings attended*
Chair	**Neil Maidment**	**8/8**
Council members	Andrew Brooks	6/8
	Victoria Carter[1]	1/1
	Angela Crawford-Ingle	8/8
	Karen Green[2]	5/6
	Dominick Hoare[3]	6/7
	Joe Hurd[4]	5/5
	Fiona Luck	8/8
	Lord Mark Sedwill	7/8
Special adviser	Matthew Wilson[5]	2/2

Notes:

* Eight scheduled meetings were held during 2023.

1. Victoria Carter ceased as a member of the Risk Committee with effect from 9 February 2023.
2. Karen Green ceased as a member of the Risk Committee with effect from 30 September 2023.
3. Dominick Hoare was appointed as a member of the Risk Committee with effect from 9 February 2023.
4. Joe Hurd was appointed as a member of the Risk Committee with effect from 10 May 2023.
5. Matthew Wilson was appointed as a non-executive special adviser to the Risk Committee with effect from 1 October 2023.

Key areas of focus

Market oversight and performance
Macroeconomics and geopolitical volatility
Operational and cyber resilience
International
Future at Lloyd's
Commercial Strategy
Regulatory Strategy

Statement by Chair of Risk Committee

I am pleased to present the Report of the Risk Committee (the 'Committee') for the year ended 31 December 2023. The report explains the work of the Committee during the year and the key role played by the Committee in assisting the Council in its oversight duties in respect of managing the risk of the Corporation and in overseeing the Lloyd's market. The report comprises the following sections:

- Committee composition;
- Committee meetings;
- Committee responsibilities;
- 2023 key areas of focus;
- Internal control; and
- Risk Management Framework.

Neil Maidment
Chair, Risk Committee

27 March 2024

Committee composition (Code Principle K)

The Committee's members are drawn from the Council and the Committee is chaired by an independent nominated member of the Council, Neil Maidment. At the end of 2023, the Committee was comprised of two external members of the Council, five independent nominated members of the Council and one special adviser.

The Council requires the Committee to operate effectively and efficiently and its members to have a balance of skills and experience to enable it to fulfil its responsibilities in a robust and independent manner. Members of the Committee have varied and extensive commercial experience, including as executives in the international insurance, reinsurance and asset management sectors, as well as audit and risk. For further information on the expertise of Committee members, please see www.lloyds.com.

The Council has determined that, by virtue of their professional backgrounds, the members of the Committee collectively have the competence and skills required to discharge the responsibilities of the Committee, as set out in its terms of reference. In addition, the Council consider that Neil Maidment has the recent and relevant experience required to chair the Committee.

Committee meetings *(Code Provision 3 and 29)*

The Chief Executive Officer, Chief Risk Officer, Chief Financial Officer and Chief of Markets are regular attendees, with other individuals invited to attend all or part of any meeting as and when deemed appropriate. The Chief Risk Officer presents a report summarising the key areas of risk and other significant updates to each Committee meeting.

The Committee members meet privately with the Chief Risk Officer at the end of each meeting.

The Committee reports to the Council on its proceedings after each meeting. Additional reports are submitted to the Council on matters of material interest as and when necessary. The Committee also submits an annual report to the Council.

The Chair of the Committee also meets informally and has open lines of communication with the Chief Executive Officer, Chief Risk Officer and other members of the Executive Committee and senior management, to discuss topical issues and the operations and risk profile of the Society. These meetings provide an opportunity for any matters to be raised confidentially.

Committee responsibilities *(Code Provisions 28 and 29)*

The Committee is a committee of the Council. Set out below are the Committee's responsibilities together with a note of the common activities undertaken:

- **Risk profile:** Assists the Council in overseeing the processes undertaken by management to identify, evaluate and mitigate material risks to the objectives of Lloyd's, including, but not limited to, the insurance risk, investment risk, credit risk, liquidity risk, operational risks, regulatory risk in respect of the Corporation (including global offices), its insurance subsidiaries and the aggregate market and thematic risks which could affect the Lloyd's market or the Society as a whole.
- **Principal or heightened risks:** Reviews management reports regarding oversight of principal or heightened risks, or any material breaches of risk appetite and risk limits and the adequacy of proposed action. This includes the Chief Risk Officer report, Own Risk and Solvency Assessment (ORSA) and the Risk and Control Self-Assessment (RCSA).
- **Emerging and strategic risks:** Reviews management's assessment of emerging and strategic risks, including climate change.
- **Risk appetite and limits:** Reviews, at least annually, the Society's risk appetite and risk limits, and makes recommendations as to their appropriateness to the Council. The Committee also oversees the impact of sustainability and climate change on the Lloyd's Risk Appetite Framework.
- **ORSA:** Reviews and annually recommends to the Council for approval the ORSA report, which considers the current and future risk profile. The Committee reviews the quarterly ORSA throughout the year.
- **Lloyd's Internal Model (LIM):** Reviews and makes recommendations to the Council on the appropriateness of the design and methodologies associated with the LIM, including model changes, stress and scenario testing and the results of the independent validation of the LIM.
- **Regulatory and economic capital requirements:** Reviews and makes recommendations to the Council regarding Lloyd's regulatory and economic capital requirements.
- **Global Risk Management Framework:** Reviews management's proposals for the global risk management framework, policies and associated internal control and makes recommendations as to its adoption or otherwise.
- **Risk plan:** Reviews and approves the Corporation's annual risk plan and monitors the progress against the plan.
- **Financial Crime and Compliance plan:** Reviews and approves the Corporation's annual Financial Crime and Compliance plan and monitors the progress against the plan, ensuring that appropriate arrangements are in place to ensure that the Corporation's activities are in compliance with relevant laws and regulations.
- **Money Laundering Reporting Officer's (MLRO) report:** Reviews the annual MLRO report, which is shared with the Council for review and discussion as appropriate.
- **Market oversight plan (MOP):** Reviews and recommends to the Council the annual MOP for Council's approval. The MOP determines the oversight of the market based on current and prospective risks.
- **Variable remuneration risk weightings:** Reviews and approves the Chief Risk Officer's qualitative advice to the Remuneration Committee on risk weightings to be applied to variable remuneration of senior management.

In carrying out the role, the Committee takes into account the relevant work of other Council committees, including the Investment Committee and the Audit Committee.

Committees of the Council continued

Risk Committee report continued

2023 key areas of focus *(Code Provisions 28 and 29)*

The Committee considered the following areas as part of its 2023 activities:

- **Market oversight and performance:** Ensured that the new supervisory framework continued to be effective and that the performance of the market continued to remain within risk appetite. The business planning process and oversight of new and growing classes of business continued to be monitored.
- **Macroeconomic and geopolitical volatility:** Ensured that Lloyd's continued to be as prepared as possible for the risks posed by the global economic and geopolitical uncertainty and volatility across the world, including Ukraine and inflation.
- **Operational and cyber resilience:** Ensured that management had robust and high-quality oversight of Lloyd's cyber and data risks and associated controls in line with the Corporation's risk appetite. The Committee reviewed management's response to an outage across the IT network, considered lessons learned reviews and delivery of mitigating action plans.
- **Global Network:** Ensured that management continued to embed risk accountability across the global network and had visibility of the material risks across the global network.
- **Future at Lloyd's:** Ensured that the impacts the Future at Lloyd's workstreams have on Lloyd's risk profile are well understood and execution risks associated with delivery are being managed.
- **Commercial strategy:** Ensured that potential risks and barriers associated with the components of the new commercial strategy were identified and managed.
- **Regulatory strategy:** Continued to have oversight of Lloyd's management of its international regulatory relationships as well as PRA and FCA and broader reforms of the financial services markets post Brexit.
- **Agenda items:** Considered annual items in accordance with its responsibilities, including (but not limited to):
  - 2023 regulatory and economic capital;
  - Policy approvals, such as the Risk Management and Internal Control Policy and compliance policies;
  - The ORSA report, which included monitoring against risk appetite, heightened risk updates, strategic and emerging risks, RCSA conclusions, control failure reporting, and capital and solvency updates.

Internal control *(Code Principle O; Provision 29)*

The Council has responsibility for the Society's system of internal control and for reviewing its effectiveness. The Council has delegated responsibility to the Risk Committee for monitoring the identification of, and control by management, of material risks to the objectives of Lloyd's. The Executive Committee is responsible for the implementation and maintenance of the internal control system and for instilling a strong internal control environment across the Society.

The internal control system provides the foundation for the safe and sound operation of the business, ensuring compliance with relevant laws and regulations and the safeguarding of assets. The system is designed to reduce, rather than eliminate, the risk of failure to achieve business objectives and can only provide reasonable, but not absolute, assurance against material misstatement or loss.

Central to the internal control system is the 'three lines of defence' model. Each person at the Society is part of the 'three lines of defence', which protects the Society and its employees.

First line – Front line business functions	Second line – Risk management, financial crime and compliance	Third line – Internal Audit
Responsible for the operation of the business, owning the risk of carrying out responsibilities correctly, and for establishing, monitoring and maintaining effective internal controls within their areas of responsibility, as well as adhering to firm-wide controls as set out in corporate policies and procedures, such as the Risk Management and Internal Control Policy.	Specialised and independent functions responsible for oversight, ensuring business is conducted correctly and operating a framework which ensures risks are identified, assessed, and adequately managed in line with the Corporation's risk appetite.	An independent assurance function responsible for reviewing whether business is conducted in accordance with relevant processes and controls (please refer to the Audit Committee report for further information).

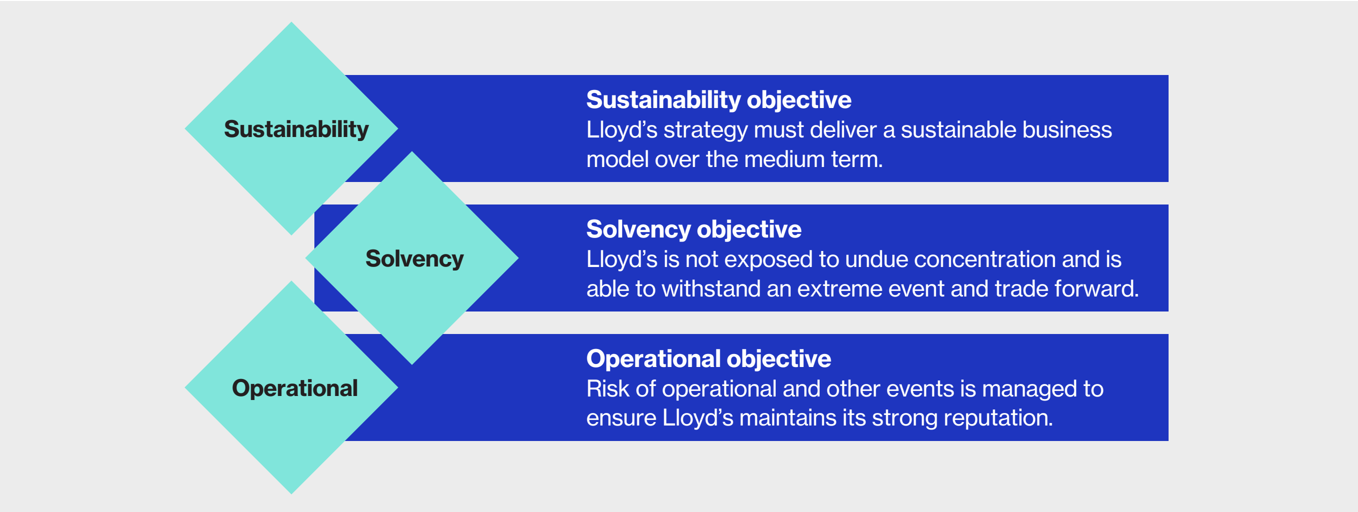
The second- and third-line teams meet regularly and have open lines of communication to discuss relevant matters. Control profile reporting is provided to the Executive Risk Committee, Risk Committee and Audit Committee, including through the ORSA and RCSA reporting.

Risk Management Framework *(Code Provisions 28 and 29)*

Lloyd's has an established Risk Management Framework which facilitates the ongoing process of identifying, evaluating and managing significant business, operational, financial, compliance and other risks affecting the Society. For more information on those risks identified, please refer to the Strategic Report.

As part of the Risk Management Framework, the Council manages exposure to these risks by setting and monitoring a Risk Appetite Framework – how much risk is acceptable and what actions should be taken when appetites are exceeded. This is done through a series of risk appetite statements and metrics.

The Risk Appetite Framework starts with Lloyd's purpose: sharing risk to create a braver world. To deliver on this purpose, the Society has three pillars which each have their own objectives which are to be continuously met, as set out in the diagram below. These risk objectives reflect the Council's view of the acceptable levels of risk faced by Lloyd's.



* Risk Appetite Framework three pillars

Within each pillar of the Risk Appetite Framework, there are several risk categories, with metrics that define the amount of risk the Council is willing to take. These metrics represent the key elements that could result in the risk objectives not being achieved for the pillar. The metrics are monitored on an ongoing basis and reported to the Risk Committee each quarter in the ORSA report, alongside any get to green actions, if a threshold has been breached.

The Risk Management Framework includes several risk assessment techniques, which are tailored to specific risk areas. These include:

- An ongoing RCSA process to reassess existing risks and identify any new risks.
- A bi-annual RCSA and key control attestation process where risk owners from the first line attest to the assessment of their risks and the effectiveness of mitigating controls; attestations are then reviewed by the second line of defence.
- A risk incident reporting process through which the business can report material control failures and mitigating actions, which are escalated to the relevant governance forums as required.
- The Lloyd's Internal Model (LIM), which is used to quantify potential losses from risks at different confidence levels and to calculate regulatory solvency capital requirements (SCRs).

The risk governance structure, which includes the Risk Committee, provides clear independent challenge to the risk takers within the Society. A key objective of the Society's risk governance structure is to provide assurance to the Council that risks facing the Society are identified and managed in accordance with the approved policies and risk appetite. The Risk Committee oversees, challenges and, where appropriate, escalates issues using management information from the Risk Management and Internal Control Frameworks, including via reports such as the ORSA, details of the operating and regulatory environment and capital management reports.

Appropriate corporate policies and procedures are in place, with reviews being undertaken as appropriate in accordance with the Lloyd's Compliance Policy Framework and regulatory requirements.

Committees of the Council continued

Remuneration Committee report

Committee responsibility

The Committee is responsible for setting the remuneration arrangements for the Chair, the Chief Executive Officer, the Executive Directors, any other direct reports of the Chief Executive Officer, and such other members of the executive management or other persons as it is designated to consider to ensure Lloyd's remuneration is fair, competitive and aligned with the organisation's strategy.

The terms of reference of the Remuneration Committee are available at www.lloyds.com.

Committee attendance *(Code Provision 14)*

		Scheduled meetings attended*
Chair	**Fiona Luck**	4/4
Council members[5]	Andrew Brooks[1]	1/2
	Bruce Carnegie-Brown	4/4
	Victoria Carter[2]	3/3
	Karen Green[3]	3/4
	John Sununu[4]	2/2

Notes:

* Four scheduled meetings and three ad-hoc meetings were held across 2023.

1. Andrew Brooks was appointed as a member of the Remuneration Committee with effect from 22 March 2023.
2. Victoria Carter was appointed as a member of the Remuneration Committee with effect from 9 February 2023.
3. Karen Green ceased as a member of the Remuneration Committee with effect from 30 November 2023.
4. John Sununu ceased as a member of the Remuneration Committee with effect from 9 May 2023.
5. Dominic Christian ceased as a member of the Remuneration Committee with effect from 31 January 2023 (with no meetings taking place during this time). Dominick Hoare and Sean McGovern were appointed as members of the Remuneration Committee with effect from 5 December 2023. No meetings were held after this date.

Key areas of focus

2023 Incentive out-turns
2024 Strategic Transformation Incentive Plan
Malus and clawback provisions

Statement by Chair of Remuneration Committee

(Code Principle P and Provision 39)

I am pleased to present the Report of the Remuneration Committee (the 'Committee') for the year ended 31 December 2023.

The Society's Remuneration Policy seeks to reward individuals who contribute to the success of the Corporation and the Lloyd's market, and our reward principles align to the Society's purpose and values, and the successful delivery of the long-term strategy. Progress against our four key strategic pillars of performance, digitalisation, purpose and culture remains critical to our future success.

Lloyd's financial results for 2023 show we are now driving consistent improvement in profitability and delivering sustainable growth. The Lloyd's market reported an underwriting result of £5,910m for 2023 (2022: £2,641m) with an outstanding combined operating ratio of 84.0% (2022: 91.9%), reflecting sustainable, profitable performance, supported by a robust profit before tax of £10.7bn. Our capital position strengthened further with a central solvency ratio of 503% (2022: 412%).

2023 also saw important headway in our digital transformation through Blueprint Two, as a means of driving efficiency and cost improvement in our market. There continues to be critical focus on execution in 2024 and beyond.

As we look to the next phase in our transformation, we will also focus on delivering the performance and leadership needed to drive us towards a more efficient, sustainable and inclusive market, and to support our customers through an uncertain world.

Remuneration Policy principles *(Code Principle C, P and Q and Provision 38)*

The overall principles that underpin the Remuneration Policy are as follows:

Nature of the Society – The organisation has a unique role, providing oversight of the insurance market, driving market performance, building transformation solutions and creating a diverse and inclusive culture which delivers value to stakeholders.

Alignment to Lloyd's strategy – Individual Performance Awards are linked to the Society, and individual KPIs. Performance is assessed against a rigorous balanced scorecard of quantifiable metrics and is subject to risk adjustment.

For 2024, a Strategic Transformation Incentive Plan will operate for key roles that are critical to successful delivery and execution in three key areas: Profitable Growth (including Commercial Strategy), Technology & Digital (including Blueprint Two) and a 'Fit for Purpose' Lloyd's.

Alignment to the Lloyd's market – A significant element of remuneration is based on the performance of the Lloyd's market. This encourages an attitude of commercial partnership with the market and aligns the interests of participants with capital providers. This alignment means that the payment under the market element varies according to market performance. Market and Society risk adjustment metrics also apply to this element.

In order to provide a balanced approach to performance measurement and reflect the focus of the Society in driving improved efficiencies and transformation in the Lloyd's market, profit before tax and combined operating ratio (excluding adjustments to the central reserve margin) are key metrics used to measure market performance.

Solvency II – We continue to operate appropriate features such as long-term deferral for Solvency II staff and risk adjustment.

The Remuneration Policy is set out on page 97 to 98.

Key remuneration decisions and incentive out-turns

(Code, Principle P and Provision 41)

During the year, the Committee carried out a comprehensive review of the remuneration arrangements for Executive Directors. The Committee reflected on the important headway made in the market's transformation journey under the leadership of John Neal since his appointment in 2018, recognising that retention and stability are of key importance at this pivotal stage for Lloyd's.

As a result of the review, changes were made to remuneration arrangements for the Chief Executive Officer and Chief of Markets, as summarised below.

Chief Executive Officer

The Chief Executive Officer role is unique in nature, requiring a high calibre of skill and experience in driving the current transformation programme, as well as liaising with industry and wider stakeholders to navigate a period of heightened geopolitical and macroeconomic challenges facing the market.

In order to more appropriately reflect John Neal's performance, experience, and criticality to Lloyd's, as well as positioning against market-competitive benchmarking data, changes were made to the remuneration package to ensure his continued leadership in the next critical phase.

- Salary of £770,000, an increase of 10% from £700,000, with effect from 1 June 2023. This is the first above-inflationary salary increase made to the Chief Executive Officer and no increases were awarded in 2019 and 2020.
- Market Award maximum opportunity of 100% of salary from 2023 (increased from 50% of salary maximum in prior years).
- Strategic Transformation Incentive Plan maximum opportunity of 200% of salary from 2024 (2023: 100% of salary maximum)

Chief of Markets

- Salary of £575,000, an increase of 8.5%, with effect from 1 April 2023.
- Market Award maximum opportunity of 100% of salary from 2023 (increased from 50% of salary maximum in prior years).
- Strategic Transformation Incentive Plan maximum opportunity increased from 100% to 125% from 2024.

No further salary increases will be made to Executive Directors in 2024 and the next salary review date will be 1 April 2025.

Incentive out-turns

The Society made strong progress against its key strategic priorities in 2023, which is reflected in the Individual Performance Awards (see page 91).

Executive Directors' incentive awards are also aligned to market performance. The Lloyd's market recorded a profit before tax of £10,663m (2022: £769m loss) and the combined operating ratio was 84.0% (2022: 91.9%). Excluding adjustments to the central reserve margin the profit before tax is £10,876m (2022: £769m loss) and the combined operating ratio is 83.4% (2022: 91.9%), which resulted in the Market Award for Executive Directors vesting in full (see page 91).

40% of the total Lloyd's Incentive Plan award for Executive Directors will be deferred for three years.

For 2023, Executive Directors were eligible for awards under the Transformation Incentive Plan (maximum award of 100% of salary).

The Remuneration Committee carefully considered achievement of 2023 performance against key lead and lag performance indicators as set out on page 95. 2023 awards vested at 71% of maximum, reflecting our progress against targets set in relation to the critical build phase and execution of key Blueprint Two milestones during the year (2022 awards: 78% of maximum).

A significant portion of the 2023 TIP is deferred. Payment of vested awards will be made in three tranches in the three years following the end of the performance period (April 2024, April 2025 and April 2026). The Committee increased the level of deferral and introduced an additional review process to ensure alignment with Blueprint Two progress.

The Committee considered that the Remuneration Policy operated as intended in terms of the Society's performance and out-turns.

Lloyd's Incentive Plan – risk underpin

In 2023, all awards under the Lloyd's Incentive Plan were subject to a risk underpin. The Committee assesses performance against a range of Society and market risk and compliance metrics and in 2023, where appropriate, applied a downward adjustment to incentive awards across the Society.

Lloyd's Incentive Plan – deferral

For Executive Directors, 40% of total incentives (all variable incentives including Individual Performance Award and Market Award) will be deferred for three years.

Lloyd's Strategic Transformation Incentive Plan

In 2021, we launched a Transformation Incentive Plan, operating for a group of key roles critical to the successful execution of the ambitious Blueprint Two programme and the sustainability of the Lloyd's platform for the future. Performance metrics were directly aligned to the success of the programme and underpinned by the profitability and financial strength of the Lloyd's marketplace.

During the year, the Committee reflected on the important headway made in the market's transformation journey and considered how to retain and incentivise leadership at this pivotal stage.

For 2024, a Strategic Transformation Incentive Plan will operate for key roles that are critical to the continued delivery and execution of our transformation, based on achievements in three key lead performance areas: Profitable Growth, Technology & Digital and a 'Fit for Purpose' Lloyd's. Awards under the Strategic Transformation Incentive Plan will be made with a maximum opportunity of 200%, 100% and 125% of salary to the Chief Executive Officer, Chief Financial Officer and Chief of Markets respectively. Awards will be performance tested and vest following 31 December 2024. Payment of any vested awards will be made in three tranches in the three years following the end of the performance period.

Lead indicators will be underpinned by the profitability and financial strength of the Lloyd's marketplace. As in 2023, vesting may be deferred by 12 months and the underpin tests reapplied in the following year in the event that performance underpins are not met.

The Committee considers this to be an appropriate evolution of the Transformation Incentive Plan launched in 2021.

Committees of the Council continued

Remuneration Committee report continued

Malus and clawback *(Code Provision 37)*

For incentive awards in respect of 2014 and subsequent years, malus and clawback provisions apply.

During 2023, the Remuneration Committee carried out a review of malus and clawback provisions against market and best practice. Following this review, malus and clawback provisions were strengthened to enable the Committee to reduce, cancel or claw back incentive plan awards in the event of a regulatory event or sanction; serious reputational damage; or error in Lloyd's assessment of a performance condition or target.

The full circumstances in which malus and clawback may be applied for incentive awards from 2023 onwards are summarised as: an act of misconduct; material financial misstatement; discovery of an error in Lloyd's assessment of a performance condition or target; deliberate or negligent failure in risk management for which the employee was responsible or which they had failed to report, a regulatory event or sanction; and serious reputational damage.

Malus and clawback provisions apply to all incentive plan participants. The Committee retains the discretion to claw back awards for a period of six years from the date of award.

Wider workforce remuneration *(Code Provisions 2 and 38)*

The Committee reviews policies which apply to all employees across the Society.

The Committee is regularly updated on key areas of the Lloyd's Culture Dashboard, designed to drive the market towards a more inclusive environment and deliver cultural change in key areas such as gender and ethnicity pay gaps and employee engagement.

The Remuneration Policy and Bonus Scheme Rules are published internally and are available to all employees.

The average salary increase for wider employees was 5% with effect from 1 April 2024. Our second cost of living payment of £1,500 was made to employees in April 2023.

All Society employees are eligible to participate in Lloyd's Incentive Plan, (being the Individual Performance Award and Market Award as noted above), and the framework is consistent across all employees.

Pension arrangements for Executive Directors are in line with the maximum contribution available to wider Society employees.

Employee engagement *(Code Provision 2)*

The Society operates a range of employee engagement channels, including employee surveys and the Employee Change Forum, comprising representatives from across the workforce. Further detail can be found under 'Sustainability Committee' in the Governance Report section.

Employee check-in sessions are regularly held and include presentations on annual results, with the Lloyd's Annual Report released concurrently (with the report detailing Executive Remuneration and how it aligns with the wider workforce).

Fiona Luck
Remuneration Committee Chair

27 March 2024

Committee composition *(Code Provision 32)*

The Committee is chaired by Fiona Luck, an independent nominated member of the Council. The Chairman is a member of the Committee, and its remaining members are drawn from the Council. As at 31 December 2023, four of the Committee's six members were elected market representatives.

The Committee's composition did not comply with Provision 32 of the Code in that it is not comprised entirely of independent members. It is recognised that the departure could be perceived as a risk to the independence of the Committee. However, the Committee's composition is deemed appropriate notwithstanding its departure from the Code. The Council has done this to maximise the pool of skills and experience available to it when appointing the members of the Committee. The Society has a conflicts of interest procedure in place (please see page 66) and no Executive Director of the Council is eligible to be a member of the Committee.

Committee meetings

The Committee reports to the Council on its proceedings after each meeting, and on all matters relating to its duties and powers and makes recommendations to the Council on any area within its remit where action or improvement is needed. The Committee submits a written report to the Council annually.

At the request of the Committee, the Chief Executive Officer and Chief People Officer regularly attend Committee meetings. Other senior Executives, for example, the Chief Risk Officer, are invited to attend for specific agenda items from time to time.

Neither the Chairman, nor the Executive Directors, nor any other Director, plays a part in any discussion about his or her own remuneration.

The Chair of the Committee meets informally and has open lines of communication with the Chief People Officer and other members of the Executive team (as appropriate) together with senior management, to discuss topical issues and the operations of the Society. These meetings provide an opportunity for any matters to be raised confidentially.

Committee responsibilities *(Code, Principle P and Provisions 33 and 34)*

The Remuneration Committee reviews and recommends the framework and policy for the remuneration of the Chairman of Lloyd's, the Chief Executive Officer, the Executive Directors, any other direct reports of the Chief Executive Officer, and such other members of the executive management or other persons (including Solvency II employees) as appropriate, to the Council.

Non-executive remuneration is decided by the Council, on recommendation from the Chairman and Chief Executive Officer, who may consult the Remuneration Committee as part of that process. The level of remuneration for each position reflects the time commitment and responsibilities of each role.

Advisers to the Committee

The Committee was assisted by its remuneration consultants, Deloitte LLP, who adhere to the Code of Conduct for executive remuneration consultants. Deloitte LLP was appointed by the Committee and services are periodically reviewed by the Committee to ensure that these remain relevant and provide the assistance required.

Deloitte LLP adheres to working practices that have been agreed with the Committee Chair, for the purpose of maintaining independence, and the Committee is satisfied that the advice received from Deloitte LLP was objective and independent. Total fees paid in respect of advice and services to assist the Committee amounted to £163,650 for the year (2022: £111,600) and are determined by the scope of the services and the services agreement. Deloitte LLP also provided other services to the Society during the year including the co-sourced Internal Audit resource; data and technology transformation advisory services; forensic advisory, reporting and regulatory support; and specialist and tax advisory services.

Remuneration Report

This report is based upon the principles of the Directors' remuneration reporting regulations for UK-listed companies, and the UK Corporate Governance Code. However, the Code and regulations are directed at companies listed on the London Stock Exchange, whereas Lloyd's is a market of many separate and competing trading entities. Nonetheless, the Council supports the principles insofar as they can be applied to the governance of the Society and has chosen to broadly follow the disclosure principles in this report. Disclosure requirements which have not been met include illustration of the application of the remuneration policy and a statement of consideration of employment conditions elsewhere in the company.

For details of departure from the Code, refer to page 67.

The Remuneration Report is unaudited, with the exception of the single total figure of remuneration table which is audited by the independent external auditors PricewaterhouseCoopers LLP.

Elements of Remuneration	
Salary	Salaries are set to appropriately recognise responsibilities and be broadly market-competitive.
Individual Performance Award	The Individual Performance Award links reward to corporate and individual KPIs aligned with our strategy. Payments are based on the Committee's judgement of performance against a scorecard of corporate and individual KPIs for the year.
Market Award	The Market Award offers an incentive which is directly linked to the performance of the Lloyd's market. Market Awards are calculated by reference to profit before tax and combined operating ratio levels in the year.
Strategic Transformation Incentive Plan	The Strategic Transformation Incentive Plan links reward to specific KPIs critical to successful delivery & execution in three key areas: Profitable Growth, Technology & Digital and a 'Fit for Purpose' Lloyd's.
Pension and benefits	All employees, including Directors have access to the same pension and benefit arrangements and these do not vary by age.

Summary of Remuneration Policy and out-turns for 2023 *(Code Provision 38)*

The following table provides a summary of how our Remuneration Policy (see pages 97 to 98) was implemented in 2023.

Salary

Annual salaries were as follows:

- Chief Executive Officer: £770,000 (with effect from 1 June 2023)
- Chief Financial Officer: £550,000
- Chief of Markets: £575,000 (with effect from 1 April 2023)

Lloyd's Incentive Plan (Individual Performance Award and Market Award)

The Lloyd's Incentive Plan comprises an Individual Performance Award (annual bonus) and a Market Award. Further details of performance are provided on pages 12 to 13. A summary of the out-turns for 2023 is provided below:

	Individual Performance Award		Market Award	
	Maximum opportunity (% of salary)	2023 out-turn (% of salary)	Maximum opportunity (% of salary)	2023 out-turn (% of salary)
John Neal: Chief Executive Officer	100%	80%	100%	100%
Burkhard Keese: Chief Financial Officer	100%	80%	50%	50%
Patrick Tiernan: Chief of Markets	100%	82%	100%	100%

Transformation Incentive Plan

2023 awards vested at 71% of the maximum award (2022: 78% of maximum). Payment of vested awards will be made in three tranches in the three years following the end of the performance period (April 2024, April 2025 and April 2026). The deferral period has been adjusted by the Committee so that 25%, rather than 33%, is paid in April 2024. The remaining 75% deferral will be paid in tranches of 41% in April 2025 and 34% in April 2026. Payment of the remaining 75% deferral will be subject to a further review of Blueprint Two progress by the Committee to ensure outcomes are aligned to the success of the cutover.

Pension and benefits

The Chief Executive Officer, Chief Financial Officer and Chief of Markets received a pension supplement of 15% of salary, which is in line with the pension available to the wider workforce. All Executive Directors receive a benefit supplement of 3% of salary, in line with the wider workforce.

Committees of the Council continued

Annual remuneration report

This part of the report sets out the annual remuneration for 2023 and a summary of how the policy will apply for 2024.

Single total figure of remuneration

The total remuneration receivable in respect of qualifying services for each person who served as a member of Council during the year is shown below. Further details on annual bonus and Market Awards are shown on pages 93 to 94.

	Salary/fees		Other benefits[1]		Annual bonus		Market Award[2]		Pension benefit[3]		Total fixed		Total variable		Total	
	2023 £000	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Chairman of the Council																
Bruce Carnegie-Brown	665	650	1	2	–	–	–	–	–	–	665	650	1	2	666	652
Executive Directors																
John Neal	741	691	115	50	612	519	1,317	721	111	104	880	820	2,016	1,265	2,896	2,085
Burkhard Keese	550	546	31	28	440	408	666	567	83	82	660	653	1,110	977	1,770	1,630
Patrick Tiernan[4]	564	508	292	278	469	399	983	525	85	76	671	604	1,722	1,182	2,393	1,786

	Salary/fees		Other benefits[1]		Total	
	2023 £000	2022 £000	**2023 £000**	2022 £000	**2023 £000**	2022 £000
Nominated members						
Angela Crawford-Ingle[5]	161	163	–	–	161	163
Fiona Luck[6]	112	107	4	14	116	121
Neil Maidment	108	115	–	–	108	115
Lord Mark Sedwill[7]	120	117	–	–	120	117
John Sununu[8]	30	80	9	17	39	97
Joe Hurd[9]	94	–	13	–	107	–
External members						
Jeffery Barratt[10]	82	85	19	13	101	98
Karen Green[11]	92	100	–	–	92	100
Dominick Hoare[12]	100	83	–	–	100	83
Marcus Walter Johnson[13]	7	–	–	–	7	–
Sean McGovern[14]	7	–	–	–	7	–
Michael Watson	–	7	–	–	–	7
Working members						
Andrew Brooks[15]	99	78	–	–	99	78
Dominic Christian[16]	7	84	–	–	7	84
Victoria Carter[17]	97	92	–	–	97	92
Richard Dudley[18]	87	–	–	–	87	–

The information in the above table has been audited by the independent auditors, PricewaterhouseCoopers LLP.

1. Other benefits include items such as benefit allowances (all Executive Directors receive a benefit supplement of 3% of salary), other taxable benefits and taxable business expenses. These include travel costs met by Lloyd's, including any tax due under HMRC regulations. These travel costs are provided in accordance with the Society's policy and to enable Executive Directors to undertake responsibilities most efficiently while travelling. Other taxable business expenses include business-related membership fees and hotels.
2. Market Award includes an amount for the 2022 and 2023 Transformation Incentive Plan bonus awarded to support the delivery of the market transformation.
3. The Chief Executive Officer, Chief Financial Officer and Chief of Markets received a pension supplement of 15% of salary, in line with the pension available to the wider workforce.
4. A payment was awarded to Mr Tiernan as part of his employment contract terms and is reflected in Other benefits.
5. Ms Crawford-Ingle was appointed as a member of the Investment Committee with effect from 1 December 2023. Ms Crawford-Ingle is a non-Executive member of the Board of Directors of Lloyd's Insurance Company S.A. (Lloyd's Europe) and a member of Lloyd's Europe Audit and Risk Committee. Ms Crawford-Ingle is paid in Euros for the Lloyd's Europe appointments. The Lloyd's Europe fees have been included in the Single total figure of remuneration table. The fees are paid quarterly and have been translated at the same year end FX rates used for the financial statements and the notes.
6. Ms Luck is paid an additional fee for her role as Chair of the Nominations Committee for Chairman Succession Planning.
7. Lord Sedwill was re-appointed as Senior Independent Deputy Chair with effect from 9 February 2023.
8. Mr Sununu ceased as a member of the Council, the Audit Committee and the Remuneration Committee with effect from 9 May 2023.
9. Mr Hurd was appointed as a member of the Council with effect from 10 May 2023. Mr Hurd participated as an observer from 1 January 2023 until his appointment date. Mr Hurd is also a member of the Sustainability Committee, the Risk Committee, the Audit Committee and the Technology & Transformation Advisory Panel with effect from 10 May 2023.
10. Mr Barratt ceased as a member of the Council, the Nominations and Governance Committee, the Audit Committee and the Investment Committee with effect from 30 November 2023.
11. Ms Green ceased as a member of the Council, the Remuneration Committee, the Risk Committee and as Chair of the Investment Committee with effect from 30 November 2023.
12. Mr Hoare was appointed as a member of the Risk Committee and ceased as a member of the Sustainability Committee with effect from 9 February 2023. Mr Hoare was appointed as a member of the Remuneration Committee with effect from 5 December 2023.
13. Mr Johnson was appointed as a member of the Council and the Investment Committee with effect from 1 December 2023. Mr Johnson was appointed to the Audit Committee with effect from 5 December 2023.
14. Mr McGovern was appointed as a member of the Council with effect from 1 December 2023 and as a member of the Nominations and Governance Committee and the Remuneration Committee with effect from 5 December 2023. Mr McGovern was remunerated for his appointment on the Technology & Transformation Advisory Panel with effect from 1 December 2023.
15. Mr Brooks was appointed as Deputy Chair of the Council and as a member of the Nominations and Governance Committee with effect from 9 February 2023. Mr Brooks was appointed as a member of the Remuneration Committee with effect from 22 March 2023.
16. Mr Christian ceased as a member of the Council, the Nominations & Governance Committee and the Remuneration Committee with effect from 31 January 2023.
17. Ms Carter was re-appointed as Deputy Chair of the Council with effect from 9 February 2023, and was appointed as a member of the Remuneration Committee and Audit Committee with effect from 9 February 2023. Ms Carter ceased as a member of the Risk Committee with effect from 9 February 2023.
18. Mr Dudley was appointed as a member of the Council with effect from 1 February 2023. Mr Dudley was appointed to the Sustainability Committee and as Chair of the Technology & Transformation Advisory Panel with effect from 9 February 2023.

Salary

The annual salaries of the Executive Directors take into account a range of factors, including increases for all employees across the Society, and are reviewed by the Committee annually. During the year, the Committee carried out a comprehensive review of the remuneration arrangements for Executive Directors. Salaries for 2024 are as follows:

	2024 Base salaries £000	Increase on 2023
John Neal: Chief Executive Officer	£770,000	10%[1]
Burkhard Keese: Chief Financial Officer	£550,000	0%
Patrick Tiernan: Chief of Markets	£575,000	8.5%[2]

1. John Neal's salary was increased from £700,000 to £770,000 with effect from 1 June 2023. No further increase will be made from 1 April 2024.
2. Patrick Tiernan's salary was increased from £530,000 with effect from 1 April 2023. No further increase will be made from 1 April 2024.

The average increase awarded to all employees with effect from 1 April 2024 is 5%.

Individual Performance Award *(Code Principle R and Provision 33)*

Executive Directors are eligible for a discretionary Individual Performance Award. The Committee reviews strategic and operational objectives and KPIs at the start of the financial year, to ensure that they are stretching and aligned to the Society's strategic objectives.

The following table sets out the performance framework and weightings for 2023 awards:

Performance metric	Performance	Digitalisation	Purpose	Culture	Individual strategic KPIs
Weighting	21%	21%	9%	9%	40%

Individual strategic KPIs are aligned to the four key strategic pillars of performance, digitalisation, purpose and culture. Awards are subject to a risk underpin. The Committee assessed performance against a range of Society risk and compliance metrics and after consideration applied a downward adjustment to 2023 incentive awards across the Society.

Committees of the Council continued

Annual remuneration report continued

2023 Individual Performance Award – out-turn

The following table sets out performance achievements against the KPIs set in respect of 2023:

Performance	Digitalisation	Purpose	Culture
• Strong performance maintained in a complex macro environment • Effective categorisation against Lloyd's Principle Based Oversight ensuring focus given to the right areas • Commercial strategy well planned and scoped with 'early wins' in preparation for delivery starting in 2024 • Global Excellence implemented with a revised governance structure • Maintained strong relationship with key regulators	• Important headway on Blueprint Two for the market, recognising critical focus on execution in 2024 and beyond • Impact assessments progressed for the Corporation as a result of the transformation activity • Improved programme of project delivery with robust quality assurance in place	• Corporation and market roadmap developed to provide clarity on what is meant by "the Insurer of the Transition" • Delivered against a global media strategy and public affairs strategy to drive enhanced engagement with critical stakeholders • Finalised the short and long term plans for the Lloyd's building	• Delivered an engagement survey with at least an 80% response rate and an action plan from the results • Delivered against I&D targets of no less than 35% women in leadership and considerable progress against the 1 in 3 ethnic minority hiring ambition

Taking into account an overall assessment of the above achievements, as well as individual performance and Society risk, the Committee determined the following annual bonus payments in respect of 2023:

Role	Maximum	Out-turn
John Neal: Chief Executive Officer	100% of salary	80% of salary
Burkhard Keese: Chief Financial Officer	100% of salary	80% of salary
Patrick Tiernan: Chief of Markets	100% of salary	82% of salary

40% of total incentives (Individual Performance Award and Market Award) for Executive Directors will be deferred for three years.

Market Award *(Code Principle R)*

The Market Award has been designed to meet Lloyd's strategic objectives by enabling the Society to offer an incentive which:

- is directly linked to the performance of the Lloyd's market and will therefore encourage an attitude of commercial partnership with the market and align the interests of participants with capital providers;
- will provide a competitive reward and therefore assist the Society in attracting and retaining the talented individuals required to develop and support future strategy; and
- is subject to personal performance.

All Society employees, including international offices, were eligible to participate in the 2023 Market Award on the basis set out below:

- Market Awards are calculated by reference to profit before tax and combined operating ratio (weighted equally) for each financial year;
- Market Awards are subject to a risk underpin; and
- 40% of the Market Award is deferred for three years for Executive Directors. For other employees above the proportionality threshold, 40% of the Market Award will be deferred with payment made in three equal tranches in April 2025, April 2026 and April 2027.

For senior employees whose remuneration is below the proportionality test (and applicable to those defined as Solvency II staff for remuneration purposes), the Market Award will be paid on an ongoing fund basis. Under this approach, one half of an award will be paid in April following the relevant financial year, with the remaining 50% treated as an ongoing fund. For other employees, the Market Award is paid in full in April following the relevant financial year.

The maximum opportunity for Executive Directors is 100% of salary for the Chief Executive Officer and Chief of Markets and 50% of salary for the Chief Financial Officer. Market Awards are subject to a personal performance underpin.

2023 Market Award – out-turn

2023 Market Award – performance metric	Threshold (20% of maximum)	Target (50% of maximum)	Maximum (100% of maximum)	2023 performance out-turn	2023 Market Award out-turn (% of maximum)
Profit before tax element (50% weighting)	£1.5bn	£3bn	£5bn	£10.9bn	100%
Combined operating ratio element (50% weighting)	98%	96%	92%	83.4%	100%
Total Market Award payout (as a % of maximum)					100%

2023 Transformation Incentive Plan – out-turn

The Committee carefully considered achievement of 2023 performance against key lead and lag performance indicators, as set out below.

2023 award lead indicators – summary key achievements	Underpin/lag indicators
Technology vendors supporting the London Market with many having credible upgrade plans	The following underpin indicators were met in respect of 2023 awards: For 2023, Lloyd's normalised (normalised for large risk and catastrophe loss) combined operating ratio (COR) did not exceed 98.5%; and Lloyd's key financial strength rating with S&P Global remained at a minimum of A+.
Faster Claims Payment continues to be adopted by Managing Agents	
Successful delivery of Sequences 3 and 4 of the DXC Build Contract, with sequence 5 on schedule to complete in early 2024	
MRC v3 published and open market placement business process workflows stood up in the model office for adoption	

2023 awards vested at 71% of maximum (2022: 78% of maximum). Payment of vested awards will be made in three tranches in April 2024, April 2025 and April 2026. The deferral period has been adjusted by the Committee so that only 25%, rather than 33%, is paid in April 2024. The remaining 75% deferral will be paid in tranches of 41% in April 2025 and 34% in April 2026. Payment of the remaining 75% will be subject to a further review of Blueprint Two progress by the committee to ensure outcomes are aligned to the success of the cutover.

2024 Strategic Transformation Incentive Plan award *(Code Principle R)*

For 2024, awards will be made under the Strategic Transformation Incentive Plan which will operate as follows:

- Awards will be made to selected participants, with a maximum value of 10% to 200% of base salary. A maximum opportunity of 200%, 100% and 125% of salary will be awarded to the Chief Executive Officer, Chief Financial Officer and Chief of Markets respectively.
- Performance metrics will be based on lead indicators in Profitable Growth (including Commercial Strategy), Technology & Digital (including Blueprint Two) and a 'Fit for Purpose' Lloyd's, as set out below. Lead indicators will be underpinned by profitability and financial strength of the Lloyd's marketplace. As in 2023, vesting may be deferred by 12 months and the underpin tests reapplied in the following year in the event that performance underpins are not met.
- Awards made in 2024 will be performance tested and vest following 31 December 2024. Payment of any vested awards will be made in three tranches in the three years following the end of the performance period (April 2025, April 2026 and April 2027).
- Awards will be subject to Lloyd's malus and clawback provisions, and the risk underpin adjustment applicable to the Lloyd's Incentive Plan.

2024 award – performance metrics

2024 award lead indicators	Underpin/lag indicators
Profitable Growth (Commercial Strategy) • Targeted onboarding of new entrants • Capital frameworks review • Determination of simplified charging model	Awards will only vest subject to the following conditions being met: • At the end of the vesting year, Lloyd's normalised (normalised for large risk and catastrophe loss) combined operating ratio (COR) does not exceed 95%; and • Lloyd's key financial strength rating with S&P Global remains at a minimum of A+. Vesting may be deferred by 12 months and the underpin tests reapplied in the following year in the event that performance underpins are not met.
Technology & Digital (BP2) • Deployment and adoption of BP2 • Technology delivery	
'Fit for Purpose' Lloyd's • Revenue and cost efficiency • Simplification of Corporation	

Pensions

The Chief Executive Officer, Chief Financial Officer and Chief of Markets receive a pension supplement of 15% of salary, which is in line with the maximum pension contribution available to the wider workforce. No other payments to the Executive Directors are pensionable. Their dependants are eligible for the payment of a lump sum in the event of death in service.

Service contracts *(Code Provision 39)*

The Executive Directors have rolling contracts with notice periods that will not exceed one year. The Chairman has a contract for three years from appointment.

	Appointment date	Unexpired term as at 31 December 2023	Notice period
Bruce Carnegie-Brown	16 June 2022	1 year and 5 months	12 months
John Neal	15 October 2018	rolling 1 year	12 months
Burkhard Keese	1 April 2019	rolling 6 months	6 months
Patrick Tiernan	4 May 2021	rolling 6 months	6 months

Committees of the Council continued

Annual remuneration report continued

The Chairman and the Executive Directors' service contracts are kept available for inspection by Lloyd's members at the Society's registered office.

External and working members are elected to Council, while Nominated members are appointed to Council, usually for a three-year period. These are not contractual arrangements and compensation is not paid if a member leaves early.

Additional disclosures

Ten-year Chief Executive Officer remuneration

		CEO single figure of total remuneration £000	Annual bonus award as a percentage of maximum opportunity	Market Award/LPP award as a percentage of maximum opportunity[2]
2023	John Neal	2,896	80%	100%
2022	John Neal	2,085	74%	50%
2021	John Neal	1,599	66%	100%
2020	John Neal	1,299	74%	0%
2019	John Neal	1,594	92%	38%
2018[1]	John Neal	167	NA	NA
2018[1]	Inga Beale	1,304	75%	0%
2017	Inga Beale	1,304	76%	0%
2016	Inga Beale	1,525	75%	63%
2015	Inga Beale	1,531	81%	63%
2014	Inga Beale	1,494	74%	95%

1. Inga Beale stepped down on 13 October 2018 and John Neal took up appointment on 15 October 2018. John Neal was not awarded a bonus in 2018 as his joining date was after the date for eligibility, in line with the approach taken for the wider workforce.
2. For year-on-year comparison the Transformation Incentive Plan is excluded from the above table.

Percentage change in remuneration

The table below sets out details of the change in remuneration between 2020 and 2021, 2021 and 2022, and 2022 and 2023.

	2020 – 2021			2021 – 2022			**2022 – 2023**		
	Salary/Fees	Benefits[1]	Bonus	Salary/Fees	Benefits[1]	Bonus	**Salary/Fees**	**Benefits[1]**	**Bonus**
Chief Executive remuneration	2%	(65)%	1%	5%	(31)%	19%	7%	130%	18%
Chief Financial Officer remuneration[2]	4%	14%	(39)%	16%	(2)%	16%	1%	11%	8%
Chief of Markets remuneration[3]	100%	100%	100%	51%	(53)%	6%	11%	5%	18%
Non-Executive Council member remuneration (average)	(15)%	196%	NA	4%	132%	NA	8%	2%	NA
Average of all Society employees	2%	2%	0%	3%	3%	3%	6%	6%	6%

1. Benefits largely relate to travel expenses (including tax thereon) and other employment related expenses, which may fluctuate between periods.
2. In 2022 the Chief Financial Officer took on the additional role of Chief Operating Officer, resulting in an increase in salary. With effect from 14 March 2023, a Chief Operating Officer was appointed, taking over responsibilities from the Chief Financial Officer.
3. The Chief of Markets was appointed on 4 May 2021, therefore the salary during the comparative period is pro-rated.

Relative importance of spend on pay

	2023 £m	2022 £m	% change
Corporation operating income	467	412	13%
Total remuneration – all employees	183	172	6%

Corporation operating income excludes income relating to the Central Fund.

Remuneration for the Chairman and members of the Council who are not employees of the Society (Code Provisions 19 and 34)

The current Chairman, Bruce Carnegie-Brown, was appointed on 15 June 2017. In June 2022, the Council and Nominations and Governance Committee approved his reappointment for a third term of three years running to June 2025. The Chair fee is £665,000 with effect from 1 June 2022.

In accordance with Lloyd's constitutional arrangements, the fees for members of the Council who are not employees of the Society are a matter for the Council on the recommendation of the Chairman and the Chief Executive Officer. The level of fees reflects the time commitment and responsibility of the role.

The standard Council member's fee is £65,625. Additional fees are payable to the Deputy Chairs and Senior Independent Director, and in respect of the Chair and membership of a number of Council committees (including ad-hoc committees established to consider specific issues), in recognition of the increase in responsibilities and time commitment. Non-Executive Council members do not participate in performance related reward.

Remuneration Policy *(Code, Principles P and Q and Provision 39 and 41)*

The Society is not required to comply with the directors' remuneration reporting regulations, including the requirement for a binding remuneration policy for Executive Directors, as these only apply to UK-listed companies. Nonetheless, in line with good practice, this part of the report sets out the key features of the Society's Remuneration Policy. Note that this is in a shortened format compared with the regulatory requirements. The policy is not legally binding, and the Committee reserves the right to amend the policy at any time.

In 2023 Council approved the Remuneration Policy rather than any shareholders because the Society does not have shareholders (this is a departure from Provision 41 of the Code). Elected representatives sit on Council and therefore engagement is undertaken with external stakeholders when remuneration discussions come before Council.

Base salary		• Salaries set to appropriately recognise responsibilities and must be broadly market competitive. • Generally reviewed annually by the Remuneration Committee. • No maximum salary increase; however, any increases will generally reflect the approach to all employee salary increases. Exceptions, in certain circumstances, may be made, for example to reflect a new appointment, change in role/adoption of additional responsibilities, changes to market practice or the development of the individual in the role.
Lloyd's Incentive Plan	**Individual Performance Award**	Performance measures • Individual Performance Awards paid by reference to performance against a balanced scorecard of strategic objectives and KPIs during the year. • Individual awards are subject to a risk underpin. The Committee will assess performance against Society risk and compliance metrics and may apply a downward adjustment, where appropriate. Maximum • Current individual maximums are 100% of salary for Executive Directors. Operation • For Executive Directors, 40% of the total Lloyd's Incentive Plan award will be deferred for three years and paid in April of the fourth financial year following the end of the performance period. • The Committee may apply malus and clawback to individual awards (see above).
	Market Award	Performance measures • Market Awards directly linked to Lloyd's market profitability in the year, subject to a minimum threshold of £500m. Market Awards are subject to the achievement of profit before tax and combined operating ratio metrics. • Market Awards are subject to a risk underpin. The Committee will assess performance against market-based risk and compliance metrics and may apply a downward adjustment, where appropriate. • The market element is also subject to individual performance. Maximum • Current individual maximums are 100% of salary for the Chief Executive Officer and Chief of Markets, and 50% of salary for the Chief Financial Officer. Operation • For Executive Directors, 40% of the total Lloyd's Incentive Plan award will be deferred for three years and paid in April of the fourth financial year following the end of the performance period. • The Committee may apply malus and clawback to Market Awards (see above).
Strategic Transformation Incentive Plan		Performance measures • Awards are made to a group of key roles who have a material impact on the development and execution of the Future at Lloyd's strategy. Performance metrics are directly aligned to the success of the Blueprint Two programme. • Lead indicators will be underpinned by profitability and financial strength of the Lloyd's marketplace. Vesting may be deferred by 12 months and the underpin tests reapplied in the following year in the event that performance underpins are not met. Maximum • Current individual maximum awards are 200%, 100% and 125% of salary to the Chief Executive Officer, Chief Financial Officer and Chief of Markets respectively. • Awards may be made in 2024 and will be performance tested and vest following 31 December 2024. • Payment of any vested awards will be made in three tranches in the three years following the end of the performance period, subject to employment at the time of vesting. • Awards will be subject to Lloyd's malus and clawback provisions, and the risk underpin adjustment applicable to the Lloyd's Incentive Plan.

Committees of the Council continued

Annual remuneration report continued

Pension	• Executive Directors will receive a pension contribution of 15% of salary.
Benefits	• Benefits may include private medical insurance, life insurance and a season ticket loan facility. • Relocation benefits may be offered in certain circumstances. • Executive Directors receive a benefits cash allowance of 3% of salary.
Approach to remuneration on recruitment	The following broad principles would apply when agreeing the components of a remuneration package upon the recruitment of a new Executive Director: • Any package will be sufficient to attract Executive Directors of the calibre required to deliver Lloyd's strategic priorities. • Typically, the individual will be transitioned onto an ongoing remuneration package that is in line with the Remuneration Policy above. • The Committee may, on appointing an Executive Director, need buy-out terms or remuneration arrangements forfeited on leaving a previous employer. The terms of any buy-out would be determined taking into account the terms of the forfeited awards and the overriding principle will be that any replacement buy-out award should be of comparable commercial value to the awards that have been forfeited with comparable time horizons. • The Committee retains the flexibility to make additional awards for the purpose of recruitment where there is a strong rationale to do so. • Where an Executive Director is appointed from within the organisation, the normal policy is that any legacy arrangements would be honoured in line with the original terms and conditions.
Approach to remuneration on termination	The following broad principles would apply when determining the termination arrangements for an Executive Director: • If an Executive Director works out his or her notice period, he or she will be entitled to payment as normal during the period of notice. Alternatively, the Society reserves the right to terminate the employment by making a payment in lieu of notice. • In these circumstances, the Society's policy is that the outgoing employee would be entitled to receive an amount equal to base salary only in respect of his or her notice period. The sum may be paid in monthly instalments at the Society's discretion and may be reduced to reflect alternative income. • If an Executive Director is under notice of termination on or before the date on which an Individual Performance Award, Market Award or Transformation Incentive Plan award would otherwise have been paid, the award will generally be forfeit, other than in certain 'good leaver' circumstances. 'Good leaver' circumstances include death; disability; ill-health; redundancy; retirement; and any other reason at the Remuneration Committee's discretion (excluding gross misconduct). Where any payment is made, this would be based on performance, with payments made in line with normal time horizons under the plan rules (except in the case of death). • In relation to any award in respect of the financial year notice of termination was served, the award would also normally be pro-rated for time.

Compliance with the UK Corporate Governance Code 2018 *(Code Principles Q and R and Provisions 40 and 41)*

Compliance statement

The Society is not required to report under the Directors' remuneration reporting regulations, as these only apply to UK-listed companies. The Committee has chosen broadly to follow the disclosure principles in those regulations insofar as they can be applied to the governance of the Society. For the purposes of this report, Executive Directors refers to John Neal (Chief Executive Officer), Burkhard Keese (Chief Financial Officer) and Patrick Tiernan (Chief of Markets). Directors are not involved in deciding their own remuneration outcome.

The Committee's terms of reference and Remuneration Policy provide further direction on the circumstances that must be considered when authorising remuneration outcomes.

Use of discretion

The extent to which discretion has been applied to remuneration outcomes and the reasons why they are not disclosed is a departure from Provision 41 of the Code. The possible risk with this approach is that the use of discretion cannot be assessed in the way envisaged by the Code. However, the Remuneration Report explains that a discretionary risk underpin applies to incentive out-turns and sets out if a downward risk underpin has been applied when such a decision is made. The Remuneration Report also details the circumstances where the Committee retains the discretion to apply malus or clawback to awards. In addition, in accordance with Part 3 of the Constitutional Arrangements Byelaw (No. 2 of 2010), the Society's Directors are required to exercise independent judgement and act in good faith to promote the success of the Society having regard to a number of factors, including (but not limited to) the likely consequences of any decision in the long term and the need for the Society to have regard to the interests of its employees. Therefore, it is not considered appropriate to incorporate the extent to which discretion has been applied to the remuneration outcomes and the reasons why, within the Remuneration Report, over and above that already covered.

Provisions 40 and 41

The Remuneration Report contains clear and concise information with sufficient detail contained overall within the Remuneration Report to give external stakeholders a good understanding on how Executive Director Remuneration Policy and practices are determined. It is considered that the inclusion of descriptions following specific wording from Provision 40 could potentially duplicate and dilute the information contained within the report.

Therefore, a description (with examples) of how the Committee has addressed the factors in Provision 40 of the Code is not incorporated in the Remuneration Report under the specific headings identified in the Code, and this is a departure from Provision 41 of the Code. The risk of this approach is that the descriptions are not presented in the way envisaged by the Code. However, as set out above, the Remuneration Report contains clear and concise information that achieves the overall objectives envisaged by the Code.

Lloyd's is not subject to the directors' remuneration reporting regulations for UK-listed companies, and therefore is not required to consider Chief Executive Officer and Executive Director to employee pay ratios. However, the Committee reviews and considers gender and ethnicity pay gaps.

Committees of the Council

Terms of reference

The terms of reference for the Investment and Sustainability Committees can be found at www.lloyds.com.

Investment Committee attendance
(Code, Provision 14)

		Scheduled meetings attended*
Chair[1]	**Paul Stanworth[2]**	**3/4**
Council members[3]	Jeffery Barratt[4]	4/4
Subject matter experts	Mark Allan	4/4
	Reeken Patel	4/4
	Emily Penn	4/4
Executive members	Eleanor Bucks	4/4
	Burkhard Keese	4/4
	John Neal	3/4

Notes:

* Four scheduled meetings were held during 2023.

1. Karen Green ceased as Chair and member of the Investment Committee with effect from 30 November 2023. Karen Green attended 4/4 of the meetings.
2. Paul Stanworth was appointed as Chair of the Investment Committee with effect from 1 December 2023.
3. Angela Crawford-Ingle and Marcus Johnson were appointed as members of the Investment Committee with effect from 1 December 2023. No meetings were held after this date.
4. Jeffery Barratt ceased as a member of the Investment Committee with effect from 30 November 2023.

Sustainability Committee attendance
(Code Principle D, Provision 14)

		Scheduled meetings attended*
Chair	**Lord Mark Sedwill**	**5/5**
Council members[2]	Richard Dudley[1]	4/5
	Joe Hurd[3]	4/4
	Fiona Luck	5/5
Market representatives	Sheila Cameron	4/5
	Jane Warren	5/5
Subject matter experts	Brian Dow	5/5
	Ingrid Holmes	4/5
	Kamel Hothi	5/5
Executive members[5]	Rebekah Clement	5/5
	Sara Gomez	4/5
	Mark Lomas	4/5
	David Sansom[4]	3/3
	Jo Scott	5/5

Notes:

* Five scheduled meetings were held during 2023.

1. Richard Dudley was appointed as a member of the Sustainability Committee with effect from 9 February 2023.
2. Dominick Hoare ceased as a member of the Sustainability Committee with effect from 9 February 2023.
3. Joe Hurd was appointed as a member of the Sustainability Committee with effect from 10 May 2023.
4. David Sansom ceased as a member of the Sustainability Committee with effect from 5 September 2023.
5. Rachel Turk was appointed as a member of the Sustainability Committee with effect from 5 December 2023. No meetings were held after this date.

Investment Committee *(Code Provision 3)*

The Investment Committee recommends to the Council the investment objectives and parameters of Lloyd's centrally managed assets and is responsible for reviewing performance against these. In addition, it monitors the investment operations of the Treasury and Investment Management function in respect of all funds under its management and approves all investment counterparties. It may also make more general recommendations concerning investment activity at Lloyd's. In relation to the Lloyd's Investment Platform, the Investment Committee has certain monitoring and oversight responsibilities in respect of the operating model, the establishment of fund structures on the platform, and the activities of the platform investment adviser and platform operator.

The Investment Committee is required to obtain the approval of the Council before making any decisions that may materially affect the financial risks applying to the Society or Lloyd's market entities.

The Chair of the Investment Committee meets informally with and has open lines of communication with the Chief Financial Officer and Chief Investment Officer and other members of the Executive team (as appropriate) to discuss topical issues and the operations of the Society. These meetings provide an opportunity for any matters to be raised confidentially.

The Investment Committee was chaired by Karen Green (who was an elected external member of the Council) until 30 November 2023. Since 1 December 2023 Paul Stanworth (who first joined the Investment Committee as an external subject matter expert in 2022) has chaired the Committee. The other members of the Committee are drawn from the Council and the Executive, together with independent subject matter experts. The Chairman is a regular attendee, with other individuals invited to attend all or part of any meeting as and when deemed appropriate.

The Investment Committee submits a written report to the Council annually and submits reports on its proceedings after each meeting (and may submit additional reports on matters of material concern as and when necessary).

Sustainability Committee *(Code Principles B, D, E and K Provisions 2, 3, 5)*

In March 2024 the Council gave its approval for the Environmental, Social and Governance Committee to be renamed the Sustainability Committee. The Sustainability Committee is responsible for reviewing, challenging and approving submissions in respect of the Lloyd's sustainability, culture and responsible business strategies. This responsibility includes reviewing employee engagement surveys which are undertaken annually.

The Sustainability Committee is chaired by Lord Mark Sedwill, the Senior Independent Deputy Chairman of Lloyd's. The Sustainability Committee Chair has a wealth of skills, knowledge and experience, having led or helped shape policymaking approaches to topics including sustainability and energy transition. The remaining members are drawn from the Council, representation from the market, subject matter experts and executive members as set out in the Sustainability Committee attendance table. The Sustainability Committee membership includes the Lloyd's Corporate Affairs Director, Chief Underwriting Officer, and Chief People Officer, who are responsible for leading and executing Lloyd's (Corporation and Market) sustainability strategy globally. This includes driving Lloyd's climate action commitments.

Terms of reference

The terms of reference for the BCC, TTA and UAP can be found at www.lloyds.com.

BCC attendance *(Code Provision 14)*

		Scheduled meetings attended*
Chair	**Richard Dudley**	**1/1**
Council members	Andrew Brooks	1/1
	Victoria Carter	1/1
	Joe Hurd	1/1
	Neil Maidment	1/1
	Lord Mark Sedwill	1/1

Notes:

* The BCC was created in October 2023 and all members were appointed with effect from 29 November 2023. One scheduled meeting was held during 2023.

TTA attendance *(Code Principle D, Provision 14)*

		Scheduled meetings attended*
Chair[1]	**Richard Dudley[2]**	**5/6**
Council members	Joe Hurd[3]	3/3
	Sean McGovern	5/6
Special adviser to the Council	Matthew Wilson	1/1
Market representatives[4]	Clive Buesnel	4/6
	Sheila Cameron	6/6
	Cecile Fresneau	4/6
	Brad Irick	4/6
Executive members	John Neal[1]	1/1

Notes:

* Six scheduled meetings and two ad-hoc meetings were held during 2023.

1. John Neal ceased as Chair and member of the TTA with effect from 8 February 2023.
2. Richard Dudley was appointed as Chair of the TTA with effect from 9 February 2023.
3. Joe Hurd was appointed as a member of the TTA with effect from 10 May 2023.
4. Greg Collins ceased as a market representative member of the TTA with effect from 1 January 2023 (with no meetings taking place during this time).

The Chair of the Sustainability Committee meets informally with and has open lines of communication with the Chief Executive Officer and other members of the Executive team as required, together with other members of senior management (as appropriate), to discuss topical issues and the operations of the Society. These meetings provide an opportunity for matters to be raised confidentially.

The Society has a workforce panel, the Employee Change Forum (ECF). The ECF arrangements are considered appropriate because representatives are elected for each function within Lloyd's, with the Executive from that function chairing ECF meetings. Each ECF function elects a representative who attends Corporation-wide ECF meetings chaired by the Chief Executive Officer. The functional ECF meetings take place a minimum of six times each year, with Corporation ECF meetings taking place at least once a quarter. The meetings are conducted by way of a two-way dialogue, where views of the ECF are considered. The Chief Executive Officer and Chief People Officer report as appropriate on the ECF and related culture matters to ensure effective workforce engagement. The effectiveness of the ECF is monitored, as appropriate, including via the employee engagement survey, which in 2023 asked participants questions regarding communication and responses to employee feedback.

The Sustainability Committee submits a written report to the Council annually and also submits reports on its proceedings after each meeting (and may submit additional reports on matters of material concern, as and when necessary). Please refer to the separate Sustainability Report.

Blueprint Two Cutover Committee (BCC) *(Code Principle D)*

In October 2023, the Council approved the establishment of the BCC. The BCC assists Council by reviewing proposals by the Executive on key milestones for the achievement of Blueprint Two phases one and two cutover dates. It also takes input from the TTA. Ultimately the BCC will make recommendations to Council for go or no-go decisions on Blueprint Two phases one and two. The Chair of the BCC is Richard Dudley (an elected member of the Council and also the Chair of the TTA) and the other members are drawn from the Council.

Technology and Transformation Advisory Panel (TTA) *(Code Principle D)*

The TTA assists the Council by sharing insights, expert advice and assessments of developments in the delivery, communication and adoption of the Blueprint Two programme, identifying issues for consideration, focus and review by the BCC and the Council.

The TTA was chaired by the Chief Executive Officer of Lloyd's until 8 February 2023. Richard Dudley (an elected member of the Council) has chaired the TTA since 9 February 2023. The TTA is comprised of senior market practitioners drawn from both the underwriting and broking communities to enable the sharing of market insights into development, and execution risk in in the delivery of the programme and related Velonetic (formerly Joint Venture) activity. The Chief Operations Officer attends each TTA meeting. Blueprint Two updates are provided to the Council at each meeting by the Chair of the TTA and/or the Chief Operations Officer.

Underwriting Advisory Panel (UAP)

The UAP assists the Chief of Markets by sharing, as appropriate, insights and assessments regarding underwriting conditions, developments and trends in the insurance market (including any long-term issues) and provides expert advice on technical market matters.

The UAP is chaired by the Chief of Markets, and its remaining members are comprised of the Chair of the Lloyd's Market Association and Council members with relevant market expertise.

Special and Charitable Committees of the Council

Terms of reference

The terms of reference for MSARC and CTP can be found at www.lloyds.com.

MSARC attendance *(Code, Provision 14)*

		Scheduled meetings attended*
Chair	**Sir Mark Havelock-Allan KC**	**3/3**
SMEs	Susan-Jane Hayes[1]	2/2
	Emma Higgins[2]	2/2
	Julian James	2/3
	Nick Marsh	2/3
	Tammy Richardson	3/3

Notes:

* Three scheduled meetings were held during 2023.

1. Susan-Jane Hayes was appointed as a member of MSARC with effect from 10 May 2023.
2. Emma Higgins was appointed as a member of MSARC with effect from 10 May 2023.

CTP attendance* *(Code, Provision 14)*

Chair	**Neil Maidment**
SMEs	Richard Boys-Stones
	Margaret Chamberlain
Other non-executive committee members	Sheila Cameron
	Lady Rona Delves Broughton
	Belinda Schofield[1]
	Kalpana Shah[2]

Notes

* No meetings were held during 2023.

1. Belinda Schofield was appointed as a member of CTP with effect from 22 March 2023.
2. Kalpana Shah was appointed as a member of the CTP with effect from 22 March 2023.

Special and Charitable Committees

Market Supervision and Review Committee (MSARC)

MSARC takes decisions regarding the exercise of the Society's enforcement powers. It also acts as a review body capable, where appropriate, of amending, modifying, or withdrawing certain decisions taken by the Executive affecting managing agents. It also acts as the body that determines whether certain decisions can be referred to the Lloyd's Appeal Tribunal and can also make certain business decisions.

The members of MSARC are appointed by the Council and are neither Council members, nor employees of the Society. MSARC is chaired by a qualified lawyer.

MSARC submits a written report to the Council annually and may submit additional reports where appropriate.

Capacity Transfer Panel (CTP)

The CTP was established principally to exercise the Council's powers in relation to syndicate minority buyouts and mergers.

The members of the Panel are appointed by the Council. The CTP is chaired by Neil Maidment, an independent nominated member of the Council.

The CTP submits a written report to the Council annually and may submit additional reports on matters of material concern, as and when necessary.

Report of the Lloyd's Members' Ombudsman

Report by Simon Cooper, Lloyd's Members' Ombudsman

I am pleased to present the Annual Report of the Lloyd's Members' Ombudsman to the Council of Lloyd's for the year ended 31 December 2023.

The role of the Lloyd's Members' Ombudsman is to investigate complaints made by members of Lloyd's who believe that they have suffered injustice in consequence of maladministration in relation to any action taken by, or on behalf of, the Society.

Complaints received

During 2023, I dealt with two complaints.

The allegations made in the first complaint fell outside my jurisdiction on a number of grounds. I therefore declined to investigate the first complaint.

I reported on my investigation of the second complaint in December 2023. I concluded that the Society's actions in relation to the complainant had involved minor maladministration and I therefore recommended that the Society make a payment to the complainant by way of compensation.

Costs

The expenses incurred by my office amounted to £14,150.

Financial review

This review should be read in conjunction with the financial statements of the Society on pages 122 to 159 and the Strategic Report on pages 2 to 21. The Strategic Report sets out the strategic priorities for both the Society and the Lloyd's market as a whole.

Profit before tax

The Society reported a profit before tax of £358m (2022: £124m). A summary of the result is set out below:

	2023			2022		
	Corporation of Lloyd's £m	**Lloyd's Central Fund £m**	**Society total £m**	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m
Technical account						
Earned premiums, net of reinsurance	–	–	–	–	–	–
Other technical income	8	–	8	8	–	8
Claims incurred, net of reinsurance	–	–	–	–	–	–
Net operating income	34	–	34	22	–	22
Balance on the technical account for general business	**42**	**–**	**42**	30	–	30
Non-technical account						
Total investment return	58	251	309	(22)	(157)	(179)
(Loss)/profit on foreign exchange	(5)	(113)	(118)	10	231	241
Non-technical income	367	192	559	334	157	491
Non-technical operating expenses	(365)	(69)	(434)	(362)	(97)	(459)
Profit/(loss) before tax	**97**	**261**	**358**	(10)	134	124

Technical account

The technical account represents the results of the Society's insurance business carried out by its subsidiaries, Lloyd's Europe and Lloyd's China, which is fully reinsured to the Lloyd's syndicates. As a result, the net underwriting result (premiums less claims and related expenses) is nil. The balance on the technical account of £42m (2022: £30m) is largely attributed to the ceding commission earned by Lloyd's Europe and Lloyd's China for their reinsurance to the Lloyd's syndicates, which has increased in line with premium growth (refer to Premiums section below).

Non-technical account

The non-technical account performance is driven by investment returns, primarily from the Central Fund, as well as the core operations of the Society in servicing and regulating the Lloyd's market.

Investment returns have contributed £309m to profit before tax in 2023 (2022: £179m loss), reflecting improved conditions in financial markets (refer to Investment performance section on page 105).

Non-technical income has increased as a result of the general growth in premiums written across the Lloyd's market in 2023, as the Society's key revenue streams – subscriptions, Central Fund contributions and overseas operating charges – are driven by syndicate underwriting year premium growth.

Non-technical operating expenses decreased, primarily as a result of the decline in expenditure on strategic projects compared to 2022, as well as lower loan interest costs following the partial redemption of subordinated debt in December 2022 and a one-off tax provision release. These were partly offset by an increase in employment expenses, driven by annual salary increases and legal costs.

The strengthening of sterling against US dollars during the period has resulted in a £118m loss (2022: £241m gain) on foreign exchange, with approximately half of the Central Fund investment portfolio held in US dollars.

Premiums

The Society reported gross written premium of £3,965m (2022: £3,227m), an increase of 23%.

	2023 £m	2022 £m
Gross written premiums	3,965	3,227
Outward reinsurance premiums	(3,965)	(3,227)
Net written premiums	–	–

The increase is primarily driven by increasing business volumes, mainly from continued growth in the Lloyd's Europe portfolio, as well as the benefit of the strong pricing environment experienced across the non-life insurance market, led by the Property sector; this is consistent with the experience across the wider Lloyd's market. The gross loss ratio has decreased to 37% from 84% in 2022. This decrease is primarily driven by a period of low exposure to large losses, partially offset by losses arising from the conflict in Ukraine, for which appropriate allowances have been made in estimating loss reserves in 2023. The expense ratio has remained flat year-on-year; however, there has been an increase in acquisition expenses, in line with the growth in premium, offset by lower administrative expenses.

Investment performance

The Society's investments, mostly held within the Central Fund, generated a gross investment return of £309m, reflecting a return of 5.3% (2022: loss of £179m, (3.2)%). The Society's currency policy, which aims to preserve the solvency strength of the Central Fund by maintaining exposure to US dollars, resulted in losses from the strengthening of the sterling against US dollars over the year. The loss on foreign exchange of £118m (2022: gain of £241m) reduces the investment return to 3.4% (2022: 1.1%).

The Central Fund investment portfolio generated a positive return of 7.7%. The loss on foreign exchange reduces the investment return to 4.2%.

In terms of asset class performance, all investments generated strong positive returns, particularly Developed Equities, Emerging Market Debt and High Yield. Much of the gain in investment returns came in the final few months of the year, driven by faster-than-expected cuts to inflation, leading to increased expectations of central banks cutting interest rates in 2024. Longer duration credit and government bonds particularly benefited from the fall in yields seen in the last quarter of the year and a positive sentiment towards risk. Global equities also generated strong growth, with the MSCI World Index surging to 22.8% overall in 2023, a significant increase compared to the broad market declines seen in 2022. Returns on Emerging Market equities, although positive, were weaker than Developed Market equities, a consequence of the poor performance of China, driven by a weak economic recovery following its reopening after COVID-19 and ongoing real-estate sector crisis.

Taxation

A tax charge of £90m (2022: £26m) on profit before tax of £358m (2022: £124m) has been recognised in the profit and loss account for the year ended 31 December 2023 to report a profit after tax of £268m (2022: £98m). A tax credit of £9m (2022: tax charge of £34m) has been recognised in other comprehensive income resulting in a total comprehensive income for the year of £233m (2022: £244m). Further details are set out in note 14.

Movement in net assets

	2023 £m	2022 £m
Net assets at 1 January	3,283	3,058
Profit after tax	268	98
Actuarial (loss)/gain on pension schemes	(19)	150
Currency translation differences	(25)	30
Tax credit/(charge) on other comprehensive income	9	(34)
Interest paid on syndicate loans	(19)	(19)
Net assets at 31 December[1]	**3,497**	3,283

1. The net assets of the Central Fund are included within the above amounts and at 31 December 2023 were £3,269m (2022: £3,083m).

Pension schemes

Lloyd's pension scheme

The Lloyd's pension scheme valuation at 31 December 2023 was a surplus of £41m (2022: £57m) before allowance for a deferred tax liability of £10m (2022: £14m).

The movement in the pension scheme during the year is summarised below:

	2023 £m	2022 £m
Pension surplus/(deficit) as at 1 January	57	(102)
Pension income/(expense) recognised in the Group profit and loss account	3	(2)
Employer contributions	–	11
Remeasurement effects recognised in the Group statement of other comprehensive income	(19)	150
Pension surplus as at 31 December	**41**	57

Financial review continued

The surplus has reduced during the period primarily due to a fall in the discount rate driven by a decrease in corporate bond yields and increasing liabilities. Further details are provided in note 22, which includes the sensitivity of the valuation to changes in these assumptions.

Whilst there was a net deficit at the date of the triennial funding valuation at 30 June 2022 of £(44)m, investment outperformance in the 18 months to 31 December 2023 resulted in a year end surplus of £41m. The recovery plan agreed by the Trustees puts a contingent contribution structure is in place until the next valuation (scheduled for 30 June 2025) under which contributions will be made should the estimated funding level fall below 103% as at 30 June in any given year. No additional contribution was paid in 2023.

Overseas pension schemes

The actuarial valuations of the overseas pension schemes at 31 December 2023 resulted in a deficit of £3m (2022: £3m). Further details are provided in note 22.

Capital structure

Lloyd's unique capital structure, referred to as the 'chain of security', provides the financial strength that ultimately backs all insurance policies written at Lloyd's. The Central Fund cover provides additional protection for Lloyd's Central Fund, the third link in the chain of security, in situations where the Central Fund makes payments to cover members' liabilities. The programme incepted on 1 January 2021 and has an initial fixed duration of five years (with a possible extension to hold collateral for up to a further three years to cover adverse claims development). The Society retains the first £790m of claims payable. The total amount of cover provided by the programme is £650m, with layers provided by Constellation (an incorporated cell of White Rock Insurance (Guernsey) ICC Limited) and a panel of reinsurers. The layer covered by Constellation of £450m is 100% collateralised for the five year term.

The capital structure is actively managed and further details can be found on pages 11 of the Annual Report.

Capital management

The Society monitors its capital to ensure that it maintains sufficient assets for both operational and solvency purposes. Further disclosures regarding financial instruments are provided in note 16. Further details regarding solvency are below.

Solvency

Total assets for solvency purposes are set out below. The 2023 position is an estimate of the amount, which will be finalised in April 2024 alongside the 2023 Lloyd's Solvency and Financial Condition Report. The figures are calculated on a Solvency II basis. The solvency figures in the table below are unassured:

	2023 £m	2022 £m
Central assets at 31 December	3,497	3,283
Subordinated debt	604	603
Total	4,101	3,886
Solvency valuation adjustments	1,930	1,678
Available central own funds to meet the Central Solvency Capital Requirement (SCR)	6,031	5,564
Excess central own funds not eligible to meet the Central SCR	(1)	–
Eligible central own funds available to meet the Central SCR	6,030	5,564
Central SCR	1,200	1,350
Central solvency ratio	**503%**	412%

The Central SCR covers the central risks of the Society. This includes the risk that members may have insufficient capital to meet their losses. The Central SCR may be covered only by central eligible own funds of the Society.

The solvency valuation adjustments above include items such as valuation differences arising and assets being disallowed due to the valuation principles used in Solvency II. They also include recognition of the callable layer, which may be taken from member-level capital to strengthen central resources.

The eligibility of assets to count towards the solvency coverage is also subject to tiering restrictions. All Tier 1 assets count fully towards the solvency coverage assessment. However, Tier 2 and Tier 3 assets may only count up to a maximum of 50% of the SCR. The decrease in the Central SCR and the partial debt redemption has meant that Lloyd's Tier 2 and 3 central capital exceeded 50% of the SCR by £1m at 31 December 2023 (2022: did not exceed).

Based on central own funds eligible to meet the Central SCR of £6.0bn (2022: £5.6bn), the solvency ratio is 503% (2022: 412%). In setting contribution levels, account is taken of the Central SCR to ensure that Lloyd's is prudently capitalised. The central solvency ratio reported above is based on the SCR, which has been calculated using the latest approved version of the Lloyd's Internal Model.

The 2019 tranche of syndicate loans will be repaid on the fifth anniversary of commencement, being 29 March 2024, reducing the Central solvency ratio by 7%. Further, the subordinated debt maturing in 2024 currently accounts for 26% of the Central solvency ratio.

Cash flows and liquidity

Cash and cash equivalents decreased during the year ended 31 December 2023 by £169m to £998m (2022: £1,167m). Cash balances are maintained at appropriate levels to meet the short-term operating expenses of the Society. Any surplus cash balances are invested and are included as financial investments within the Group balance sheet.

The Society's free cash balances are regularly monitored. This metric (wherever used in the Annual Report) is an alternative performance measure (APM). Free cash represents the amounts, both at bank and on deposit, held in the UK and available to the Corporation to meet operating expenses, including those of overseas operations, excluding any balances held in respect of insurance and arbitration activities. Free cash balances at 31 December 2023 were £328m (2022: £282m).

The liquidity of the Central Fund is monitored separately. Cash balances are managed to meet short-term operational commitments including the payment of drawdowns. Any surplus cash balances are invested in compliance with defined investment parameters approved by the Investment Committee.

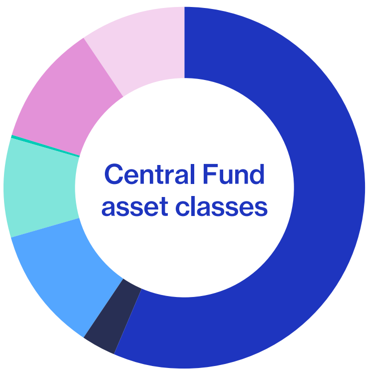
Central Fund investment strategy

The role of the Central Fund, the third link in Lloyd's chain of security, is to support central solvency by adding an additional set of assets to pay a member's insurance liabilities, at the discretion of the Council of Lloyd's, in the unlikely event that members' premium trust fund (PTF) and Funds at Lloyd's (FAL) have been exhausted. Acceptable levels of investment risk are taken to grow the value of the Central Fund in line with market exposure. The investment objective of the Central Fund is to grow in line with the market by optimising investment return over the longer term while maintaining acceptable levels of investment risk and having sufficient liquidity to pay expected obligations that arise in the future.

Following approval by the Council and the Investment Committee at the end of 2023, the Central Fund Strategic Asset Allocation (SAA) was updated to continue the journey of re-risking following the de-risking that occurred during the COVID-19 pandemic in 2020. The updated SAA is diversified across different asset classes and remains within the approved risk appetite limits.

The allocation to growth assets has increased. The private asset allocation that was approved in 2022 is being deployed as appropriate opportunities arise.

Fixed income securities	1,889
Loans	99
Shares	369
Investment pools	301
Derivative assets	4
Deposits	365
Cash	311



Initial investments in the Lloyd's Private Impact Fund and the Lloyd's Private Credit Fund (both of which sit on the Lloyd's investment platform) occurred in 2023.

Financial risk management and treasury policies

Overview

The Society's principal financial instruments comprise cash and cash equivalents, investments, borrowings and items that arise directly from operations. These include assets and liabilities of the Central Fund.

The Society's treasury operations and investments are managed by reference to established policies that are reviewed regularly by the Investment Committee. Overall risk is managed within defined limits specified by the Council. Policies for managing these risks, in particular credit risk, liquidity risk, interest risk, currency risk and market risk, are summarised below. The following financial risk management objectives and policies and disclosures within note 22 are audited.

Credit risk

Credit risk represents the risk of financial loss to the Society if a counterparty, or the issuer of a security, fails to meet its contractual obligations.

Trade and other receivables

The Society has established procedures to minimise the risk of default by trade and other receivables, which are mainly in respect of the Lloyd's market, the main source of income. These procedures include minimum checks for new market entrants.

Financial investments

A list of permissible bank counterparties, for the purposes of money-market investment, is maintained and restricted to banks having strong balance sheets and credit ratings. Investment parameters exist for all investment assets, controlling overall credit quality and ensuring appropriate risk diversification. Permitted counterparties to capital market transactions are also carefully controlled. All applicable parameters are reviewed regularly by the Investment Committee in accordance with the risk appetite set by the Council.

Insurance contract assets

Insurance contract assets are all recoverable from Lloyd's syndicates. All syndicates benefit from the Lloyd's chain of security, therefore credit risk for insurance contract assets is concentrated with the Society of Lloyd's. The Society monitors the underwriting profitability of syndicates by responding to the risk appetite of the market, adjusting business planning for future years.

Insurance contract assets
Insurance contract assets are all recoverable from Lloyd's syndicates. All syndicates benefit from the Lloyd's chain of security, therefore credit risk for insurance contract assets is concentrated with the Society of Lloyd's. The Society monitors the underwriting profitability of syndicates by responding to the risk appetite of the market, adjusting business planning for future years.

Liquidity risk
The value and term of short-term assets are carefully monitored against those of the Society's liabilities. The Society maintains sufficient liquid assets to meet liabilities as they fall due.

The liquidity of the Central Fund is monitored separately. Cash balances are managed to meet short-term operational commitments, including the payment of drawdown. Any surplus cash balances are invested in compliance with defined investment parameters approved by the Investment Committee, in accordance with the risk appetite set by the Council.

The Society has an undrawn €200m committed borrowing facility as at 31 December 2023 (2022: €200m undrawn). Refer to note 32 for further information. Details of the amounts owed to credit institutions placed by the Society are included in note 25(b).

The Society has a strong free cash balance at 31 December 2023 of £328m (2022: £282m), with additional holdings in short-term investments, making the Society's liquidity very strong.

The Society has not experienced any liquidity constraints or inability to settle its obligations when due.

Market risk
Market risk represents the risk that movements in financial markets will affect the financial position of the Society. Market risks arising from the disposition of the Society's investments are monitored against defined parameters using 'value at risk' methodology.

The position is reviewed regularly by the Investment Committee. Investments are actively monitored on a fair value basis and all investments are designated as fair value through profit or loss, other than statutory insurance deposits and short-term and security deposits, which are held at amortised cost.

As part of the strategy to mitigate market risks in relation to the equity portfolio of investments, the Society has the ability to enter into equity futures hedges.

Foreign currency risk
The Society enters into a variety of foreign exchange transactions in response to the foreign currency requirements of the Society's Group companies. In managing the exposures arising from such foreign exchange activity, which may involve transactions for forward settlement, the net risk arising from all such exposures is considered. Consequently, while some net foreign exchange exposures may accrue to the Society from time to time as a result of this activity, the level of such exposures is carefully monitored and is not significant in the context of the Society's activities.

Foreign currency exposures arising from overseas investments are considered together with any foreign currency liabilities of the Society, as well as the underlying currency mix of the Central Solvency Capital Requirement, of which a high proportion is US-dollar-based. Net foreign currency exposures arising are managed through the use of forward foreign exchange contracts.

Separately, the Society provides a Currency Conversion Service (CCS) to participating Lloyd's syndicates, converting insurance premiums and claims between sterling and other Society settlement currencies as required. Foreign exchange exposures arising from the provision of the CCS are again managed on a net basis, within defined parameters. The CCS is operated separately from other foreign exchange activity of the Society because, under the terms of the service, any profit (or loss) arising from CCS exposures is distributed to (or collected from) syndicates participating in the CCS. Currency exposures arising from CCS activity consequently do not, ultimately, represent significant risks to the Society.

The Society continues to closely monitor exposure to foreign currency transactions, along with the use of forward foreign exchange contracts to mitigate a portion of the investment exposure governed by Lloyd's risk appetite. As a result of this strategy, the Society has a significant US dollar exposure.

Interest rate risk
Borrowings from the Lloyd's market for the purpose of funding statutory insurance deposits do not bear a fixed rate of interest. Instead, investment returns earned on the borrowed assets are passed on to lenders. Consequently, no interest rate risk arises on such borrowings.

Short-term assets held by the Society may be significant at certain times. These are invested in money market instruments of up to 12 months' duration with the objective of maximising current income while meeting liquidity requirements.

Interest rate risk arising from the requirement to make fixed rate coupon payments in respect of the Society's senior and subordinated debt, and discretionary fixed rate coupon payments in respect of the Society syndicate loans, is considered in conjunction with the market risk arising on the Society's investments.

As part of the strategy to mitigate these risks, the Society has the ability to enter into interest rate swap contracts.

Outlook

Central assets, which exclude subordinated liabilities, are expected to remain over £3bn in 2024. Following its meeting on 27 March 2024, the Council gave no undertakings to corporate members to use the New Central Fund to discharge the liability of members with unpaid cash calls who do not have the resources to meet those calls. There were also no undertakings from previous years.

Research and development activities

The Society continues to develop and digitalise its operations involving shared data approaches, standardised processes supported by advanced technology and common security measures to increase efficiency within the insurance industry and ensure the market has access to the most effective tools.

Streamlined Energy and Carbon Reporting (SECR)

For the year ended 31 December 2023 and in compliance with the Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018, the Group has reported its energy consumption, energy efficiency and greenhouse gas emissions on page 111 of the Society Report.

Post balance sheet events

Details of post balance sheet events can be found in note 35 to the Society's consolidated financial statements.

Going concern and viability statement

Assessment of prospects

The Lloyd's business model and strategy are central to an understanding of its prospects and details can be found on pages 9 to 19. The strategy is subject to ongoing monitoring and development.

The prospects of the Lloyd's market, including the Society, are primarily assessed through the annual strategic review and planning process. The output of the review is a strategic plan to deliver any recommendations. The review is led by the Chief Executive Officer through the Executive Committee and all relevant departments are involved. The Council participates fully in the process and part of its role is to consider whether the strategic plan continues to take appropriate account of the external environment and meets the needs of the market.

The review determines a set of medium-term targets, key performance indicators for the current year and activities to deliver on those metrics. The strategic plan for 2024 was approved in December 2023 following completion of the latest review cycle. As part of the planning process financial assumptions for 2024 and 2025 were prepared for the Society and presented to the Council in March 2024.

Assessment of viability

The Council receives quarterly reports from the Risk Committee on the key risks and risk appetites, including the Society's Own Risk and Solvency Assessment as well as the results of stress testing resilience to severe yet plausible scenarios. The principal risks and material uncertainties that would threaten the business model, future performance, liquidity or solvency of the Lloyd's market as a whole are set out on pages 20 and 21. In addition, the financial statements include notes on investment strategy, financial risk management, treasury policies and sensitivity analysis.

The Lloyd's capital structure is set out on page 11 and Lloyd's is required to maintain solvency on a continuous basis. The solvency position of each member, and thus of Lloyd's as a whole, is monitored on a regular basis. Council considers bi-annually management's assessment of the current solvency position and the forecast position over a three-year period, including resilience of central assets to meet the Central SCR.

Viability statement

While the members of the Council have no reason to believe that the Society will not be viable over a longer period, the period over which the assessment is based is the three-year period to 31 December 2026, being the period considered under the strategic plan, including the detailed budgets prepared, and the solvency projections of the Society.

The members of the Council believe that the Society is well placed to manage its business risks successfully, having taken into account the current economic outlook, and confirm that they have a reasonable expectation that the Society will be able to continue in operation and meet its liabilities as they fall due over the three-year period ending 31 December 2026.

Going concern

After making enquiries, the members of the Council have a reasonable expectation that the Society has adequate resources to continue in operational existence for a period of at least 12 months from the date of approval of the Annual Report, and therefore consider it appropriate to continue to adopt the going concern basis in preparing the Society's financial statements.

Statement as to disclosure of information to auditors

Having made enquiries, the Council confirms that:

- to the best of each Council member's knowledge and belief there is no information relevant to the preparation of the Society Report of which the Society's auditors are unaware; and
- each Council member has taken all the steps a Council member might reasonably be expected to have taken to be aware of relevant audit information and to establish that the Society's auditors are aware of that information.

Climate related financial disclosures

Since 2014, Lloyd's has reported against the ClimateWise framework which has now developed to align with the Taskforce for Climate-related Financial Disclosure (TCFD) framework. The key elements of our TCFD disclosure framework under the four pillars are set out below. Full disclosure is available in the supplementary reporting section of our Sustainability Report (available on www.lloyds.com).

TCFD pillar		Sustainability Report reference
Strategy	• Climate change poses significant risks, with the potential to create impacts over prolonged and uncertain time horizons, and across many areas of risk, including potentially systemic impacts. Our approach to climate change remains thoughtful, proportionate and risk-based as one of the many current and emerging risks we are seeking to manage and mitigate. • Areas of best practice have emerged within the market organically, with leading syndicates developing proactive, innovative and rigorous responses. We also recognise our unique position to offer insight and direction, which is why we are focused on providing thought leadership, convening our market for action and developing the Corporation's own capabilities in this space. • Lloyd's sustainability strategy seeks to seize climate-related opportunities to support transition, which in 2023 included launching Lloyd's Private Impact Fund, an emissions accounting solution through the Lloyd's Lab, our 'Insuring the Transition' roadmap and partnerships with the Sustainable Market Initiative (SMI) and UN Capital Development Fund.	**Pages 38-39**
Governance	• Climate-related risks affect multiple areas of our business, which is why these risks and opportunities may be escalated to Council by the ESG, Risk or Investment Committees depending on the subject matter. Each committee has multiple members of Lloyd's Executive Committee present who can escalate considerations for Council. • The Council is then able to align our sustainability strategy and delegate actions via the Executive Committee and respective functions. • Lloyd's executive remuneration is assessed against a rigorous balanced scorecard of quantifiable metrics. 9% of executive remuneration is weighted to key performance indicators around Lloyd's purpose, which includes Lloyd's sustainability strategy. Further information can be found on page 94 to 95 of the Remuneration Report. • The Climate Change Risk working group was set up as a cross-functional forum to collaborate, align and track progress on actions to manage the financial risks from climate change. • Our Executive Sustainability Committee has since been established to support climate-related decisions at an Executive Committee level. • Key sustainability-related decisions and actions taken throughout 2023 can be found in the Corporate Governance section of this report on page 74.	**Page 37**
Risk Management	• In 2021 we participated in CBES, a stress testing exercise assessing Lloyd's capital and solvency position by applying physical, litigation and transition stresses across deterministic climate pathways. This was an important step in beginning to quantify some of the potential outcomes of climate change and demonstrated that, under the pathways set out by CBES, Lloyd's balance sheet would remain in a surplus asset position. Since that exercise, we have continued to develop specific areas for improvement and build capability. • We monitor a number of climate-related financial risks through our risk framework, including risk appetite metrics and key risk indicators (KRIs). We are continuing to look at expanding these further in line with developing practice in this area. Our ongoing oversight of the market includes consideration of syndicates' response to climate change risk embedded within Lloyd's principles-based oversight. • We have continued to develop our understanding of potential current and future impacts, including through Futureset research and the SMI Insurance Task Force. • We have assessed the appropriateness of climate change impacts captured in Lloyd's Internal Model through a validation deep dive.	**Page 40**
Metrics and targets	• Lloyd's aims to reduce our greenhouse gas (GHG) emissions where possible. A key part of that will be investing in upgrades to our London offices, the largest source of our operational emissions, which were agreed as part of our lease extension in December 2023. • The investment will allow us to reach the target of an energy performance certificate rating of 'C' by 2027 and 'B' by 2030. This means we can continue to provide the same space and value proposition to the market, with lower carbon emissions. • Each year we set goals to increase the reach and community of our Futureset platform, which facilitates better understanding of how the insurance industry can mitigate emerging and systemic risks facing global economies.	**Page 41**

Streamlined energy and carbon reporting

tCO_2e GHG emissions	2022 UK emissions	2022 Global emissions (excluding UK)	2022 Total	2023 UK emissions	2023 Global emissions (excluding UK)	2023 Total
Direct emissions (Scope 1)	1,295	22	1,317	**1,568**	**3**	**1,572**
Indirect emissions (Scope 2)						
Location based	2,582	599	3,181	**2,715**	**403**	**3,117**
Market based	–	641	641	**–**	**423**	**423**
Total Scope 1 + 2 (location based)	3,877	622	4,499	**4,283**	**406**	**4,689**
Total Scope 1 + 2 (market based)	1,295	663	1,958	**1,568**	**427**	**1,995**
Other indirect emissions (Scope 3)						
Total of selected Scope 3	1,162	244	1,406	**1,717**	**525**	**2,241**
Grand total Scope 1, 2, 3 (location based)	5,039	866	5,905	**6,000**	**931**	**6,930**
Grand total Scope 1, 2, 3 (market based)	2,457	907	3,364	**3,285**	**951**	**4,236**
Carbon intensity location based (tCO_2e/FTE)	4.7	2.4	4.1	**5.6**	**2.3**	**4.9**
Total energy usage (kWh)	20,324,585	1,482,626	21,807,211	**22,489,862**	**1,225,078**	**23,714,939**

Environmental performance summary

As with many UK and even global companies, 2023 was the first full year without COVID-19 related restrictions in place. This means we saw a 37% increase in footfall in the Lloyd's building in 2023 compared to 2022, even with the ground floor closed for a period of 10 weeks. This had an impact to our Scope 1 emissions, with a 19% increase reported since 2022.

Our Scope 2 emissions have decreased due to a reduction in our global footprint, through the closure of some of our global offices.

The easing of COVID-19 restrictions has also led to an increase in business travel, as in-person market events have returned. This is combined with Defra's flight emissions factor increasing in 2023 from 2022, attributing more tCO_2e emissions to flights. Both of these factors have been the main driver for an increase for our Scope 3 emissions.

However, since our baseline year of 2019, we have seen our total Corporation global emissions per FTE reduce by 33%.

Outlook

As part of our journey to create a workplace fit for the future, the lease extension at One Lime Street will enable our Corporate Real Estate team to continue renovating workspaces and internal refurbishments – including the installation of energy efficient building infrastructure to reduce the overall carbon footprint of the building. Under the terms of the new lease agreement, the landlord of the building has committed to investing in decarbonising and improving the energy efficiency of the building over the next five years. Their aim is to achieve an EPC rating of 'C' by 2027 and 'B' by 2030. This will allow us to continue to provide our services to the market with less impact to our environment.

Methodology

The methodology used to compile our greenhouse gas (GHG) emissions inventory is in accordance with the requirements of the World Resources Institute GHG Protocol Corporate Standard (revised version) and Defra's Environmental Reporting Guidelines, including Streamlined Energy and Carbon Reporting (SECR) requirements (March 2019). The data is reported based on calendar year which is the summation of the UK emissions and global emissions (excluding the UK) to comply with the SECR regulations.

We are aware of our reporting requirements under The Companies (Directors' Report) and Limited Liability Partnerships (Energy and Carbon Report) Regulations 2018. We continue to meet the requirements of the regulations by reporting on all material global emissions in Scope 1 and 2 and a ratio of company emissions to a quantifiable factor associated with company activity (FTE). We also report selected Scope 3 emissions.

We report our GHG emissions on an organisational control approach. This means our GHG emissions cover all legal entities and sites for which Lloyd's has organisational control – this includes all office locations where Lloyd's has management control of energy ownership and usage. These locations exclude "representative offices" where employees of the Corporation work in physical sites outside the operational control of the Corporation.

The reporting does not cover the Lloyd's marketplace or any of its participants. These are separate entities which have their own strategies, over which Lloyd's has no operational control. This is an accepted consolidated approach from the GHG Protocol.

Our Scope 1 emissions include natural gas and other fuels. This is calculated via invoices from our suppliers stating gas consumption in kWh. We then apply emissions factors from Defra's Environmental Reporting requirements to convert this to tCO_2e. For our London site, we source biogas which emits fewer GHG emissions than natural gas. However, as the GHG Protocol does not yet provide definitive guidance on accounting for emissions from biogas, we report as if natural gas has been used for our Scope 1.

100% of our calculated Scope 1 emissions across the UK and globally are from actual data.

Our Scope 2 includes electricity; we collect invoices or meter readings directly from our offices which state their electricity consumption in kWh. We then apply emissions factors from Defra's Environmental Reporting requirements to convert this to tCO_2e.

Climate related financial disclosures continued

Streamlined energy and carbon reporting continued

Methodology continued

Where actual data is not available, estimations are calculated based on the number of employees, office floor area and average occupancy, with the appropriate emissions factor for the country from the International Energy Agency (IEA). 93% of our calculated Scope 2 emissions across the UK and globally are from actual data. The 7% estimated come from electricity consumption of international offices where meter readings/ invoices were not available.

Our electricity is reported on location-based and market-based totals. Location-based emissions calculate the emissions from electricity use based on the average emission intensity of the power grid. Market-based emissions calculate emissions from electricity use, factoring in the electricity the company has purchased. As we source 100% of electricity for our London and Chatham offices from renewable sources with zero GHG emissions, our UK Scope 2 market-based emissions are zero.

Our Scope 3 emissions cover a number of categories: Category 1 – Purchased goods and services, paper and water use only; Category 3 – Fuel and energy related activity not already included in Scope 2; Category 5 – Waste generated in operations (waste and wastewater); Category 6 – Business travel, including flights, domestic and international rail travel, hotel accommodation made through our third-party travel partner; Category 7 – Employee commuting. As above, data is collected directly where available and converted from the appropriate ton, m^3, kWh, km, room per night to tCO_2e using the Defra conversion factor. 68% of our calculated Scope 3 emissions across the UK and globally are from actual data. The 32% estimated largely comes from collecting data on employee commuting and working from home and extrapolating this to the entire workforce.

Due to the absence of sustainability disclosures and data availability globally, the use of estimations, within reason, is seen as an acceptable methodology in order to provide a best estimate of GHG emissions.

We have sought limited assurance on our scope 3 category 3 (262 tCO_2e) and category 6 (1,337 tCO_2e) emissions. As part of this we have restated our 2022 total selected Scope 3 figures. This is because in 2022 we only calculated emissions associated with business travel booked through our travel partner. For 2023 we were able to calculate the emissions associated with booking outside of our travel partner using a spend based method, in line with the GHG Protocol. We have followed this methodology for 2022 so that a more accurate year-on-year comparison can be made.

Further information on our emissions can be found in the reporting criteria section of our Sustainability Report (pages 54 to 59).

Non-financial and sustainability information statement

The Society presents its Non-Financial Information and Sustainability Statement, produced to comply with sections 414CA and 414CB of the Companies Act 2006. The policies and standards referenced below are applicable to the Society as the Managing Agents of the Lloyd's Market set their own policies, within the parameters of the governance and oversight framework.

Lloyd's Global Policy Framework was launched in 2023 aiming to deliver 'best practice' global policies, across all jurisdictions. Policies are considered key to the mitigation of risk and encouraging and guiding the right behaviours across the organisation to deliver value to our stakeholders. The table below sets out Lloyd's key non-financial policies and how they govern our approach:

Reporting requirement and policies and standards	Reference to further information
Environmental matters	
Our **Environmental Policy** sets out Lloyd's commitment to environmental management and to ensure compliance with all relevant environmental legislation. The policy applies to all jurisdictions in which Lloyd's operates and all Lloyd's employees. Our environmental policy is aligned to the International Standard for Environmental Management ISO 14001.	**Read more: Sustainability Report**
Employees	
At Lloyd's, our aim is to attract, retain and reward the very best talent. We do this by attracting colleagues that bring with them a diversity in capability, experience, perspective and approach; ensure we treat all colleagues with fairness and consistency; rewarding the unique contribution employees bring to our business and supporting colleagues to be the best they can be. We outline this in our **UK Employee Handbook** and **International Employee Handbook**. The handbooks also cover topics such as anti-bullying and harassment; diversity and inclusion; social media and drug and alcohol use, which apply to all employees as well as job applicants, consultants, temporary and third party workers. Lloyd's recognises its responsibility to provide a safe and healthy working environmental for all its employees, tenants, contractors and visitors who use its premises and prevent injury and ill health in accordance with the Health and Safety at Work etc. Act 1974. This is why our **Occupational Health and Safety Policy** aligns to the International Standard for health and safety at work ISO 45001. As per our **Global Compliance Policy**, Lloyd's has various whistleblowing protocols in place, with multiple channels to report in confidence and anonymously should any employee have concerns.	**Read more: Stakeholder engagement on pages 70 to 74**

Reporting requirement and policies and standards	Reference to further information
Social matters	
Lloyd's ambition is to build a more sustainable, resilient and inclusive market and society. We support the United Nations Sustainable Development Goals as a framework to measure our progress. We have also launched our Inclusive Futures programme, which is a multi-year, market-wide programme of initiatives to help Black and ethnically diverse individuals participate, progress and prosper from the classroom to the boardroom. We also have our Lloyd's of London Foundation, our vehicle for charitable activity for the Lloyd's Corporation and the market. The mission of the Foundation is to deliver long-term meaningful social impact that engages stakeholders and leverages Lloyd's unique convening position.	**Read more: Purpose on pages 16 and 17** **Culture on pages 18 and 19** **Sustainability Report**
Respect for human rights	
The Corporation fully supports the principles set out in the United Nations Universal Declaration of Human Rights, the International Labour Organisation core labour standards and the Modern Slavery Act 2015. Lloyd's has an internal **Human Rights Policy** which expresses Lloyd's commitment to respect and support human rights, which is approved by our Chief People Officer and the Council of Lloyd's. The policy applies to all persons working for Lloyd's or on its behalf in any capacity. Lloyd's annually review our **Modern Slavery Act Statement** and our **Supplier Code of Conduct** to reflect the standards expected of our suppliers. Our **Data Protection Policy** provides a framework for ensuring the Corporation and overseas offices meet obligations under the General Data Protection Regulation (GDPR) which is considered the 'gold standard' of data protection and privacy compliance. Central to our oversight framework are the **Principles for Doing Business**, which set out fundamental responsibilities and expectations of how all managing agents should operate, ensures managing agents create an inclusive, high-performing culture.	**Read more: Sustainability Report**
Anti-corruption and anti-bribery matters	
Our **Global Financial Crime Policy** ensures all employees, in all jurisdictions are aware of financial crime risks and have appropriate processes for managing these risks. All Lloyd's employees carry out mandatory training in Gifts & hospitality, Conflicts of interest and Financial crime essentials – which includes anti-money laundering and anti-bribery. Failure to complete these modules will result in a negative impact to an employee's remuneration. The Corporation also makes sure that the market adheres to the **Principles for Doing Business**, of which Regulatory and Financial Crime form one of the thirteen principles. This principle ensures managing agents have robust frameworks in place to assess and address financial crime risks arising from their UK and international businesses. Frameworks should support compliance with law, regulation and guidance, and allow for well informed, transparent relationships with Lloyd's and applicable regulators.	**Read more: Stakeholder engagement on pages 70 to 74**

Certain aspects of the Companies Act 2006 requirement have been addressed in the body of the Annual Report and have been cross-referenced as set out below:

Reporting requirement	Reference to further information
Description of business model	**Read more: The Lloyd's business model on page 10**
Description of principal risks and impacts of business activity	**Read more: Principal current and emerging risks on pages 20 to 21** **Risk Committee report on pages 84 to 87**
Non-financial KPIs	**Read more: Our performance at a glance on page 1**

Statement of the Council's responsibilities for the financial statements

The Council is responsible for preparing the Group financial statements in accordance with byelaws made under the Lloyd's Act 1982 and UK Generally Accepted Accounting Practice (UK GAAP), including FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', and FRS 103 'Insurance Contracts'.

The Council is required to prepare Group financial statements for each financial year that present fairly the financial position of the Society and the financial performance and cash flows of the Society for that period. In preparing these Group financial statements, the Council is required to:

- select suitable accounting policies and then apply them consistently;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in UK GAAP is insufficient to enable users to understand the impact of particular transactions, other events or conditions on the Society's financial position and financial performance;
- make judgements and accounting estimates that are reasonable and prudent; and
- state that the Society has complied with UK GAAP, subject to any material departures disclosed and explained in the Group financial statements.

The Council is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Society and enable it to ensure that the Group financial statements comply with UK GAAP. The Council is also responsible for safeguarding the assets of the Society and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Council is responsible for the maintenance and integrity of the corporate and financial information included on the Society's website (www.lloyds.com). Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

The Council considers that the Annual Report, taken as a whole, is fair, balanced and understandable and provides the information necessary for stakeholders to assess the Society's performance, business model and strategy.

We confirm that to the best of our knowledge:

- the Group financial statements, which have been prepared in accordance with byelaws made under the Lloyd's Act 1982 and UK GAAP, including FRS 102 and FRS 103, give a true and fair view of the assets, liabilities, financial position and profit of the Group; and
- the Council Statement and Corporate Governance section includes a fair review of the development and performance of the business and the position of the Group, together with a description of the principal risks and uncertainties that it faces.

On behalf of the Council of Lloyd's:

Bruce Carnegie-Brown
Chairman

John Neal
Chief Executive Officer

27 March 2024

Independent auditors' report to the members of the Society of Lloyd's

Report on the audit of the financial statements

Opinion

In our opinion, the Society of Lloyd's group financial statements:

- give a true and fair view of the state of the group's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Council byelaws made under the Lloyd's Act 1982.

We have audited the financial statements, included within the Lloyd's Annual Report 2023 (the "Annual Report"), which comprise: the Group Balance Sheet as at 31 December 2023; the Group Profit and Loss Account and Statement of Comprehensive Income, the Group Statement of Changes in Equity and the Group Statement of Cash Flows for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

Our opinion is consistent with our reporting to the Audit Committee.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

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

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

Other than those disclosed in note 12, we have provided no non-audit services to the Society of Lloyd's or its group undertakings in the period under audit.

Our audit approach

Overview

Audit scope

- We performed full scope audit procedures over two components being the UK (which comprises the Corporation of Lloyd's, the Central Fund and Additional Securities Limited) and Belgium (which comprises Lloyd's Insurance Company S.A. (LIC)). For China (Lloyd's Insurance Company (China) Limited (LICCL)), we performed audit procedures over specified financial statement line item balances. For the remaining components that were not inconsequential, analytical procedures were performed by the group engagement team.

Key audit matters

- Valuation of the incurred but not reported (IBNR) component of claims outstanding in LIC.
- Valuation of pipeline premium included within LIC's Gross Written Premium (GWP).
- Valuation of the Lloyd's Pension Scheme liabilities.

Materiality

- Overall materiality: £100,815,000 (2022: £95,400,000) based on 0.5% of total assets.
- Performance materiality: £75,611,000 (2022: £71,613,000).

The scope of our audit

As part of designing our audit, we determined materiality and assessed the risks of material misstatement in the financial statements.

Key audit matters

Key audit matters are those matters that, in the auditors' professional judgement, were of most significance in the audit of the financial statements of the current period and include the most significant assessed risks of material misstatement (whether or not due to fraud) identified by the auditors, including those which had the greatest effect on: the overall audit strategy; the allocation of resources in the audit; and directing the efforts of the engagement team. These matters, and any comments we make on the results of our procedures thereon, were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

This is not a complete list of all risks identified by our audit.

The conversion of the Society of Lloyd's group financial statements from an IFRS basis to a UK GAAP basis, which was a key audit matter last year, is no longer included because the transition was completed in 2022 and therefore it is not relevant to the 2023 financial statements. Otherwise, the key audit matters below are consistent with last year.

Independent auditors' report to the members of the Society of Lloyd's continued

(As at 31 December 2023)

<table>
<tr><th>Key audit matter</th><th>How our audit addressed the key audit matter</th></tr>
<tr><td colspan="2">Valuation of the incurred but not reported (IBNR) component of claims outstanding in LIC</td></tr>
<tr><td>See notes 3, 4 and 26 of the Society Report for disclosures of related accounting policies, judgements and estimates.

The IBNR component of claims outstanding ('IBNR reserves') in LIC is a material balance within the financial statements. Recognised actuarial techniques are used to derive the IBNR reserves. The valuation of IBNR reserves relies on a large degree of judgement and underpinning assumptions. Relatively small changes in the key assumptions can lead to significant movements in IBNR reserves and as such we placed significant focus on this area.</td><td>Our work over the valuation of LIC's IBNR reserves was performed by our component audit team and actuarial specialists with input and oversight from the group engagement team. Specifically, we have:

• Performed walkthroughs to understand the controls and processes that management have put in place to ensure:
– the completeness and accuracy of the data used by LIC in the reserving process; and
– the selection of appropriate methods and assumptions applied by LIC in the reserving process.

We assessed whether these controls have been designed and implemented effectively.

• Tested the accuracy and completeness of the underlying reserving data utilised by the reserving team; and
• Engaged with our actuarial specialists to:
– Develop an independent point estimate of LIC's IBNR reserves related to non-catastrophe claims. We compared our estimates to those derived by management, and in all those cases where significant differences were identified, we challenged management and obtained explanations; and
– Understand the approach used to establish LIC's IBNR reserves in relation to large losses and catastrophe events. We tested the key methodologies and assumptions used by management in determining these IBNR reserves and challenged them as appropriate.

The results of our procedures indicated that the methodologies and assumptions used in the valuation of LIC's IBNR reserves were supported by the evidence we obtained.</td></tr>
<tr><td colspan="2">Valuation of pipeline premium included within LIC's GWP</td></tr>
<tr><td>See notes 3 and 4 of the Society Report for disclosures of related accounting policies, judgements and estimates.

LIC writes business through several placement types, for example, open market and binders. In light of the outsource arrangement between LIC and the underlying syndicates/managing agents there is generally a level of uncertainty regarding the amount of premium income that should be recognised in any given year. The valuation of pipeline premiums relies on a number of underpinning assumptions and judgements and as such we placed significant focus on this area.</td><td>Our work over pipeline premiums in LIC was performed by our component audit team with input and oversight from the group engagement team. Our work focused on understanding the methodology used to derive LIC's GWP (and the associated pipeline premiums) and testing the derivation of LIC's GWP (and the associated pipeline premiums). Specifically, we have:

• Updated our understanding of the processes and controls in place to derive LIC's GWP (and the associated pipeline premiums) and evaluated the design and implementation of the identified controls.
• Performed testing over the processes and controls used to derive LIC's GWP (and the associated pipeline premiums).
• Evaluated the methodology and tested the key assumptions used in relation to management's calculation of LIC's GWP (and the associated pipeline premium). This involved testing management's derivation of ultimate premiums through the use of our own independent actuarial analysis and mathematically recalculating LIC's GWP (and the associated pipeline premiums) at year end.

The results of our procedures indicated that the methods and assumptions used in the valuation of LIC's pipeline premiums, included within LIC's reported GWP, were supported by the evidence we obtained.</td></tr>
</table>

Valuation of the Lloyd's Pension Scheme liabilities	
See notes 3, 4 and 22 of the Society Report for disclosures of related accounting policies, judgements and estimates. The Society of Lloyd's operates a number of defined benefit and defined contribution pension schemes. The principal scheme is the Lloyd's Pension Scheme. At 31 December 2023 the Scheme was in a net surplus position totalling £41m (2022: £57m). Certain key assumptions have a material impact in determining the valuation of the pension scheme liabilities and as such we placed significant focus on this area. We focused on the key assumptions which included the discount rate, inflation, and post-retirement life expectancy.	We used our actuarial experts to evaluate the key assumptions used to value the Lloyd's Pension Scheme liabilities. This included comparison of Lloyd's assumptions to our own independent expectations based on our knowledge of the Lloyd's Pension Scheme, current financial market conditions and mortality assumptions. Specifically, we have: • Tested the discount rate used in the valuation of the Lloyd's Pension Scheme liabilities against our expectations, taking into account the duration of the pension scheme liability and investment conditions as at 31 December 2023; • Tested the retail and consumer price inflation rates used in the valuation of the Lloyd's Pension Scheme liabilities, taking into account the duration of the pension scheme liability and market expectations at 31 December 2023; and • Evaluated whether the post-retirement life expectancy assumptions were in line with the recent mortality experience of the Lloyd's Pension Scheme and with assumptions made by comparable UK companies, and assessed whether there is an appropriate allowance for how rates of mortality may change in the future. The results of our procedures indicated that the methodology and assumptions used in the valuation of the Lloyd's Pension Scheme liabilities were supported by the evidence we obtained.

Independent auditors' report to the members of the Society of Lloyd's continued

(As at 31 December 2023)

How we tailored the audit scope

We tailored the scope of our audit to ensure that we performed enough work to be able to give an opinion on the financial statements as a whole, taking into account the structure of the group, the accounting processes and controls, and the industry in which it operates.

Based on the output of our risk assessment, along with our understanding of the Society of Lloyd's Group structure, we performed full scope audits over the following components: the UK and Belgium. For China we performed audit procedures over specified financial statement line item balances. For the remaining components that were not inconsequential, analytical procedures were performed by the group engagement team.

As the group engagement team, we determined the level of involvement required at those components to enable us to conclude whether sufficient and appropriate audit evidence had been obtained for the basis for our opinion on the group consolidated financial statements as a whole. In our role as group auditors, we exercised oversight of the work performed by component audit teams including performing the following procedures:

- Issuing group audit instructions outlining areas requiring additional audit focus such as the key audit matters included above;
- Maintaining active dialogue with reporting component audit teams throughout the year;
- Reviewing reporting and supporting evidence requested from component teams, including those areas determined to be of heightened audit risk; and
- Reviewing the detailed working papers of component teams, where relevant.

The impact of climate risk on our audit

As part of our audit we made enquiries of management to understand the extent of the potential impact of climate risk on the group's financial statements, and we remained alert when performing our audit procedures for any indicators of the impact of climate risk. We assessed the consistency of the disclosures related to climate risk within the Annual Report against the knowledge obtained from our work. Our procedures did not identify any material impact as a result of climate risk on the group's financial statements.

Materiality

The scope of our audit was influenced by our application of materiality. We set certain quantitative thresholds for materiality. These, together with qualitative considerations, helped us to determine the scope of our audit and the nature, timing and extent of our audit procedures on the individual financial statement line items and disclosures and in evaluating the effect of misstatements, both individually and in aggregate on the financial statements as a whole.

Based on our professional judgement, we determined materiality for the financial statements as a whole as follows:

Overall group materiality	£100.8m (2022: £95.4m).
How we determined it	0.5% of total assets
Rationale for benchmark applied	We have identified the key financial statement users as rating agencies, syndicate members, policyholders and regulators, who will be primarily focused on the overall asset position of the Society of Lloyd's, as those assets provide financial security for the market. Therefore, we have assessed that it is appropriate to use an asset-based benchmark for the materiality determination for the 31 December 2023 year end audit.

For each component in the scope of our group audit, we allocated a materiality that is less than our overall group materiality. The materiality allocated to each component was £70.0m. Certain components were audited to a local statutory audit materiality that was also less than our overall group materiality.

We use performance materiality to reduce to an appropriately low level the probability that the aggregate of uncorrected and undetected misstatements exceeds overall materiality. Specifically, we use performance materiality in determining the scope of our audit and the nature and extent of our testing of account balances, classes of transactions and disclosures, for example in determining sample sizes. Our performance materiality was 75% (2022: 75%) of overall materiality, amounting to £75.6m (2022: £71.6m) for the group financial statements.

In determining the performance materiality, we considered a number of factors – the history of misstatements, risk assessment and aggregation risk and the effectiveness of controls – and concluded that an amount in the middle of our normal range was appropriate.

We agreed with the Audit Committee that we would report to them misstatements identified during our audit above £5m (2022: £4.7m) as well as misstatements below that amount that, in our view, warranted reporting for qualitative reasons.

Conclusions relating to going concern

Our evaluation of the Council's assessment of the group's ability to continue to adopt the going concern basis of accounting included:

- Validating management's Society of Lloyd's going concern assessment;
- Performing sensitivity analysis on management's going concern assessment and assessing the impact on the Society of Lloyd's capital, solvency and liquidity positions; and
- Assessing the disclosures made in the Society Report in respect of going concern.

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

In auditing the financial statements, we have concluded that the Council's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

In relation to the Council's reporting on how they have applied the UK Corporate Governance Code, we have nothing material to add or draw attention to in relation to the Council's statement in the financial statements about whether the Council considered it appropriate to adopt the going concern basis of accounting.

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

Reporting on other information

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

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

Council members' remuneration

The Society of Lloyd's voluntarily prepares a Remuneration Committee report in accordance with the provisions of the Companies Act 2006. The Council requested that we audit the part of the Remuneration Committee report specified by the Companies Act 2006 to be audited as if the Society of Lloyd's were a quoted company.

In our opinion, the part of the Remuneration Committee report to be audited has been properly prepared in accordance with the Companies Act 2006.

Independent auditors’ report to the members of the Society of Lloyd’s continued

(As at 31 December 2023)

Corporate Governance statement

ISAs (UK) require us to review the Council’s statements in relation to going concern, longer-term viability and that part of the corporate governance statement relating to the Society of Lloyd’s compliance with the provisions of the UK Corporate Governance Code, which the Listing Rules of the Financial Conduct Authority specify for review by auditors of premium listed companies. Our additional responsibilities with respect to the corporate governance statement as other information are described in the *Reporting on other information* section of this report.

Based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement, included through cross reference in The Code section of the Society Report, is materially consistent with the financial statements and our knowledge obtained during the audit, and we have nothing material to add or draw attention to in relation to:

- The Council’s confirmation that it has carried out a robust assessment of the emerging and principal risks;
- The disclosures in the Annual Report that describe those principal risks, what procedures are in place to identify emerging risks and an explanation of how these are being managed or mitigated;
- The Council’s statement in the financial statements about whether it considered it appropriate to adopt the going concern basis of accounting in preparing them, and its identification of any material uncertainties to the group’s ability to continue to do so over a period of at least twelve months from the date of approval of the financial statements;
- The Council’s explanation as to its assessment of the group’s prospects, the period this assessment covers and why the period is appropriate; and
- The Council’s statement as to whether it has a reasonable expectation that the Society of Lloyd’s will be able to continue in operation and meet its liabilities as they fall due over the period of its assessment, including any related disclosures drawing attention to any necessary qualifications or assumptions.

Our review of the Council’s statement regarding the longer-term viability of the group was substantially less in scope than an audit and only consisted of making inquiries and considering the Council’s process supporting their statement; checking that the statement is in alignment with the relevant provisions of the UK Corporate Governance Code; and considering whether the statement is consistent with the financial statements and our knowledge and understanding of the group and its environment obtained in the course of the audit.

In addition, based on the work undertaken as part of our audit, we have concluded that each of the following elements of the corporate governance statement is materially consistent with the financial statements and our knowledge obtained during the audit:

- The Council’s statement that they consider the Annual Report, taken as a whole, is fair, balanced and understandable, and provides the information necessary for the members to assess the group’s position, performance, business model and strategy;
- The section of the Annual Report that describes the review of effectiveness of risk management and internal control systems; and
- The section of the Annual Report describing the work of the Audit Committee.

We have nothing to report in respect of our responsibility to report when the Council’s statement relating to the Society of Lloyd’s’ compliance with the Code does not properly disclose a departure from a relevant provision of the Code specified under the Listing Rules for review by the auditors.

Responsibilities for the financial statements and the audit

Responsibilities of the Council for the financial statements

As explained more fully in the Statement of the Council’s Responsibilities for the Financial Statements, the Council is responsible for the preparation of the financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Council is also responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Council is responsible for assessing the group’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Council either intends to liquidate the group or to cease operations, or has no realistic alternative but to do so.

Auditors’ responsibilities for the audit of the financial statements

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

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

Based on our understanding of the group and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA), and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a direct impact on the financial statements such as the Lloyd's Act 1982. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to posting inappropriate journal entries to manipulate the group's results and management bias applied in establishing material accounting estimates. The group engagement team shared this risk assessment with the component auditors so that they could include appropriate audit procedures in response to such risks in their work. Audit procedures performed by the group engagement team and/or component auditors included:

- discussions with the Board, the Audit Committee, the legal function, the risk and compliance functions and internal audit, including consideration of known or suspected instances of non-compliance with laws, regulations and fraud,
- assessment of matters reported on the group's whistleblowing helpline and management's investigation of such matters;
- reading key correspondence with the group's regulators, including for example, the Prudential Regulation Authority and the Financial Conduct Authority, in relation to compliance with laws and regulations;
- testing and challenging, where appropriate, the assumptions and judgements made by management in their significant accounting estimates, for example, in relation to the valuation of the IBNR component of claims outstanding in LIC, the valuation of pipeline premiums included in LIC's GWP and the valuation of the Lloyd's Pension Scheme liabilities;
- identifying and testing journal entries, in particular, any journal entries posted with unusual account combinations affecting revenue or post-close entries; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

Our audit testing might include testing complete populations of certain transactions and balances, possibly using data auditing techniques. However, it typically involves selecting a limited number of items for testing, rather than testing complete populations. We will often seek to target particular items for testing based on their size or risk characteristics. In other cases, we will use audit sampling to enable us to draw a conclusion about the population from which the sample is selected.

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

Use of this report

This report, including the opinions, has been prepared for and only for the Society of Lloyd's members as a body in accordance with the Lloyd's Act 1982 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

We have agreed to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- proper accounting records have not been maintained by the Society of Lloyd's; or
- certain disclosures of Council's remuneration specified by law are not made.

We have no exceptions to report arising from this responsibility.

Appointment

Following the recommendation of the Audit Committee, we were appointed by the members on 1 July 2013 to audit the financial statements for the year ended 31 December 2013 and subsequent financial periods. The period of total uninterrupted engagement is eleven years, covering the years ended 31 December 2013 to 31 December 2023.

Paul Pannell (Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London

27 March 2024

Group Profit and Loss Account and Statement of Comprehensive Income

(As at 31 December 2023)

Profit and loss account			2023		2022
	Note	£m	£m	£m	£m
Technical account					
Gross written premiums	7	3,965		3,227	
Outward reinsurance premiums		(3,965)		(3,227)	
Change in the gross provision for unearned premiums		(394)		(352)	
Change in the provision for unearned premiums, reinsurers' share		394		352	
Earned premiums, net of reinsurance			–		–
Other technical income			8		8
Gross claims paid		(1,382)		(1,098)	
Claims paid, reinsurers' share		1,382		1,098	
Change in provision for gross claims		68		(1,329)	
Change in provision for claims, reinsurers' share		(68)		1,329	
Claims incurred, net of reinsurance			–		–
Net operating income	8		34		22
Balance on the technical account for general business			**42**		30
Non-technical account					
Balance on the technical account for general business			42		30
Investment income	9	126		30	
Unrealised gain on investments	9	186		–	
Unrealised loss on investments	9	–		(207)	
Investment expenses and charges	9	(3)		(2)	
Total investment return			**309**		(179)
(Loss)/profit on foreign exchange			(118)		241
Non-technical income	10		559		491
Non-technical operating expenses	11		(434)		(459)
Profit before tax			**358**		124
Tax charge on profit	14(a)		(90)		(26)
Profit after tax			**268**		98
Statement of comprehensive income					
Profit after tax			268		98
Other comprehensive (expense)/income:					
Exchange difference on translating foreign operations			(25)		30
Remeasurement (loss)/gain on pension assets and liabilities	22		(19)		151
Share of remeasurement loss on associates and joint venture pension liabilities	17		–		(1)
Tax credit/(charge) on components of other comprehensive (expense)/income	14(a)		9		(34)
Other comprehensive (expense)/income for the year, net of tax			(35)		146
Total comprehensive income for the financial year			**233**		244

Group Balance Sheet

(As at 31 December 2023)

	Note	2023 £m	2023 £m	2022 £m	2022 £m
Intangible assets	15		38		54
Investments					
Financial investments	16	4,826		4,370	
Investment in associates and joint ventures	17	46		42	
			4,872		4,412
Reinsurers' share of technical provisions					
Provision for unearned premiums	26	2,288		1,937	
Claims outstanding	26	7,087		7,311	
			9,375		9,248
Debtors					
Debtors arising out of direct insurance operations		2,619		2,086	
Debtors arising out of reinsurance operations		1,559		1,491	
Other debtors	21(a)	22		27	
			4,200		3,604
Other assets					
Tangible assets	18	28		23	
Cash at bank and in hand	19	998		1,167	
Other assets	21(b)	5		12	
			1,031		1,202
Prepayments and accrued income					
Accrued interest and rent		28		20	
Deferred acquisition costs	20	439		356	
Other prepayments and accrued income	21(c)	139		144	
			606		520
Pension scheme assets	22		41		57
Total assets			**20,163**		19,097

Group Balance Sheet continued

(As at 31 December 2023)

		2023		2022	
	Note	£m	£m	£m	£m
Capital and reserves					
Revaluation reserve	23(c)	15		15	
Translation reserve	23(b)	–		25	
Syndicate loans	24	514		514	
Profit and loss account	23(a)	2,968		2,729	
			3,497		3,283
Subordinated debt	25(a)		604		603
Technical provisions					
Provision for unearned premiums	26	2,288		1,937	
Claims outstanding	26	7,087		7,311	
			9,375		9,248
Provisions for other risks					
Provisions for pensions and similar obligations	22	3		3	
Tax provisions		12		2	
Other provisions	27	41		59	
			56		64
Deposits received from reinsurers			1,187		1,161
Creditors					
Creditors arising out of direct insurance operations	28	663		509	
Creditors arising out of reinsurance operations	28	3,667		3,231	
Other creditors including taxation and social security	28	197		194	
Amounts owed to credit institutions	25(b)	303		303	
			4,830		4,237
Accruals and deferred income	29		614		501
Total capital, reserves and liabilities			**20,163**		19,097

The financial statements on pages 122 to 159 were approved by the Council on 27 March 2024 and signed on its behalf by:

Bruce Carnegie-Brown
Chairman

John Neal
Chief Executive Officer

Group Statement of Changes in Equity

(For the year ended 31 December 2023)

	Note	Profit and loss account £m	Translation reserve £m	Revaluation reserve £m	Syndicate loans £m	Total equity £m
At 1 January 2023		2,729	25	15	514	3,283
Profit for the year		268	–	–	–	268
Other comprehensive expense for the year, net of tax		(10)	(25)	–	–	(35)
Interest paid on syndicate loans	24	(19)	–	–	–	(19)
At 31 December 2023		**2,968**	**–**	**15**	**514**	**3,497**

	Note	Profit and loss account £m	Translation reserve £m	Revaluation reserve £m	Syndicate loans £m	Total equity £m
At 1 January 2022		2,534	(5)	15	514	3,058
Profit for the year		98	–	–	–	98
Other comprehensive income for the year, net of tax		116	30	–	–	146
Interest paid on syndicate loans	24	(19)	–	–	–	(19)
At 31 December 2022		2,729	25	15	514	3,283

Group Statement of Cash Flows

(For the year ended 31 December 2023)

	Note	2023 £m	2022 (restated) £m
Net cash from operating activities	30	103	187
Tax paid		(57)	(23)
Net cash inflows from operating activities		**46**	164
Cash flow from investing activities			
Purchase of intangible assets	15	(1)	(13)
Purchase of tangible assets	18	(7)	–
Purchase of equity and debt instruments		(3,073)	(3,909)
Sale of equity and debt instruments		2,706	3,664
Purchase of short-term deposits		(310)	(481)
Sale of short-term deposits		459	787
Realised foreign exchange on sale of investments		(2)	(81)
Net sale/(purchase) of derivatives		15	7
Loan to joint venture		(8)	(8)
Investment income received		4	55
Other		1	2
Net cash (outflows)/inflows from investing activities		**(216)**	23
Cash flow from financing activities			
Interest paid on senior debt		(8)	(8)
Interest paid on subordinated notes		(29)	(38)
Redemption of subordinated notes		–	(194)
Interest paid on syndicate loans	24	(19)	(19)
Increase in borrowings for statutory insurance deposits		82	27
Net cash inflows/(outflows) from financing activities		**26**	(232)
Net decrease in cash and cash equivalents		**(144)**	(45)
Cash and cash equivalents at 1 January		1,167	1,183
Foreign exchange differences on cash and cash equivalents		(25)	29
Cash and cash equivalents at 31 December		**998**	1,167

Comparative values for the year ended 31 December 2022 have been restated as a result of the identification and correction of a misallocation of cash movements. The adjustment does not impact total capital and reserves reported in prior periods. Refer to note 3(w) for details of the restatement of the comparative amounts.

Notes to the Financial Statements

(As at 31 December 2023)

1. General information

In 1871, by the Lloyd's Act 1871, the then existing association of underwriters was incorporated in the United Kingdom as the Society and Corporation of Lloyd's (the 'Society'). Its activities are accordingly governed by statute and, since 1982, have been managed by the Council of Lloyd's (the 'Council') pursuant to the Lloyd's Act 1982. The Society's principal place of business is at One Lime Street, London EC3M 7HA.

The Society's main corporate purposes are to facilitate the conduct of insurance business by members of Lloyd's, to advance and protect their interests in this context and to manage the Society's insurance undertakings. The Society's revenue consists of members' subscriptions, various market charges and Central Fund contributions. The Society's wholly owned subsidiaries, Lloyd's Insurance Company S.A. ('Lloyd's Europe') and Lloyd's Insurance Company (China) Limited ('Lloyd's China') are the principal insurance businesses of the Society. The principal activity of Lloyd's Europe and Lloyd's China is to provide reinsurance of non-life business and direct non-life insurance in the European and Chinese insurance markets, respectively. Lloyd's syndicates participate in Lloyd's Europe and Lloyd's China business by means of 100% retrocession agreements.

The Society is regulated by the Prudential Regulation Authority and the Financial Conduct Authority. Lloyd's Europe and Lloyd's China are also regulated by their respective country regulators.

2. Statement of compliance

The Group financial statements have been prepared in compliance with UK Generally Accepted Accounting Practice ('UK GAAP'), including FRS 102 'The Financial Reporting Standard applicable in the UK and Ireland', and FRS 103 'Insurance Contracts'.

3. Summary of significant accounting policies

This section describes the Group's significant accounting policies that relate to the Group financial statements and notes as a whole. These policies have been consistently applied to all years presented unless otherwise stated.

(a) Basis of preparation

The Group financial statements have been prepared on a historical cost basis, except for certain assets and liabilities at fair value, as required or permitted under FRS 102 and FRS 103.

(b) Going concern

The Group financial statements have been prepared on a going concern basis. For further details of the Council's assessment of the Group's ability to continue as a going concern, refer to the going concern and viability statement on page 109.

(c) Basis of consolidation

The Group financial statements of the Society comprise the financial statements of the Society and all its subsidiary undertakings, the Lloyd's Central Fund and the Group's interest in associates and joint ventures as at each reporting date. Subsidiary undertakings are consolidated from the date of their acquisition, being the date on which the Society obtains control, and continue to be consolidated until the date that such control ceases. All intra-Group balances and transactions are eliminated in full.

Where a subsidiary has different accounting policies to the Group, adjustments are made to those subsidiary financial statements to apply the Group's accounting policies, if material, when preparing the consolidated financial statements.

(d) Functional and presentation currency

The Group financial statements are presented in pounds sterling, which is the Society's functional and presentational currency, and rounded to millions. Items included in the financial statements of each of the Society's entities are measured using the currency of the primary economic environment in which the entity operates (the functional currency).

Transactions and balances

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction, or an average rate for the period in which the transaction was recorded when this is a reasonable approximation.

At each period end, foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction, and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account in the profit and loss account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain is required to be recognised within other comprehensive income, and in the non-technical account where the gain is required to be recognised within profit or loss.

Translation of overseas operations

On consolidation, the results and financial position of overseas subsidiaries and branches are translated into pounds sterling from their functional currencies as follows:

- assets and liabilities are translated at the closing rate at the reporting date; and
- income and expenses are translated at the average exchange rate for the year.

Any resulting exchange differences are recognised in the Group statement of comprehensive income.

Notes to the Financial Statements continued

3. Summary of significant accounting policies continued

(e) Tangible assets

Tangible assets are stated at cost less accumulated depreciation and any impairment in value.

Depreciation is charged on a straight-line basis on the following principal categories:

- furniture and fittings are depreciated over seven to 25 years, according to the estimated useful life of the asset;
- computer and specialised equipment is depreciated over three to 15 years, according to the estimated useful life of the asset; and
- leasehold improvements are depreciated over the remaining life of the lease.

Lloyd's Collection

The Lloyd's Collection represents various paintings, antiques and artefacts which are included at fair value and are valued every three years, unless there is any indication of impairment. Any revaluation surplus or deficit is recognised in the Group statement of comprehensive income and is reflected in the revaluation reserve within the Group statement of changes in equity.

(f) Leased assets

Leases that do not transfer all the risks and rewards of ownership are classified as operating leases. Payments under operating leases are charged to the profit and loss account on a straight-line basis over the period of the lease. The aggregate benefits of lease incentives are recognised as a reduction to the expense recognised over the lease term on a straight-line basis. .

Subleases

The Group has short-term arrangements to lease space within the Lime Street building to third parties. These arrangements are treated as operating leases and income is credited to the profit and loss account on a straight-line basis over the lease term.

(g) Intangible assets

Intangible assets recognised by the Society consist of software development assets.

Software development is held at cost less accumulated amortisation and accumulated impairment losses. Capitalised software is amortised on a straight-line basis over its expected useful life. Computer software typically has an expected useful life of up to seven years, although a longer lifetime may be determined for certain business systems. Amortisation is reported under non-technical operating expenses in the profit and loss account.

Costs incurred in acquiring and developing computer software may be capitalised as intangible assets where the software supports a significant business system and the expenditure leads to the creation of an identifiable asset of value.

The Society performs bi-annual impairment testing to assess whether there is an indication that an asset may be impaired. If any such indication exists, an impairment loss is recognised for the amount by which the asset's carrying value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use.

(h) Investment in associates and joint ventures

An associate is an entity in which the Society has significant influence, and which is not a subsidiary undertaking or joint venture. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the arrangement. The Society's investments in associates and joint ventures are accounted for under the equity method of accounting.

Under the equity method, the investments in associates and joint ventures are carried in the Group balance sheet at cost plus post-acquisition changes in the Society's share of net assets of the associates and joint ventures. Goodwill relating to an associate is included in the carrying amount of the investment and is amortised on a straight-line basis over its expected useful life. After application of the equity method, the Society determines whether it is necessary to recognise any additional impairment loss with respect to the Society's net investment in an associate or joint venture. The Group profit and loss account reflects its share of the results of operations of associates and joint ventures. The Society's share of associates' other comprehensive income is recognised in the Group statement of comprehensive income.

(i) Prepayments

Prepayments are recognised at historic cost when the right to receive services or goods has been established. Where services or goods are to be received over a period exceeding a year, then prepayments are expensed in the profit and loss account on a straight-line basis over the period of the contract. Where amounts are considered to be not recoverable, the prepaid assets are written down to the recoverable amounts.

(j) Insurance and reinsurance contracts

The Society's wholly owned subsidiaries Lloyd's Europe and Lloyd's China are the principal insurance businesses of the Society, wherein they provide reinsurance of non-life business and direct non-life insurance in the European and Chinese insurance markets, respectively. Lloyd's syndicates participate in Lloyd's Europe and Lloyd's China business by means of retrocession agreements.

In accordance with FRS 103 'Insurance Contracts', the Society applies established accounting practices for insurance and reinsurance contracts. The results are determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as stated in the below paragraphs.

Classification

Insurance and reinsurance contracts are defined as those containing significant insurance risk which arises if, and only if, an insured event could cause an insurer to pay significant additional benefits in any scenario, excluding scenarios that lack commercial substance, at the inception of the contract. Such contracts remain insurance contracts until all rights and obligations are extinguished or expired.

Measurement and presentation

The Society's policy for measuring balances for insurance contracts issued by overseas subsidiaries is to apply the valuation technique used in the issuing entity's local statutory or regulatory reporting. Therefore, for insurance contracts issued by Lloyd's China, balances are calculated in accordance with China Generally Accepted Accounting Principles ('China GAAP').

For insurance contracts issued by or transferred to Lloyd's Europe, balances are calculated in accordance with Belgium Generally Accepted Accounting Principles ('Belgium GAAP').

The principal differences between UK GAAP and China and Belgium GAAP that remain unadjusted are as follows:

Lloyd's China calculates its reserves on a discounted basis and includes a local statutory risk margin, by class of business, as required under China GAAP. The discounting of reserves results in lower technical provisions by £12m (2022: £12m). The inclusion of a local statutory risk margin results in an increase in reserves. The reserves are 100% reinsured to syndicates with a net nil impact on profit before tax and on capital and reserves. Management considers the local statutory risk margin to be appropriate and not excessively prudent, and as permitted by FRS 103, it is included in technical provisions. In addition, management does not consider the amount of discounting of reserves to be material and has not adjusted the Group profit and loss account or the balance sheet.

Lloyd's Europe calculates its reserves on an undiscounted best estimate basis and includes a local risk margin. The reserves are 100% reinsured to syndicates with a net nil impact on profit before tax and on capital and reserves. Management considers the local risk margin to be appropriate and not excessively prudent, and as permitted by FRS 103 it is included in technical provisions.

Certain other principal differences that have been adjusted or presented in the Group profit and loss account and balance sheet are for recognition of deferred acquisition costs for Lloyd's Europe and the gross presentation of unearned premium reserve liability for Lloyd's China, in accordance with the Group's accounting policy. These adjustments or presentation differences have a net nil impact on the Group's profit before tax and capital and reserves, as they are 100% reinsured.

Premiums written

Gross written premiums are recognised on the date of inception of the contract as the total estimated premiums receivable. Gross written premiums include the impact of the difference between the estimated premium recognised in previous periods and actual income received. Premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other similar deductions.

Earned premiums and provision for unearned premiums

Written premiums are recognised as premium income on a pro-rata basis over the period of cover.

Provision for unearned premiums represents the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date. Premiums earned during the year are disclosed in note 26.

Acquisition costs

Acquisition costs which represent commission and other related expenses are deferred over the period in which the related premiums are earned.

Claims incurred

Claims incurred in insurance-related activities consist of claims and claims handling expenses paid during the year together with the change in provision for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

Claims provisions and related reinsurance recoveries

Provision is made at the year end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not reported to the Society. The estimated cost of claims includes expenses to be incurred in settling claims. However, given the uncertainty in establishing claims provisions, subsequent information and events may result in the ultimate liability being less than, or greater than, the amount provided. Any differences between the provision and subsequent settlements are reflected within the Group financial statements of later years when differences between provision and subsequent settlement become apparent. Note 5(a) provides further details of how insurance claims are estimated.

Outstanding claims reserves include a risk margin in accordance with local regulatory reporting requirements for Lloyd's Europe and Lloyd's China. Lloyd's China outstanding claims provisions are discounted under local regulatory requirements for the time value of money, but the difference between discounted and undiscounted claims provisions is not material.

A provision is recognised for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet claims and expenses after taking into account future investment return on investments supporting the unearned premiums provision and unexpired risks provision.

Reinsurance contracts

Lloyd's Europe and Lloyd's China enter into reinsurance agreements with syndicates to reinsure 100% of the insurance premiums written.

Reinsurance premiums and reinsurers' share of unearned premiums

Outward reinsurance premiums are recognised over the period of cover of the reinsured contracts, in line with premium income recognised. Reinsurers' share of provision for unearned premiums is calculated before deducting acquisition costs such as commissions, handling fees, business taxes, surcharges and regulatory charges, which are presented separately as deferred acquisition costs.

The amounts the Society is entitled to under reinsurance contracts are recognised as reinsurers' share of technical provisions. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured contracts. Debtors and creditors arising out of reinsurance operations primarily comprise amounts recoverable from reinsurers or premiums payable for outward reinsurance contracts, respectively.

An impairment review is performed on all reinsurance assets when an indication of impairment occurs. Reinsurance assets are impaired only if there is objective evidence that the Society may not receive all amounts due to it under the terms of the contract and this can be measured reliably.

Claims recoverable under the Society's reinsurance agreements are recognised and measured in line with insurance claims relating to the policies they reinsure.

Reinsurance commission income is receivable from syndicates as a percentage of premiums earned by Lloyd's Europe and on premiums written by Lloyd's China, net of recoveries and included in net operating income/(expense) in the technical account in the Group profit and loss account.

Notes to the Financial Statements continued

3. Summary of significant accounting policies continued

(k) Financial investments

The Group has chosen to apply the recognition and measurement provisions of IFRS 9 and IAS 39 (as amended following the publication of IFRS 9) and the disclosure requirements of FRS 102.

Recognition and measurement

Basic financial assets are initially recognised at fair value plus, in the case of a financial investment not valued at fair value through profit or loss, transaction costs that are directly attributable to the acquisition of the financial investment. Transaction costs of financial investments carried at fair value through profit and loss are expensed in the Group profit and loss account.

Classification

Financial investments are classified, at initial recognition, in the following measurement categories:

- fair value through profit or loss (FVTPL); or
- amortised cost.

The classification depends on the Society's business model for managing the financial investments and the contractual terms of the cash flows. The Society measures financial investments at amortised cost if both of the following conditions are met:

- the financial investment is held within a business model with the objective to hold financial investments in order to collect contractual cash flows; and
- the contractual terms of the financial investment give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

The Society's financial investments at amortised cost include short-term and security deposits, statutory insurance deposits, loans recoverable and trade receivables.

Financial investments at FVTPL include financial investments held for trading or financial investments mandatorily required to be measured at fair value. Financial investments are classified as held for trading if they are acquired for the purpose of selling or repurchasing in the near term. Derivatives are also classified as held for trading. Financial investments with cash flows that are not solely payments of principal and interest are classified and measured at FVTPL, irrespective of the business model.

This category includes government fixed interest securities, corporate securities, emerging and developed market investments, equities, hedge funds, multi-asset investments, private assets and loan investments.

Subsequent measurement

The subsequent measurement of financial instruments depends on their classification as follows:

- financial instruments at FVTPL are carried in the Group balance sheet at fair value. Gains and losses arising from changes in their fair value are included in the Group profit and loss account in the period in which they arise; and
- where financial instruments are carried at amortised cost, the value is computed using the effective interest rate method less any allowance for impairment and principal repayment or reduction. The calculation takes into account any premium or discount on acquisition and includes transaction costs and fees that are an integral part of the effective interest rate.

Derecognition

A financial investment is derecognised when:

- the rights to receive cash flows from the investment have expired; or
- the Society has transferred its right to receive cash flows from the investment and has substantially transferred all the risks and rewards of ownership; or
- despite having retained some significant risks and rewards of ownership, control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Impairment of financial assets

The Society assesses, on a forward-looking basis, the expected credit losses (ECLs) associated with its financial assets held at amortised cost. ECLs are based on the difference between the contractual cash flows due in accordance with the contract and all the cash flows that the Society expects to receive, discounted at the original effective interest rate. The expected cash flows will include cash flows from the sale of collateral held or other credit enhancements that are integral to the contractual terms.

The ECL methodology applied depends on whether there has been a significant increase in credit risk. For those credit exposures where there has been a significant increase in credit risk since initial recognition, the loss allowance is measured at lifetime ECL. Lifetime ECL represents the expected credit losses that will result from all possible default events over the expected life of a financial asset.

The Society assumes that the credit risk on a financial instrument has not increased significantly since initial recognition if the instrument is determined to have a low credit risk at the reporting date. The loss allowance for such assets is measured at an amount equal to 12 months' ECL, being the proportion of lifetime ECL that is expected to result from default events.

For trade receivables and insurance contract assets, the Society applies a simplified approach in calculating expected credit losses. Therefore, the Society does not track changes in credit risk, but instead recognises a loss allowance based on lifetime ECLs at each reporting date.

The Society considers a financial investment in default when contractual payments are 90 days past due. However, in certain cases, the Society may also consider a financial investment to be in default when internal or external information indicates that the Society is unlikely to receive the outstanding contractual amounts in full before taking into account any credit enhancements held by the Society. A financial investment is written off when there is no reasonable expectation of recovering the contractual cash flows.

(l) Financial liabilities

Financial liabilities include subordinated loan notes, senior debt and deposits received from reinsurers.

Initial recognition and measurement

Financial liabilities are classified at initial recognition, at FVTPL, loans and borrowings or as payables, as appropriate and, in the case of loans and borrowings and payables, net of directly attributable transaction costs.

Subsequent measurement

The measurement of financial liabilities depends on their classification, as described below:

Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL include financial liabilities held for trading. Financial liabilities are classified as held for trading if they are incurred for the purpose of repurchasing in the near term. This category also includes derivative financial instruments entered into by the Society. Gains or losses on liabilities held for trading are recognised in the Group profit and loss account.

Loans and borrowings

After initial recognition, interest-bearing loans and borrowings are subsequently measured at amortised cost using the effective interest rate method. Gains and losses are recognised in the Group profit and loss account when the liabilities are derecognised, as well as through the effective interest rate amortisation process. Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the effective interest rate. The effective interest rate amortisation is included as non-technical operating expenses in the Group profit and loss account.

Derecognition

A financial liability is derecognised when the obligation under the liability is discharged or cancelled or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as the derecognition of the original liability and the recognition of a new liability. The difference in the respective carrying amounts is recognised in the Group profit and loss account.

(m) Employee benefits

The Society accounts for pensions and similar benefits (principally income protection due to ill health) under Schedule 28 Employee Benefits of FRS 102. The Society operates a number of defined benefit pension schemes in which obligations are measured at discounted present value using the projected unit credit method, while plan assets are recorded at fair value.

Judgement is required in determining the economic and demographic assumptions underpinning the estimated actuarial value of scheme liabilities. These judgements are based on observable historic data and, in many cases, publicly available information. The operating and financing income and costs of the scheme are recognised in the Group profit and loss account. Service costs, financing income (expected return on plan assets) and costs are recognised in the periods in which they arise. Actuarial gains and losses are recognised in full in the Group statement of comprehensive income in the period in which they occur.

Costs of discretionary awards in respect of past service are recognised in the Group profit and loss account when amounts are committed to be paid or there is a constructive liability to make awards to pensioners.

Payments to defined contribution pension schemes are charged to the Group profit and loss account as they fall due.

Short-term bonuses are accrued in the period to which they relate; long-term bonuses are recognised over their vesting period.

(n) Other provisions

A provision is recognised in the balance sheet when there is a present legal or constructive obligation as a result of a past event, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount can be reliably estimated.

Central Fund claims and provisions

Central Fund claims and provisions (Undertakings) are accounted for when they are approved by the Council and become contractual commitments. These Undertakings are granted wholly at the discretion of the Council for a fixed period, normally one year, and therefore are not deemed to be constructive obligations, except for renewals of those commitments previously granted.

For those corporate members in provisional liquidation, the Council provides a supporting commitment, which will ensure that in no circumstance will an insurance creditor receive less than the amount it would have received in a winding up commencing on the date of the provisional liquidation. As the supporting Undertakings are legally enforceable commitments, an estimate of their value is included within provisions in the Group financial statements and changes during the period are reflected in the Group profit and loss account. The Council has provided no such supporting commitments during the year and therefore no provision is held at year end.

Recoveries in respect of Undertakings previously given are credited to the Group profit and loss account when contractually committed to be received.

(o) Syndicate loans

Syndicate loans comprise loans issued to strengthen the Society's central resources and facilitate the injection of capital into Lloyd's Europe.

The amount collected was based on a percentage of the syndicate gross written premium forecast. The loans are treated as equity as there is no contractual obligation to settle the loans and the Society may elect not to settle at its sole discretion (other than on liquidation). On initial recognition, syndicate loans are measured at fair value and are not subsequently revalued. Further details on syndicate loans can be found in note 24.

(p) Cash at bank and in hand

This consists of cash at bank and in hand and deposits held at call with banks.

(q) Other technical income

Income directly related to the insurance activities of the Society is presented in the technical account and largely comprises recoveries of costs from syndicates under the contracts.

(r) Net operating income/(expenses) – technical account

Costs directly related to the insurance activities of the Society are presented in the technical account in the Group profit and loss account.

Acquisition costs which represent commission, and other related expenses, are deferred over the period in which the related premiums are earned.

Administration costs are expensed as incurred.

Reinsurance commission income is receivable from syndicates as a percentage of premiums earned by Lloyd's Europe and on premiums written by Lloyd's China.

Notes to the Financial Statements continued

3. Summary of significant accounting policies continued

(s) Non-technical income

The Society supports the market to underwrite risks through its trading rights and distribution network. It also ensures that the market remains well capitalised and provides services to enable the market's efficient operation. Revenue consists of members' subscriptions (net of rebates), various market charges and other services and Central Fund contributions.

Revenue from contracts with customers is recognised when services are transferred to the customer at an amount that reflects the consideration to which the Society expects to be entitled in exchange for those services:

- members' subscriptions, market charges and other services are recognised in the period for which the service is provided. They are recognised on a basis that reflects the timing, nature and value of the benefits provided, and are net of rebates;
- Central Fund contributions from members' underwriting in the year are recognised in the period for which the service is provided; and
- other income is recognised on a basis that reflects the timing, nature and value of the benefits provided. Other income includes rental income from the sub-lease of properties held under operating lease contracts.

For members' subscriptions, market charges and other services, and Central Fund contributions, the period for which the service is provided is the financial year, and performance obligations are generally satisfied within the financial year. Revenue arising in respect of members' subscriptions and Central Fund contributions are calculated by applying a percentage to the forecast gross written premiums of each syndicate underwriting year.

Where performance obligations are not satisfied in the financial year, revenue is recognised based on the extent to which service obligations are completed. Judgement has been applied in determining revenue recognised for the year.

Share of profits from associates and joint ventures are recognised as stated in note 17.

Debtors represent the Society's right to an amount of consideration that is unconditional (only the passage of time is required before payment of the consideration is due).

(t) Non-technical operating expenses

Non-technical operating expenses comprise costs relating to the operating activities of the Society. These costs are charged to the Group profit and loss account as incurred. Non-technical operating expenses comprise employment costs, premises costs, legal and professional fees, systems and communications costs, Central Fund protection cover costs, depreciation and amortisation and interest expense.

(u) Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses.

Investment income

Investment income includes:

- interest receivable, recognised on a time-apportioned basis using the effective interest method. Any unwinding of discount is recognised as interest income;
- dividend income from equity investments on the ex-dividend date; and
- realised gains and losses on financial instruments, including derivative contracts, calculated as the difference between net sales proceeds and purchase price.

Unrealised gains/(losses) on investments

Movement in unrealised gains and losses on investments represents the difference between the valuation at the balance sheet date and the valuation at the last balance sheet date, or their purchase price for investments acquired during the period, together with the reversal of unrealised gains or losses recognised in earlier accounting periods in respect of investment disposals in the current period.

The Society enters into forward currency contracts to manage exposures to fluctuation in foreign exchange rates, and to provide a service to the Lloyd's market. Where gains and losses are not expected to be refunded or recovered from the Lloyd's market, these amounts are taken to the Group profit and loss account.

Investment expenses and charges

Investment expenses and charges comprise costs relating to the investing activities of the Society and impairment charges on financial assets held at amortised cost. These costs are charged to the Group profit and loss account as incurred.

(v) Taxation

Corporation tax on profit or loss for the periods presented comprises current and deferred tax. Corporation tax is recognised in the Group profit and loss account except to the extent that it relates to items recognised directly in the Group statement of comprehensive income.

Current tax is the expected tax payable on the taxable income for the year, using tax rates enacted, or substantively enacted, at the reporting date, and any adjustment to tax payable in respect of previous years.

Deferred tax liabilities are recognised for all taxable temporary differences, and deferred tax assets are recognised for all deductible temporary differences and unutilised tax losses, to the extent that it is probable that taxable profits will be available against which the deductible temporary differences or tax losses can be utilised.

Deferred tax is measured on an undiscounted basis at the rates that are expected to apply in the periods in which timing differences reverse, based on tax rates and laws enacted or substantively enacted at the reporting date.

(w) Prior year restatement

The Group statement of cash flows comparative amounts for 2022 have been restated following the implementation of improved processes for identifying cash movements associated with financial investments. As a result:

- Net cash from operating activities increased by £65m;
- Net cash flows from investing activities decreased by £61m;
- Net cash outflows from financing activities decreased by £2m; and
- Cash flows from exchange difference on cash and cash equivalents decreased by £2m.

Cash and cash equivalents at 31 December 2022 are unchanged and the adjustments do not impact total capital and reserves reported in prior periods.

4. Critical accounting judgements and estimation uncertainty

In preparing the financial statements, significant estimates and judgements are made in respect of some of the items reported, based on historical experience and other factors, including expectations of future events that are believed to be reasonable. The estimates and assumptions that have a significant risk of a material change to the carrying value of assets and liabilities within the next financial year are set out below:

(a) Significant judgements in applying accounting policies

Fair value of financial instruments

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques which require significant judgement. The Society's Level 3 financial investments relate to the loan to Constellation of £80m in regard to the Central Fund cover, which has a carrying value of £76m (2022: £67m); and investments in the Lloyd's Private Impact Fund (LPIF) and Lloyd's Private Credit Fund (LPCF). The LPIF and LPCF, with current investments of £56m (2022: nil) and £16m (2022: nil) respectively, are managed by a third-party investment manager. Agreed valuation techniques, which include inputs such as discount rates, models and comparable market data to establish the fair value of the underlying private equity impact investments, are applied on a quarterly basis by an Alternative Investment Fund Manager acting as a valuation agent for the fund, independently of the fund managers.

In each case, judgement is applied to select a method and make assumptions based on market conditions existing at the end of each reporting period and a change to the applied methodology and/or assumptions could lead to a range of plausible valuations for financial investments. See note 5 for discussion of the related interest rate and credit risks.

(b) Key sources of estimation uncertainty

Ultimate liability arising from claims made under insurance contracts and asset arising from reinsurance contracts

In setting the provision for insurance liabilities an allowance for risk and uncertainty is added, the objective being to ensure that local statutory requirements and management's reasonable expectations have been met. The insurance reserves, including the allowance for uncertainty, is 100% reinsured with Lloyd's syndicates and there is no impact on the profit before tax or net assets of the Group. The carrying amount of the liability is £7,087m (2022: £7,311m) and of the asset is £7,087m (2022: £7,311m).

The estimation of the ultimate liability arising from claims made under insurance contracts and the related asset arising from the 100% reinsurance quota share agreements in place are significant accounting estimates, as the valuation is inherently uncertain and reliant on a number of actuarial assumptions. Determining the amount of this liability is inherently challenging and in a given year there is a risk this estimate may materially change in the following year, due to change in the risk profile and/or reassessment of the assumptions underlying the reserving methodology. A key area of estimation uncertainty as to the ultimate amounts at which they will be settled exists in respect of claims arising from the conflict in Ukraine.

In respect of this conflict, the market has reserved £1.9bn of liabilities (2022: £1.4bn), with a proportion of those liabilities being provided for in Lloyd's Europe and relating to aviation leasing. Lloyd's Europe is currently aware of 11 claims in total which have been brought against it in England and Ireland (ie claims in which Lloyd's Europe is a named defendant) and is aware of one further claim that may be issued. Each claim is brought by aviation lessors under policies taken out in respect of aircraft operating in Russia and related countries in 2022. While some of these proceedings are more advanced than others, there are key factual and legal questions yet to be resolved in all of the actions. The trials of the Irish claims are currently scheduled for June 2024, and the trials of the English claims are currently scheduled for October 2024. It is too early to comment on the potential outcome of these cases. Lloyd's Europe understands that a number of other similar claims have been brought against the relevant Lloyd's syndicates directly (ie claims in which Lloyd's Europe is not a named defendant) and other insurers in other jurisdictions (eg in the United States) in respect of business not underwritten through Lloyd's Europe. It is noted that Lloyd's Europe has 100% quota share reinsurance agreements in place with the relevant Lloyd's syndicates in respect of the business it has underwritten.

The level of provision has been set on the basis of the information that is currently available. While the Council considers that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in significant adjustments to the amount provided. Adjustments to the amount of the provision 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. See note 26 for disclosures relating to these provisions and note 5 for discussion of the related risks.

Defined benefit pension scheme

The Group has obligations to pay pension benefit liabilities to certain employees. The cost of these benefits and the present value of the obligation depend on a number of factors which underpin the estimated actuarial value of the scheme liabilities. The major financial assumptions used by the actuary are the discount rate on corporate bonds, the rate of price inflation, life expectancy and the rate of increase in future pension payments. The assumptions reflect historical experience and current trends and are considered to be a key source of estimation uncertainty as a small change to the assumptions applied could result in a material movement in the financial statements within the next 12 months. The carrying value of the Lloyd's Pension Scheme is a surplus of £41m (2022: £57m) which has been recognised as an asset on the balance sheet. See note 22 for further details.

4. Critical accounting judgements and estimation uncertainty continued

(c) Other areas of judgement and accounting estimates

There are a number of accounting assumptions made by the Society about the future, and other sources of estimation uncertainty at the end of the reporting period. These assumptions do not have a significant risk of resulting in a material adjustment to the carrying value of assets and liabilities within the next financial year and therefore do not represent a major source of estimation uncertainty.

Climate change

As set out in the principal current and emerging risks on pages 21 to 22, Lloyd's continues to monitor and manage risks associated with the physical, transition and litigation risks associated with climate change. There is inherent complexity and uncertainty in how the future climate pathway will develop; however, the current management view is that reasonably possible changes arising from climate risk would not have a material impact on asset and liability valuations at the reporting date.

Repairs and maintenance provision

We have previously disclosed the impact of provisions on the repair and maintenance of the 1986 building and pipeline premiums. While still sources of uncertainty, they are not deemed to present a risk of material misstatement in the next year.

5. Insurance and financial risk

(a) Insurance risk

This is the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities.

Lloyd's Insurance Company S.A. ('Lloyd's Europe') and Lloyd's Insurance Company (China) Limited ('Lloyd's China') are the principal insurance businesses of the Society. The companies' principal activity is to provide reinsurance of non-life business and direct non-life insurance in the European and Chinese insurance markets, respectively. Lloyd's syndicates participate in Lloyd's Europe and Lloyd's China business by means of retrocession agreements. Lloyd's Europe and Lloyd's China have reinsured and retroceded 100% of the insurance risk for all underwritten premiums to Lloyd's syndicates. As such, insurance risk after this is nil. Therefore, an increase or decrease in estimated technical provisions has a corresponding impact on the reinsurers' share of technical provisions, and nil net impact on the Society's claims incurred, net of reinsurance and profit before tax for the year and the capital and reserves at the balance sheet date. The Society's insurance risk can be subdivided into the following categories:

- underwriting risk;
- reserving risk;
- credit risk;
- catastrophe risk; and
- concentration risk.

Lloyd's Europe accounts for 98% (2022: 98%) of the Society's gross written premiums for the year. As such, the vast majority of the Society's gross insurance risk relates to the operations of Lloyd's Europe.

Underwriting risk

There is a risk that a policy will be written for too low a premium, provide inappropriate cover, or that the frequency or severity of insured events will be higher than expected. Lloyd's Europe and Lloyd's China underwrite business introduced by Lloyd's syndicates in line with their approved business plans. As outlined on page 45, approval of syndicates' business plans (which includes the syndicates' underwriting strategy) is the key control the Society uses to manage the underwriting risk of Lloyd's Europe and Lloyd's China.

The Society has controls in place to ensure that risks are underwritten within regulatory requirements and the scope of Lloyd's market licences. Controls are also in place to ensure reinsurance agreements are in place with syndicates to retrocede 100% of the insurance risk of all underwritten premiums.

Reserving risk

Reserving risk arises where the reserves established in the balance sheet are not adequate to meet eventual claims arising. Lloyd's Europe and Lloyd's China estimate incurred but not reported (IBNR) claims based on case reserves set by managing agents and their own historic claims development data. Lloyd's Europe and Lloyd's China reserves are annually subject to a formal independent actuarial opinion.

Specific reserving issues for the Society reflect those for the market as a whole in the geographic areas business is written, as outlined on page 45. In particular, Lloyd's Europe has gross exposure to losses arising from the conflict in Ukraine. Any change in the estimated ultimate loss ratio has a nil net impact on capital and reserves in the balance sheet as all risks are 100% reinsured.

For Lloyd's Europe, the ultimate claim cost including claims expense reserves is determined using actuarial techniques based primarily on historical experience, actual claims experience, and in accordance with their statutory reporting requirements. Significant judgement is required in applying these actuarial techniques in order to calculate the expected ultimate claims and expenses. A combined approach is taken, with the provisions for the business transferred through the Part VII agreement in 2020, calculated using the same techniques as are used for the business originally written through Lloyd's Europe. An explicit allowance is also derived for specific claims that are thought to require an additional IBNR allowance, such as those linked to the conflict in Ukraine, primarily using ultimate claims estimates provided by the syndicates.

For Lloyd's China, the ultimate claim cost is determined based on historical experience, the expected loss ratio provided by the syndicates and actual claims experience, and in accordance with their statutory reporting requirements. Claims expense reserves are calculated with reference to actual claims expenses and future developing trends by line of business. Significant judgement is required in assessing the expected loss ratios provided by syndicates to determine whether the provision for insurance claims held for prior underwriting years is reasonable. Changes in loss ratios for one or more lines of business have had a relatively insignificant impact on the valuation of insurance contract liabilities as a whole.

For Lloyd's China only, outstanding claims reserves are calculated taking the time value of money into account. The discount rate used is the same as that used for the calculation of the unexpired risk reserve.

Credit risk

Lloyd's Europe and Lloyd's China are exposed to credit risks primarily associated with insurance and reinsurance arrangements with their insurance counterparties. The most significant credit risk is the recoverability of the Society's reinsurance assets receivable from syndicates under the 100% reinsurance agreements. Credit risk is minimised by actively monitoring the creditworthiness of counterparties to ensure this is managed proactively. Expected credit losses are calculated and recognised as described in note 2(k).

Catastrophe risk

Catastrophe risk is the risk of loss occurring across all lines of business from worldwide catastrophic events. The Society has developed a suite of Realistic Disaster Scenarios to measure syndicate-level and aggregate market exposure to both natural catastrophes and man-made losses. These are monitored frequently, and additional information is provided by syndicates as described on page 45. In addition, enhancements to the monitoring and oversight of aggregate market catastrophe risk exposure have been implemented within the approved Internal Model under Solvency II.

Concentration risk

As described on page 54, the Society monitors concentrations of risk against defined risk appetites. Any reported metrics outside of appetite are reported to, and discussed by, the Lloyd's Europe or Lloyd's China Audit and Risk Committees.

Claims development table

The table below shows the development of claims over a period of time on a gross basis. The claims development table shows the cumulative incurred claims, including both notified and IBNR claims for each successive year, together with cumulative claims at the current reporting date.

	2018 and prior £m	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**	**Total £m**
At end of underwriting year	576	792	4,502	897	909	749	
One year later	617	1,608	4,935	2,631	1,475	–	
Two years later	595	1,555	4,802	2,798	–	–	
Three years later	601	1,484	4,665	–	–	–	
Four years later	616	1,453	–	–	–	–	
Five years later	614	–	–	–	–	–	
Current estimate of cumulative claims	614	1,453	4,665	2,798	1,475	749	11,754
Cumulative payments to date	(553)	(904)	(2,235)	(679)	(262)	(34)	(4,667)
Total provision for insurance claims	61	549	2,430	2,119	1,213	**715**	**7,087**

As the Lloyd's Europe and Lloyd's China insurance liabilities are 100% reinsured and comprise the vast majority of the Society's insurance business, the Society has not prepared a claims development table on a net basis.

The claims development table above includes claims relating to the 2020 and prior underwriting year EEA business transferred under the Part VII agreement on 30 December 2020. All liabilities transferred are included within the 2020 underwriting year.

(b) Financial risk

The Society's risk management of investment operations is predominantly controlled by the Lloyd's Treasury and Investment Management function under policies approved by the Investment Committee. The Council provides written principles for overall risk management, as well as policies covering specific areas, such as foreign exchange risk, interest rate risk, credit risk, use of derivative financial instruments and non-derivative financial instruments, and investment of excess liquidity. Refer to note 16 on pages 142 to 146 for further details of the Society's financial investments.

(c) Credit risk

Credit risk is the exposure to loss if a counterparty fails to perform its contractual obligations. Other than the credit risk on the 100% reinsurance agreements with syndicates, the Society's primary credit risk relates to its financial investments and cash balances. Refer to note 16 for classification of assets according to credit ratings. The Society is also exposed to credit risk in its premium debtors. Credit risk in respect of premium debt is controlled through internal credit evaluation of related counterparties and regular monitoring of premium settlement performance.

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

(d) Liquidity risk

Liquidity risk is the risk that there are insufficient funds to meet liabilities, as they fall due.

The value and term of short-term assets are carefully monitored against those of the Society's liabilities. The Society maintains sufficient liquid assets to meet liabilities as they fall due.

The liquidity of the Central Fund is managed to meet short-term operational commitments, including the payment of any drawdown. Any surplus cash balances are invested in compliance with defined investment parameters approved by the Investment Committee, in accordance with the risk appetite set by the Council.

The Society had no committed borrowing facilities as at 31 December 2023 or 2022. The primary long-term financial liabilities of the Society are subordinated debt and senior loan notes, which are detailed in note 25, including details of the maturity of these liabilities.

The Society has a strong free cash balance at 31 December 2023 of £328m (31 December 2022: £282m), with additional holdings in short-term investments, making the Society's liquidity very strong.

(e) Market risk

Market risk is the risk of loss, or of adverse change in a financial situation, resulting from fluctuations in the level of market prices of assets and liabilities arising from exposure to economic variables and market forces such as interest rates, foreign currency rates or inflation.

Interest rate risk

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

Interest rate risk arising from the requirement to make fixed rate coupon payments in respect of the Society's senior and subordinated debt, and discretionary fixed rate coupon payments in respect of the Society's syndicate loans, is considered in conjunction with the market risk arising on the Society's investments.

Borrowings from the Lloyd's market for the purpose of funding statutory insurance deposits do not bear a fixed rate of interest. Instead, investment returns earned on the borrowed assets are passed on to lenders. Consequently, no interest rate risk arises on such borrowings.

Short-term assets held by the Society may be significant at certain times. These are invested in money market instruments of up to 12 months' duration with the objective of maximising current income while meeting liquidity requirements.

As part of the strategy to mitigate these risks, the Society has entered into a number of interest rate swap contracts.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the profit before tax of the effects of changes in interest rates.

	Impact on profit before tax £m	
	2023	2022
+50 basis points	(28)	(28)
-50 basis points	28	28
+100 basis points	(56)	(55)
-100 basis points	56	55

Foreign currency risk

Currency risk is the risk that the sterling value of the Society's assets and liabilities will fluctuate due to changes in foreign exchange rates. The Society's exposure to the risk of changes in foreign exchange rates relates primarily to changes in the fair value of foreign-currency-denominated investments and forward contracts.

The majority of foreign exchange exposures arising from investments denominated in foreign currencies are managed via a foreign exchange hedging programme. The Society also hedges against the portion of its capital requirement denominated in US Dollars, in excess of US Dollar holdings. As a result, the Society has remaining net exposures to foreign currencies and the sterling value of the Society's investments may be affected by movements in exchange rates relating to these exposures.

A 10% strengthening/weakening of the pound against all other currencies at 31 December 2023 would have reduced/increased the profit before tax for the financial year by £311m (2022: £317m). This analysis is presented net of foreign exchange hedges and assumes that all other variables remain constant.

Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or by factors affecting all similar financial instruments traded in the market.

Such risks are managed by setting and monitoring objectives and constraints on investments, diversification plans and limits on investments in each sector and market.

The analysis below is performed for reasonably possible movements in market indices on financial instruments with all other variables held constant, showing the impact on the profit before tax due to changes in the fair value of financial assets and liabilities (whose fair values are recorded in the profit and loss account).

	Impact on profit before tax £m	
	2023	2022
5% increase in equity markets	30	26
5% decrease in equity markets	(30)	(26)
15% increase in equity markets	91	78
15% decrease in equity markets	(91)	(78)

6. Segmental analysis

Segmental information is presented in respect of the Society's business segments. The primary business segments are based on the Society's management and internal reporting structure. Intra-segment pricing is determined on an arm's-length basis. Segmental results, assets and liabilities include items directly attributable to a segment, as well as those that can be allocated on a reasonable basis.

The Society's primary business segments are as follows:

- Corporation of Lloyd's: the main corporate purpose is to facilitate the carrying on of insurance business by members of Lloyd's and the advancement and protection of their interests in this context. The activities of authorised insurance company subsidiary undertakings (primarily Lloyd's Insurance Company S.A. and Lloyd's Insurance Company (China) Limited) are included within this business segment; and
- Lloyd's Central Fund: comprising the New Central Fund and Old Central Fund, are assets of the Society, held and administered at the discretion of the Council, primarily as funds available for the protection of policyholders. Unless the approval of members is obtained, the New Central Fund may not be used for the purposes of extinguishing or reducing liabilities which have been reinsured by Equitas Reinsurance Limited.

Notes to the Financial Statements continued

6. Segmental analysis continued

Segment revenue and expenses	Note	2023 Corporation of Lloyd's £m	2023 Lloyd's Central Fund £m	2023 Society total £m	2022 Corporation of Lloyd's £m	2022 Lloyd's Central Fund £m	2022 Society total £m
Technical account							
Earned premiums, net of reinsurance		–	–	–	–	–	–
Other technical income		8	–	8	8	–	8
Claims incurred, net of reinsurance		–	–	–	–	–	–
Net operating income		34	–	34	22	–	22
Balance on the technical account for general business		**42**	**–**	**42**	30	–	30
Non-technical account							
Total investment return		58	251	309	(22)	(157)	(179)
(Loss)/profit on foreign exchange		(5)	(113)	(118)	10	231	241
Non-technical income	10	367	192	559	334	157	491
Non-technical operating expenses	11	(365)	(69)	(434)	(362)	(97)	(459)
Profit/(loss) before tax		**97**	**261**	**358**	(10)	134	124
Tax charge on profit		(30)	(60)	(90)	(6)	(20)	(26)
Profit/(loss) after tax		**67**	**201**	**268**	(16)	114	98
Segment assets and liabilities							
Financial investments	16	1,799	3,027	4,826	1,592	2,778	4,370
Cash at bank and in hand		687	311	998	784	383	1,167
Deferred tax asset		5	–	5	12	–	12
Tax receivable		1	9	10	1	9	10
Reinsurers' share of technical provisions		9,375	–	9,375	9,248	–	9,248
Debtors arising out of direct insurance operations		2,619	–	2,619	2,086	–	2,086
Debtors arising out of reinsurance operations		1,559	–	1,559	1,491	–	1,491
Other assets		189	582	771	131	582	713
Total assets		**16,234**	**3,929**	**20,163**	15,345	3,752	19,097
Technical provisions		9,375	–	9,375	9,248	–	9,248
Tax provisions		12	–	12	2	–	2
Deposits received from reinsurers		1,187	–	1,187	1,161	–	1,161
Creditors arising out of direct insurance operations		663	–	663	509	–	509
Creditors arising out of reinsurance operations		3,667	–	3,667	3,231	–	3,231
Subordinated debt and amounts owing to credit institutions	25	303	604	907	303	603	906
Other liabilities		799	56	855	691	66	757
Total capital and reserves		228	3,269	3,497	200	3,083	3,283
Total capital, reserves and liabilities		**16,234**	**3,929**	**20,163**	15,345	3,752	19,097

7. Particulars of insurance business

The geographical analysis of direct gross written premiums by location where contracts were concluded is as follows:

	2023 £m	2022 £m
European Economic Area (EEA)	3,897	3,164
China	68	63
Total	**3,965**	3,227

Refer also to note 26 for details of insurance balances.

8. Net operating income – technical account

	2023 £m	2022 £m
Acquisition costs	(864)	(654)
Change in deferred acquisition costs	91	60
Administrative expenses	(60)	(54)
Reinsurance commissions and profit participation	867	670
Total net operating income	**34**	22

9. Total investment return

	2023 £m	2022 £m
Income from financial investments held at FVTPL	54	37
Income from financial investments held at amortised cost	62	25
Net realised gains on derivative contracts	15	23
Other net realised losses on investments held at FVTPL and amortised cost	(5)	(55)
Total investment income	**126**	30
Net unrealised (losses)/gains on derivative contracts	(5)	1
Other net unrealised gains/(losses) on financial investments at FVTPL	191	(208)
Total net unrealised gains/(losses) on financial assets	**186**	(207)
Investment expenses and charges	(3)	(2)
Total investment return	**309**	(179)

10. Non-technical income

Non-technical income comprises income from members such as subscriptions, market charges and other services, Central Fund contributions and share of profits from associates and joint ventures. Set out below is the disaggregation of the Group's non-technical income:

	2023			2022		
	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m
Members' subscriptions, net of rebate	183	–	183	155	–	155
Market charges and other services:						
Market charges	175	–	175	167	–	167
Other charges	5	–	5	5	–	5
Central Fund income	–	192	192	–	157	157
Share of profits from associates and joint ventures	4	–	4	7	–	7
Total non-technical income from contracts with customers	**367**	**192**	**559**	334	157	491

11. Non-technical operating expenses

	2023			2022		
	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m	Corporation of Lloyd's £m	Lloyd's Central Fund £m	Society total £m
Employment costs	172	–	172	171	–	171
Premises	46	–	46	48	–	48
Legal and professional fees	63	1	64	55	2	57
Systems and communications costs	49	–	49	55	–	55
Central Fund protection cover	–	34	34	–	56	56
Depreciation and amortisation	13	–	13	10	–	10
Interest expense	11	30	41	11	36	47
Other	11	4	15	12	3	15
Total non-technical operating expenses	**365**	**69**	**434**	362	97	459

12. Auditors' remuneration

During the year the Group obtained the following services from the Society's auditors, PricewaterhouseCoopers LLP, as detailed below:

	2023 £m	2022 £m
Audit of the Group's annual financial statements	1	1
Audit of subsidiaries pursuant to legislation	1	1
Audit-related assurance services and Other assurance services	1	1
Total auditors' remuneration	**3**	3

Services payable to the Group's auditors include audit of the accounts of subsidiaries, audit-related assurance services (such as work undertaken on the Aggregate Accounts, Pro Forma Financial Statements and regulatory returns) and other assurance services.

13. Employees and directors

Employment costs

	2023 £m	2022 £m
Wages and salaries (including bonus)	136	132
Social security costs	16	16
Pension costs[1]	8	12
Other employment costs	12	11
Total employment costs	**172**	171

1. Pension costs largely relate to contributions made under the defined contribution scheme. Further information on this scheme and the defined benefit pension scheme can be found in note 22.

Employment costs exclude those relating to the insurance activities of the Group, which are presented in the technical account.

Number of employees

The average number of employees, on a full-time equivalent basis was as follows:

	2023	2022
UK employees	1,043	1,043
Overseas employees	275	277
Average number of total employees	**1,318**	1,320

Directors

The aggregate amount of remuneration paid to, or receivable by, both Executive and Non-Executive Directors (including the highest paid) is shown in the Annual Remuneration Report on pages 92 to 99. Post-employment benefits are accruing for three Executive Directors (2022: three) under a defined contribution pension scheme. No Executive or Non-Executive Directors (2022: none) were members of the defined benefit pension scheme.

14. Taxation

(a) Tax charge

	2023 £m	2022 £m
Current tax:		
Corporation tax at 23.5% (2022: 19.0%)	(56)	(6)
Adjustments in respect of prior periods	–	(1)
Foreign tax suffered	(22)	(10)
Total current tax	**(78)**	(17)
Deferred tax:		
Origination and reversal of timing differences:	(12)	(9)
Tax charge recognised in the Group profit and loss account	**(90)**	(26)
Analysis of tax credit/(charge) recognised in the Group statement of comprehensive income:		
Tax credit on syndicate loan interest	4	3
Tax credit/(charge) on actuarial loss/gain on Group pension liabilities	5	(37)
Tax credit/(charge) recognised in the Group other comprehensive income	9	(34)
Total tax charge recognised in the Group statement of comprehensive income	**(81)**	(60)

(b) Reconciliation of effective tax rate

The tax on the Group's profit before tax differs from the standard rate of UK corporation tax for the year of 23.5% (2022: 19.0%). The differences are explained below:

	2023 £m	2022 £m
Profit on ordinary activities before tax	358	124
Expected tax at the current rate of 23.5% (2022: 19.0%)	(84)	(24)
Income/(expenses) not taxable	2	(1)
Expenses not deductible for tax purposes	(3)	(2)
Overseas tax	(3)	–
Tax on share of profits of associates and joint ventures	1	1
Deferred tax adjustment relating to change in tax rate	–	2
Difference in UK and overseas tax rates	(2)	(2)
Overseas tax relief	–	1
Prior year adjustment	–	(1)
Other	(1)	–
Tax charge	**(90)**	(26)

The standard rate of UK corporation tax for the year ending 31 December 2023 is 23.5% (2022: 19%). An increase from the current 19% UK corporation tax rate to 25% effective from 1 April 2023, was announced in the 2021 Budget, and which was substantively enacted on 24 May 2021.

Deferred tax assets and liabilities are measured at the tax rate that will apply when an asset is expected to be realised or a liability is expected to be settled, using tax rates and laws enacted or substantively enacted at the balance sheet date.

The Group will be within the scope of the OECD Base Erosion and Profit Shifting Pillar 2 rules ('Pillar Two'), which will come into effect in the UK for accounting periods beginning on or after 31 December 2023.

As the Pillar Two legislation was not effective at the reporting date, the Group has no related current tax exposure. The Group applies the exception to recognising and disclosing information about deferred tax assets and liabilities related to Pillar Two income taxes, as provided in the amendments to Section 29 of FRS 102 issued in July 2023.

Under the legislation, the Group is liable to pay a top-up tax for the difference between the Global AntiBase Erosion ('GloBE') effective tax rate for each jurisdiction in which it operates and the 15% minimum rate.

The Group is in the process of assessing its exposure to the Pillar Two legislation. Given almost all of the Group profits are in the UK and other high tax jurisdictions and are subject to tax at an effective tax rate above 15% no material top-up taxes are expected to arise.

15. Intangible assets

Software development

	Assets available for use £m	Assets in development £m	Total £m
Cost			
At 1 January 2023	82	16	98
Additions	–	1	1
Disposals	(10)	(3)	(13)
Transfer between classes	10	(10)	–
At 31 December 2023	**82**	**4**	**86**
Accumulated amortisation and impairment			
At 1 January 2023	(44)	–	(44)
Amortisation for the year	(14)	–	(14)
Disposals	10	–	10
At 31 December 2023	**(48)**	**–**	**(48)**
Net book value at 31 December 2023	**34**	**4**	**38**
Net book value at 31 December 2022	**38**	**16**	**54**

Impairment losses

Impairment reviews are undertaken bi-annually for the assessment of the carrying value of assets. Following the assessment, £nil (2022: £5m) of the intangible assets were impaired during the year.

Amortisation and impairment charges are recognised within non-technical operating expenses and technical net operating income in the Group profit and loss account.

Notes to the Financial Statements continued

16. Financial investments

	Note	2023 £m Carrying value	2022 £m Carrying value
Financial investments at amortised cost			
Statutory insurance deposits	16(a)	1,037	934
Deposits with credit institutions	16(a)	571	597
Loans secured by mortgages[1]		23	24
Loans (unsecured)[2]		15	8
Total financial investments at amortised cost[3]		**1,646**	1,563
Financial assets at fair value through profit and loss			
Financial investments at fair value through profit and loss	16(b)	3,176	2,787
Derivative financial assets	16(c)	4	20
Total financial assets at fair value through profit and loss		**3,180**	2,807
Total financial investments		**4,826**	4,370

1. Loans secured by mortgages comprises loans made from the Central Fund to hardship members related to the valuation of hardship, Limited Financial Assistance Agreement and legal assets. Gains and losses are included in the Group profit and loss account in the period they arise.
2. During the year, a second unsecured loan was provided to a joint venture of the Group and is repayable in 2026.
3. The segmental allocation of financial investments at amortised cost is as follows: Corporation (2023: £1,258m; 2022: £1,100m) and Central Fund (2023: £388m; 2022: £463m). Refer to note 6 for the segmental disclosures relating to financial assets at FVTPL.

(a) Financial investments at amortised cost

Financial investments at amortised cost include investments such as government bonds, treasury bills, letters of credit, call accounts, fixed-term deposits and cash deposits held in certain countries to satisfy local trading authorisation requirements. These are excluded from cash and cash equivalents because they are not available to finance the Society's operations.

			2023			2022
Statutory insurance deposits	Securities £m	Deposits £m	Total £m	Securities £m	Deposits £m	Total £m
At 1 January	163	771	934	148	662	810
Additions at cost	22	1,448	1,470	34	1,333	1,367
Disposal proceeds	(15)	(1,377)	(1,392)	(33)	(1,305)	(1,338)
Profit on the sale and revaluation of investments	9	16	25	14	81	95
At 31 December	**179**	**858**	**1,037**	163	771	934

			2023			2022
Statutory insurance deposits	Securities £m	Deposits £m	Total £m	Securities £m	Deposits £m	Total £m
AAA	1	–	1	1	–	1
AA	165	640	805	150	481	631
A	–	100	100	–	285	285
BBB*	9	115	124	9	–	9
Other	4	3	7	3	5	8
At 31 December	**179**	**858**	**1,037**	163	771	934

* In 2022, statutory insurance deposits were mis-classified as BB and are now correctly reported as BBB in the current and prior year.

Deposits with credit institutions	2023 £m	2022 £m
AA	231	359
A	313	203
BBB	27	35
At 31 December	**571**	597

(b) Financial investments at fair value through profit and loss

	2023 Corporation of Lloyd's £m	2023 Lloyd's Central Fund £m	2023 Total £m
At 1 January	490	2,297	2,787
Additions at cost	223	1,380	1,603
Disposal proceeds	(181)	(1,135)	(1,316)
Profit on the sale and revaluation of investments	9	93	102
Fair value at 31 December	**541**	**2,635**	**3,176**
Analysis of securities[1]			
Debt securities and other fixed-income securities:			
Government	114	1,363	1,477
Corporate securities	266	526	792
Total debt securities and other fixed-income securities	**380**	**1,889**	**2,269**
Shares and other variable-yield securities and units in unit trusts:			
Global equities	–	369	369
Participation in investment pools:			
Private assets	–	72	72
Hedge funds	–	17	17
Multi-asset funds	–	139	139
Emerging markets	60	73	133
Developed markets	101	–	101
Other loans[2]	–	76	76
Fair value at 31 December	**541**	**2,635**	**3,176**

1. All securities are listed, except for hedge funds, private assets and other loans.
2. Other loans comprises loan to Constellation IC Limited of £80m in 2021 towards the arrangements made for the protection of Lloyd's Central Fund, in situations where the Central Fund makes payments to cover members' liabilities. The programme incepted on 1 January 2021 and has an initial fixed duration of five years (with a possible extension to hold collateral for a further three years to cover adverse claims development). The Society retains the first £791m (2022: £600m) of claims payable. The total amount of cover provided by the programme is £650m, with layers provided by Constellation and a panel of reinsurers. The layer covered by Constellation of £450m is 100% collateralised for the five-year term. Constellation has been funded by loans, including £80m from the Society (2022: £80m). The loan is classified and measured at fair value through profit and loss in accordance with the Society's accounting policy for financial assets, in accordance with IFRS 9 'Financial Instruments'. Interest income is accrued on the loan.

Analysis of securities	2023 Corporation of Lloyd's £m	2023 Lloyd's Central Fund £m	2023 Total £m
AAA	68	332	400
AA	77	1,114	1,191
A	81	271	352
BBB	154	258	412
Other	161	660	821
Fair value at 31 December	541	2,635	3,176

Notes to the Financial Statements continued

16. Financial investments continued

(b) Financial investments at fair value through profit and loss continued

	2022 Corporation of Lloyd's £m	2022 Lloyd's Central Fund £m	2022 Total £m
At 1 January	504	2,186	2,690
Additions at cost	510	2,032	2,542
Disposal proceeds	(512)	(1,814)	(2,326)
Loss on the sale and revaluation of investments	(12)	(107)	(119)
Fair value at 31 December	**490**	**2,297**	**2,787**
Analysis of securities[1]			
Debt securities and other fixed-income securities:			
Government	105	1,229	1,334
Corporate securities	252	473	725
Total debt securities and other fixed-income securities	**357**	**1,702**	**2,059**
Shares and other variable-yield securities and units in unit trusts:			
Global equities	1	315	316
Participation in investment pools:			
Hedge funds	–	18	18
Multi-asset funds	–	131	131
Emerging markets	52	64	116
Developed markets	80	–	80
Other loans[2]	–	67	67
Fair value at 31 December	**490**	**2,297**	**2,787**

1. All securities are listed, except for hedge funds and other loans
2. Other loans comprises loan to Constellation IC Limited of £80m in 2021 towards the arrangements made for the protection of Lloyd's Central Fund, in situations where the Central Fund makes payments to cover members' liabilities. The programme incepted on 1 January 2021 and has an initial fixed duration of five years (with a possible extension to hold collateral for a further three years to cover adverse claims development). The Society retains the first £791m (2022: £600m) of claims payable. The total amount of cover provided by the programme is £650m, with layers provided by Constellation and a panel of reinsurers. The layer covered by Constellation of £450m is 100% collateralised for the five-year term. Constellation has been funded by loans, including £80m from the Society (2022: £80m). The loan is classified and measured at fair value through profit and loss in accordance with the Society's accounting policy for financial assets, in accordance with IFRS 9 'Financial Instruments'. Interest income is accrued on the loan.

Analysis of securities	2022 Corporation of Lloyd's £m	2022 Lloyd's Central Fund £m	2022 Total £m
AAA	88	310	398
AA	79	901	980
A	62	287	349
BBB	129	244	373
Other	132	555	687
Fair value at 31 December	**490**	**2,297**	**2,787**

(c) Fair value hierarchy

To provide further information on the valuation techniques used to measure assets and liabilities carried at fair value, the Society categorises the measurement basis for assets carried at fair value into a 'fair value hierarchy', based on the lowest level input that is significant to the valuation as a whole, described as follows:

Level 1 – Inputs to Level 1 fair values are quoted prices in active markets for identical assets. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide pricing information on an ongoing basis. Examples are listed debt securities in active markets, listed equities in active markets or listed deposits held with credit institutions in active markets.

Fair values are determined using a pricing hierarchy structure for valuation purposes. The valuation principles employed are to provide the most accurate valuations, while also working to provide independent valuations. The pricing process employs a hierarchy that utilises numerous third-party sources in a tiered system.

Level 2 – Inputs to Level 2 fair values are inputs other than quoted prices included within Level 1 that are observable for the asset, either directly (ie as prices) or indirectly (ie derived from prices) and fair value is determined through the use of models or other valuation methodologies. Level 2 inputs include quoted prices for similar (ie not identical) assets in active markets, quoted prices for identical or similar assets in markets that are not active or in which little information is released publicly and low volatility hedge funds where tradable net asset values are published.

Where estimates are used to value unlisted securities, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market-observable data. While such valuations are sensitive to estimates, changing one or more of the assumptions to reasonably possible alternative assumptions is unlikely to result in a significant change in fair value.

Level 3 – Inputs to Level 3 fair values are inputs that are unobservable for the asset. Unobservable inputs have been used to measure fair value where observable inputs are not available, allowing for situations where there is little or no market activity. Unobservable inputs reflect assumptions that the Society considers market participants would use in pricing the asset and have been based on a combination of independent third-party evidence and internally developed models.

	2023			
	Level 1 £m	**Level 2 £m**	**Level 3 £m**	**Total £m**
Financial assets at fair value through profit or loss				
Debt securities and other fixed income securities	1,477	792	–	2,269
Shares and other variable yield securities and units in unit trusts	369	–	–	369
Participation in investment pools	–	390	72	462
Other loans	–	–	76	76
Total financial investments at fair value through profit and loss	**1,846**	**1,182**	**148**	**3,176**
Derivative financial instruments				
Other forward foreign exchange contracts	–	1	–	1
Interest rate swaps	–	3	–	3
Total derivative financial instruments	–	4	–	4
Total financial assets at fair value through profit or loss	**1,846**	**1,186**	**148**	**3,180**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
Other forward foreign exchange contracts	–	3	–	3
Interest rate swaps	–	4	–	4
Total financial liabilities at fair value through profit or loss	**–**	**7**	**–**	**7**

	2022			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Financial assets at fair value through profit or loss				
Debt securities and other fixed income securities	1,335	725	–	2,060
Shares and other variable yield securities and units in unit trusts	315	–	–	315
Participation in investment pools	–	345	–	345
Other loans	–	–	67	67
Total financial investments at fair value through profit and loss	1,650	1,070	67	2,787
Derivative financial instruments				
Currency conversion service	–	2	–	2
Other forward foreign exchange contracts	–	12	–	12
Interest rate swaps	–	6	–	6
Total derivative financial instruments	–	20	–	20
Total financial assets at fair value through profit or loss	1,650	1,090	67	2,807
Financial liabilities at fair value through profit or loss				
Derivative financial instruments				
Currency conversion service	–	2	–	2
Other forward foreign exchange contracts	–	10	–	10
Interest rate swaps	–	8	–	8
Total financial liabilities at fair value through profit or loss	–	20	–	20

Notes to the Financial Statements continued

16. Financial investments continued

(c) Fair value hierarchy continued

Derivative financial instruments

The Society enters into forward currency contracts to manage exposures to fluctuation in exchange rates and to provide a currency conversion service to the Lloyd's market. The Society also enters into interest rate swaps and equity futures to manage exposures aligned to its investment strategy. The Society's derivative financial instruments are categorised as fair value hierarchy Level 2.

The fair value and notional amounts of derivative instruments held, all of which mature within one year, are analysed as follows:

	2023 Assets		2023 Liabilities	
As at 31 December	**Fair value £m**	**Notional £m**	**Fair value £m**	**Notional £m**
Currency conversion service	–	90	–	(90)
Other forward foreign exchange contracts	1	288	(3)	(289)
Interest rate swaps	3	205	(4)	(205)
Total	**4**	**583**	**(7)**	**(584)**

	2022 Assets		2022 Liabilities	
As at 31 December	Fair value £m	Notional £m	Fair value £m	Notional £m
Currency conversion service	2	221	(2)	(220)
Other forward foreign exchange contracts	12	414	(10)	(760)
Interest rate swaps	6	290	(8)	(292)
Total	20	925	(20)	(1,272)

Fair value measurements using significant unobservable inputs (Level 3)

The following table presents the changes in the fair value of Level 3 investments for the years ended 31 December 2023 and 31 December 2022:

	2023 £m	2022 £m
As at 1 January	67	77
Addition	73	–
Loss on foreign exchange	(2)	–
Gain/(loss) recognised in the profit and loss account	10	(10)
As at 31 December	**148**	**67**

During 2023, the Society invested £56m in the Lloyd's Private Impact Fund and £16m in the Lloyd's Private Credit Fund (refer to page 39 for details of the accounting policy). These investments are reported as additions to participation in investment pools and are classified as Level 3 investments in the fair value hierarchy.

In addition, Level 3 investments include the loan to Constellation IC Limited of £80m advanced in 2021 towards the arrangements made for the protection of Lloyd's Central Fund, in situations where the Central Fund makes payments to cover members' liabilities. Refer to page 143 for further detail.

There were no transfers to or from fair value hierarchy Level 3 for the period ending 31 December 2023.

17. Investment in associates and joint ventures

The carrying value of the Group's investment in associates and joint ventures was as follows:

	2023 £m	2022 £m
At 1 January	42	36
Share of operating profits	5	8
Share of tax on profit on ordinary activities	(1)	(1)
Total share of profits of associates and joint ventures	**4**	7
Share of remeasurement loss on pension liabilities	–	(1)
At 31 December	**46**	42

Set out below are the Group's significant holdings which have been included as investments in associates and joint ventures as at 31 December 2023.

Company name	Registered address and country of incorporation	Proportion of equity capital held	Nature of business
Associates			
Ins-sure Holdings Limited	Royal Pavilion, Wellesley Road, Aldershot, Hampshire GU11 1PZ England and Wales	25%	Provision of premiums and claims accounting and settlement, policy production and ancillary insurance services principally to the London insurance market
Xchanging Claims Services Limited	Royal Pavilion, Wellesley Road, Aldershot, Hampshire GU11 1PZ England and Wales	50%	Provision of claims and recoveries services
Joint ventures			
London Market Operations and Strategic Sourcing Limited	One Lime Street, London EC3M 7HA England and Wales	Limited by guarantee 33%	Centralised capability to source and manage outsourced market services for the London insurance market
Placing Platform Limited	One Lime Street, London EC3M 7HA England and Wales	Limited by guarantee 36%	Advancement of the implementation of digital trading in the Lloyd's market

The issued share capital of Ins-sure Holdings Limited is £4,000. There are three classes of shares. The Society holds 1,000,000 B shares of 0.1p each that have the right to participate in 25% of any profits available for distribution.

The issued share capital of Xchanging Claims Services Limited is £4,001. There are three classes of shares. The Society holds 1,000 A shares of £1 each and 2,001 C shares of £1 each. The A and C shares have the following rights with respect to dividends:

- the A shares participate in 50% of any profits available for distribution in proportion to shares held as outlined above; and
- the C shares carry a right to a fixed cumulative preference dividend of 5%, calculated on the paid-up nominal capital, and a variable participating dividend in priority to the payment of any dividend to the holders of the A and B shares.

The wholly owned subsidiaries of Xchanging Claims Services Limited are LCO Marine Limited and LCO Non-Marine & Aviation Limited; and for Ins-sure Holdings Limited are Ins-sure Services Limited, London Processing Centre Limited and LPSO Limited.

18. Tangible assets

	Furniture and fittings £m	Leasehold improvements £m	Computer and specialised equipment £m	Lloyd's Collection £m	Total £m
Cost					
At 1 January 2023	19	–	7	15	41
Additions	3	4	–	–	7
Disposals	(1)	–	–	–	(1)
At 31 December 2023	**21**	**4**	**7**	**15**	**47**
Depreciation					
At 1 January 2023	(14)	–	(4)	–	(18)
Depreciation charge for the year	(2)	–	–	–	(2)
Disposals	1	–	–	–	1
At 31 December 2023	**(15)**	**–**	**(4)**	**–**	**(19)**
Net book value at 31 December 2023	**6**	**4**	**3**	**15**	**28**
Net book value at 31 December 2022	5	–	3	15	23

Impairment losses

Impairment reviews are undertaken annually of the recoverability of the carrying value of tangible assets held. As part of this review, an impairment charge of £nil (2022: £nil), was recognised during the year.

Lloyd's Collection

The Lloyd's Collection represents various paintings, antiques and artefacts. A desktop valuation was conducted by Gurr Johns Limited, valuers and fine art consultants, dated 5 January 2021. The collection was valued at £15m on the basis of open market auction value, assuming all items are not sold at the same time, taking into account the nature, age, condition and quality of each chattel. The Lloyd's Collection is valued every three years unless there is any indication of impairment. There was no indication of impairment in 2023 (2022: £nil).

Notes to the Financial Statements continued

19. Cash at bank and in hand

	2023 £m	2022 £m
Cash at banks	526	679
Short-term deposits	472	488
Total cash at bank and in hand	**998**	1,167

Cash at banks earns interest at floating rates, based on daily bank deposit rates. Short-term deposits are made for varying periods of between one day and three months, depending on the immediate cash requirements of the Society, and earn interest at the respective short-term deposit rates. The deposits are short-term cash instruments and are all redeemable on demand. The fair value of cash at bank and in hand is £998m (2022: £1,167m).

20. Deferred acquisition cost

	2023			2022		
	Gross £m	Reinsurers' share £m	Net £m	Gross £m	Reinsurers' share £m	Net £m
Balance at 1 January	356	356	–	277	277	–
Expenses for the acquisition of insurance contracts during the year	859	859	–	662	662	–
Amortisation	(767)	(767)	–	(600)	(600)	–
Foreign exchange movements	(9)	(9)	–	17	17	–
Balance at 31 December	**439**	**439**	**–**	356	356	–

Reinsurers' share of deferred acquisition costs is presented within accruals and deferred income. Please refer to note 29.

21. Other debtors, other assets and prepayments and accrued income

(a) Other debtors

	2023 £m	2022 £m
Other debtors	12	17
Tax receivable	10	10
Total other debtors	**22**	27

(b) Other assets

	2023 £m	2022 £m
Deferred tax asset	5	12
Total other assets	**5**	12

(c) Other prepayments and accrued income

	2023 £m	2022 £m
Prepayments	130	137
Accrued income	9	7
Total prepayments and accrued income	**139**	144

Prepayments include amounts paid for services to Xchanging Global Insurance Solutions Limited ('XGIS') in 2021, which will be received after more than one year from the balance sheet date, of £33m (2022: £44m). Management reviews the recoverability of such prepayment at each reporting period and there are no amounts considered irrecoverable at 31 December 2023 (2022: £nil).

22. Pension schemes

Lloyd's operates a number of defined benefit and defined contribution pension schemes. In the UK, employees are entitled to join a Group personal pension plan and there is also a closed defined benefit scheme. Other schemes have been established for certain employees based overseas.

These schemes are generally funded by the payment of contributions to separately administered funds.

Defined benefit pension schemes

The pension surpluses/(deficits) of the defined benefit schemes are as follows:

	2023 £m	2022 £m
Lloyd's Pension Scheme	41	57
Overseas pension schemes	(3)	(3)
Net surplus from pension schemes	**38**	**54**

The amounts recognised in the Group profit and loss account and Group statement of comprehensive income in respect of defined benefit schemes, before tax, are as follows:

	2023 £m	2022 £m
Lloyd's Pension Scheme	3	(2)
Overseas pension schemes	–	–
Total Group profit and loss account	**3**	(2)
Lloyd's Pension Scheme	(19)	150
Overseas pension schemes	–	1
Share of associates' and joint ventures' pension	–	(1)
Total Group statement of comprehensive income, before tax	**(19)**	150

The Lloyd's Pension Scheme

The Lloyd's Pension Scheme is a defined benefit pension scheme with assets held in a separately administered fund. The Scheme provides pensions to members on retirement, as well as benefits on the death of members. The Scheme operates in accordance with Trust Deed and Rules and relevant legislation. A Board of Trustees manages and administers the Scheme; they are primarily responsible for ensuring that members are paid the correct benefits at the correct time, and that there are sufficient Scheme assets to pay benefits as they fall due.

The Lloyd's Pension Scheme closed to new members in 2013 and closed to future accrual for existing members on 30 June 2018. Existing members of the Scheme at that time were enrolled into the Group personal pension plan for future pension benefits.

On an FRS 102 Section 28 'Employee Benefits' valuation basis, the pension scheme asset at 31 December 2023 was £41m (2022: £57m) before the allowance of deferred tax. An actuarial pre-tax loss of £19m has been recognised in the year (2022: £150m gain). In accordance with paragraph 22 of FRS 102 Section 28 'Employee Benefits', the value of the net pension scheme asset that can be recognised in the balance sheet is restricted to the present value of economic benefits available in the form of refunds from the Scheme or reductions in future contributions. The Society has recognised the Scheme surplus as a defined benefit plan asset as the Scheme Trust Deed and Rules give the Society the right to a refund of surplus in certain circumstances, and as such the asset is recoverable.

Scheme contributions and funding valuation

UK legislation requires the funding position of the Scheme to be assessed at least every three years by an independent qualified actuary. Following closure of the Scheme to future benefit accrual, there are no regular monthly contributions paid to the Scheme. However, where a funding deficit is identified, a recovery plan will be agreed between the Society and the Trustees, setting out the contributions required to meet the deficit.

A triennial funding valuation as at 30 June 2022, undertaken by Willis Towers Watson, was completed during 2023. The total market value of the Scheme's assets at the date of the valuation was £756m and the total value of accrued liabilities was £800m, resulting in a funding deficit of £44m. These figures exclude both liabilities and the related assets in respect of money purchase additional voluntary contributions (AVCs). The recovery plan agreed by the Trustees assumes that the deficit will be met by post-valuation-date investment outperformance relative to the liabilities; however a contingent contribution structure is in place until the next valuation (scheduled for 30 June 2025) under which contributions will be made should the estimated funding level fall below 103% as at 30 June in any given year. No additional contribution was paid in 2023.

22. Pension schemes continued

Information about the risks of the Scheme to the Society

The ultimate cost of the Scheme to the Society will depend upon actual future events rather than the assumptions made. Many of the assumptions made may not be borne out in practice and, as such, the cost of the Scheme may be higher or lower than disclosed. In general, the risk to the Society is that the assumptions underlying the disclosures, or the calculation of contribution requirements, are not borne out in practice and the cost to the Society is higher than expected. This could result in a deficit disclosed and therefore higher recovery contributions required from the Society. This may also affect the Society's ability to grant discretionary benefits or other enhancements to members.

The key assumptions that may not be borne out in practice are unchanged from those described in the 2022 Lloyd's Annual Report. A decrease in corporate bond yields will increase the Scheme's liabilities, although this will be partially offset by an increase in the value of the Scheme's bond assets.

Principal actuarial assumptions in respect of FRS 102 Section 28 'Employee Benefits'

The most significant change compared to the assumptions outlined in the 2022 Lloyd's Annual Report is the discount rate, which has decreased to 4.7% (2022: 5.0%). This financial assumption change is the main driver for the £17m increase in the total liabilities for the Scheme. The discount rate assumption is determined with reference to the yields on corporate bonds at the valuation date, which have decreased since the previous valuation. There has been no change in the methodology used to derive the discount rate compared to the valuation at 31 December 2022.

Other changes in assumptions compared to the 31 December 2022 valuation do not have a material impact on the net pension asset balance at 31 December 2023.

The demographic assumptions that are most financially significant are those relating to the life expectancy of retired members. The mortality table used for the purposes of the valuation is as follows:

Post retirement mortality assumption	**2023** **SAPS Light 3 table: Male 94%, Female 93%**	2022 SAPS Light 3 table: Male 94%, Female 93%
Additional description of allowance of future mortality improvements	CMI 2022	CMI 2021
	Years	Years
Life expectancy of a male aged 60 now	28	28
Life expectancy of a female aged 60 now	30	30
Life expectancy of a male aged 60 in 15 years	29	29
Life expectancy of a female aged 60 in 15 years	31	31

The other major financial assumptions used by the actuary are as follows:

	2023 **% per annum**	2022 % per annum
Discount rate	4.70	5.00
Price inflation		
• Retail Price index (RPI)	3.10	3.20
• Consumer Price index (CPI)	2.70	2.70

Other financial assumptions, including rate of increase in pensions in-payment, increases to final salary deferred pensions, career average revaluation in service and in deferment and increases in payment and guaranteed minimum pension equalisation, are largely similar and not presented above.

Total market value of assets

Changes in the fair value of plan assets are as follows:

	2023 **£m**	2022 £m
Fair value of Scheme assets at 1 January	706	934
Interest income on pension scheme assets	34	18
Employer contributions	–	11
Benefits paid	(33)	(30)
Return on plan assets excluding interest income	–	(227)
Fair value of Scheme assets at 31 December	707	**706**

The fair value of the plan assets is comprised as follows:

Asset analysis of the scheme	**2023 £m**	2022 £m
Bonds		
Corporate bonds	13	12
Index-linked bonds	285	377
Fixed interest bonds	222	–
Equities		
UK equities	3	21
Overseas (excluding UK) equities	50	130
Property	62	67
Diversified income credit	23	35
Hedge funds	35	48
Cash and net current assets	14	16
Total market value of assets	**707**	706

All of the Scheme's assets are quoted in an active market when looking at the underlying asset, apart from hedge funds and property (2023: £97m; 2022: £115m). The Scheme is not currently invested in any of the Society's own assets. Approximately 94% (2022: 94%) of the Scheme's liabilities relate to final salary members and 6% (2022: 6%) relate to career average revalued earnings (CARE) members.

Total market value of Scheme liabilities

Changes in the present value of the defined benefit obligations are as follows:

	2023 £m	2022 £m
Actuarial value of Scheme liabilities at 1 January	649	1,036
Current service cost	–	1
Interest cost on pension scheme liabilities	31	19
Benefits paid and administrative expenses	(33)	(30)
Experience losses arising in Scheme liabilities	4	16
Change in assumptions underlying the present value of the Scheme liabilities		
Demographic assumption change	(6)	(11)
Financial assumption change	21	(382)
Actuarial value of Scheme liabilities at 31 December	**666**	**649**

Sensitivity of pension obligation to changes in assumptions

A 1% per annum increase in the discount rate to be adopted as at 31 December 2023 would result in a reduction to the balance sheet liabilities at that date of around 11.6%, or approximately £78m. A corresponding 1% per annum decrease would increase liabilities at that date by around 14.4%, or approximately £96m. A 1% per annum increase in the assumption for future inflation (both Retail Price Index and Consumer Price Index) as at 31 December 2023, which would increase future expectations of pension increases and deferred revaluation, would result in an increase in the balance sheet liabilities at that date of around 5.6%, or approximately £37m. A corresponding 1% per annum decrease would reduce liabilities at that date by around 4.9%, or approximately £33m.

A change in the mortality assumptions could have a significant impact on the liabilities. For instance, if members aged 60 were instead expected to live for one year longer, with all members' life expectancies increasing by a proportionate amount, then the liability as at 31 December 2023 would be around 2.2% higher, or approximately £14m. Similarly, if members aged 60 were instead expected to live for one year less then the liability would be around 2.0% lower, or approximately £13m.

The notional fund

The Society recognises the cost of discretionary increases to pre-6 April 1997 benefits in payment when there is a constructive liability to make such increases. The Society provided £10m in 2007, and a further £20m in 2011, to meet the expected cost of future discretionary increases. This amount is notionally segregated from the Scheme's other assets (the 'notional fund') and its investment performance tracked on the assumption that it is invested in the same way as the Scheme's other assets.

The notional fund will be used to facilitate the award of future discretionary pension increases when the Society carries out its annual review of pensions in accordance with the Scheme's Definitive Trust Deed. As long as there is a notional fund set aside for this purpose, discretionary increases will continue to be considered. As at 31 December 2023, the value of the notional fund was £8m (2022: £11m).

Notes to the Financial Statements continued

22. Pension schemes continued

Overseas pension schemes

The Society operates a number of defined benefit schemes for qualifying employees based overseas. The actuarial valuations of these pension schemes at 31 December 2023 resulted in a deficit of £3m (2022: £3m).

	2023 £m	2022 £m
Value of assets	2	2
Actuarial value of scheme liabilities	(5)	(5)
Net defined benefit liability	**(3)**	(3)

Analysis of the amount recognised in the Group profit and loss account:

	2023 £m	2022 £m
Current service cost	–	1
Net interest (expense)/income	(3)	1
Total operating charge	**(3)**	2

Analysis of the amount recognised in the Group statement of comprehensive income:

	2023 £m	2022 £m
Experience losses arising on scheme liabilities	(4)	(16)
Changes in the assumptions underlying the present value of the scheme assets/liabilities		
Financial assumption change	(21)	382
Demographic assumption change	6	11
Actuarial (loss)/gain arising during period	**(18)**	377
Return on plan assets	–	(227)
Remeasurement effects recognised in the Group statement of comprehensive income	**(19)**	150

Lloyd’s Group personal pension plan

UK employees are eligible to join the Lloyd’s Group personal pension plan, a defined contribution scheme which is administered by Aviva. The Group personal pension plan was introduced in 2013, when the defined benefit pension scheme was closed to new members. The amount charged to the Group profit and loss account in respect of the Lloyd’s Group personal pension plan is £10m (2022: £9m).

Members of the Lloyd’s Group personal pension plan can elect their contribution rate (payable via salary sacrifice) and can change this at any time. Lloyd’s participates alongside the employees in the contribution scheme.

23. Equity

(a) Profit and loss account

	2023 £m	2022 £m
Attributable to:		
Corporation of Lloyd’s	185	132
Central Fund	2,783	2,597
Total profit and loss account	**2,968**	2,729

(b) Translation reserve

Where Group companies have a functional currency which differs from the Group presentational currency, the results and financial position are translated and all resulting gains and losses are recognised in other comprehensive income and as equity, in the translation reserve. As at 31 December 2023, the balance was £nil (2022: £25m).

(c) Revaluation reserve

The revaluation reserve of £15m (2022: £15m) is used to record increases in the fair value of the Lloyd’s Collection, and decreases to the extent that such decreases relate to the amount previously recognised in the Group statement of comprehensive income.

24. Syndicate loans

	2023 £m	2022 £m
2020 Syndicate loan (November)	285	285
2020 Syndicate loan (June)	119	119
2019 Syndicate loan	110	110
Principal loan balance	**514**	514

Syndicate loans may be repaid in full or in part, at the discretion of the Society, only after a period of five years has elapsed. The interest rate on the loans is based on a risk-free rate with an allowance for credit spread. The Council may elect to defer or cancel payment of all or any interest. Interest is only recognised once the holders' right to receive payment is confirmed. At 31 December 2023 the cumulative interest to date, not yet confirmed, totals £8m (2022: £8m).

Syndicate loans are accounted for as an equity instrument in the Society's financial statements and as such any interest paid to loan holders (syndicates) is recorded as a reduction in equity. An interest payment of £19m (2022: £19m) has been made during the period.

The 2019 tranche of syndicate loans will be repaid on the fifth anniversary of commencement, being 29 March 2024, reducing the central solvency ratio by 7%.

25. Subordinated debt and amounts owing to credit institutions

(a) Subordinated debt

	2023 £m	2022 £m
4.875% subordinated notes of £300m maturing 7 February 2047 ('Sterling 2017 Notes')	300	300
4.750% subordinated notes of £306m maturing 30 October 2024 ('Sterling 2014 Notes')	306	306
Total subordinated notes issued	**606**	606
Less issue costs to be charged in future years	(2)	(2)
Less discount on issue to be unwound in future years	–	(1)
Total	**604**	603

The notes are subordinated obligations of the Society. Each tranche of the notes will rank pari passu with the other in a winding-up of the Society. Upon the occurrence of any winding-up proceedings of the Society, payments on the notes will be subordinated in right of payment to the prior payment in full of all other liabilities of the Society, except for liabilities which rank equally with or junior to the notes. Payments on the notes will also be subordinated to certain payments which may be made out of central assets, including payments made to discharge the liabilities of an insolvent member to any person (including any policyholders) arising out of, or in connection with, insurance business carried on at Lloyd's by the insolvent member and payments made in respect of the costs required by or under any insolvency procedure to which the Society or the Lloyd's market may be subject. However, in the event of a winding-up of the Society, the claims of the holders of the notes rank senior to the distribution of any central assets to members of Lloyd's generally (other than payments made to members in their capacity as senior creditors of the Society).

The Sterling 2014 Notes issued on 30 October 2014 mature on 30 October 2024 and bear interest at a rate of 4.750% per annum, payable annually in arrears on 30 October in each year.

The Sterling 2017 Notes issued on 7 February 2017 mature on 7 February 2047 and bear interest at a rate of 4.875% per annum, until (but excluding) 7 February 2027, payable annually in arrears on 7 February in each year, and thereafter at a floating rate of interest calculated using a compounded daily SONIA (Sterling Overnight Index Average) interest rate plus a credit adjustment spread and margin, payable quarterly in arrears.

In February 2022, the subordinated notes were delisted from the Main Market of the London Stock Exchange and relisted on the London Stock Exchange's International Securities Market.

In December 2022, following the approval from the Prudential Regulation Authority, notes to the value of £193.9m from the Sterling 2014 issue were repurchased by the Society.

(b) Amounts owed to credit institutions

	2023 £m	2022 £m
2.48% senior debt of £60m maturing January 2030 ('Sterling 2020')	60	60
2.48% senior debt of £40m maturing January 2031 ('Sterling 2020')	40	40
2.61% senior debt of £70m maturing January 2035 ('Sterling 2020')	70	70
2.81% senior debt of £130m maturing January 2045 ('Sterling 2020')	130	130
Less issue costs and discount on issue to be charged/unwound in future years	(1)	(1)
Total cost	**299**	299
Accrued interest	4	4
Amortised cost (carrying value)	**303**	303

Notes to the Financial Statements continued

26. Technical provisions

Unearned premium provision	Gross £m 2023	Reinsurers' share £m 2023	Net £m 2023	Gross £m 2022	Reinsurers' share £m 2022	Net £m 2022
Balance at 1 January	1,937	1,937	–	1,497	1,497	–
Premium written in the year	3,965	3,965	–	3,227	3,227	–
Premium earned during the year	(3,571)	(3,571)	–	(2,875)	(2,875)	–
Foreign exchange movements	(43)	(43)	–	88	88	–
Balance at 31 December	**2,288**	**2,288**	**–**	1,937	1,937	–

Claims outstanding	Gross £m 2023	Reinsurers' share £m 2023	Net £m 2023	Gross £m 2022	Reinsurers' share £m 2022	Net £m 2022
Balance at 1 January	7,311	7,311	–	5,654	5,654	–
Claims paid during the year	(1,382)	(1,382)	–	(1,098)	(1,098)	–
Claims incurred during the year	1,315	1,315	–	2,427	2,427	–
Foreign exchange movements	(157)	(157)	–	328	328	–
Balance at 31 December	**7,087**	**7,087**	**–**	7,311	7,311	–

Gross claims outstanding at 31 December 2023 includes claims discounted by Lloyd's China under China GAAP. The undiscounted claims outstanding as required under UK GAAP are higher than the discounted claims reserves by £12m and are not material to the Society financial statements (2022: £12m). The claims outstanding are 100% reinsured and there is no impact on the Society's profit before tax or capital and reserves.

27. Other provisions

A provision under contractual arrangements is recognised when the obligation can be reliably estimated and it is probable that there will be a transfer of economic benefits in settlement of such obligation.

	Lease cost provision £m 2023	Other provisions £m 2023	Total £m 2023	Lease cost provision £m 2022	Other provisions £m 2022	Total £m 2022
Balance at 1 January	41	18	59	41	9	50
Charged in the year	3	1	4	4	13	17
Utilised in the year	(1)	(3)	(4)	(4)	(4)	(8)
Unused amounts reversed to profit and loss	(7)	(11)	(18)	–	–	–
Balance at 31 December	**36**	**5**	**41**	41	18	59

Lease cost provision

The lease cost provision represents the Society's obligations in respect of the contractual capital expenditure and dilapidation cost under fully repairing leases. Under the 1986 Building lease, the Society has obligations to the lessor to repair, maintain and cleanse the building throughout the duration of the lease, and to bring the building back to its original condition at the end of the lease. The Society reviews annually the estimated cost of satisfying the obligations under the lease. Third-party experts are engaged to help identify and validate required repairs or maintenance and to estimate the cost of work required. The estimated costs for all repairs that have been evidenced, as required under the lease, are fully provided for.

The value of the lease cost provision is calculated with reference to the costs that are expected to be incurred during the remainder of the lease term. The value of the provision is not sensitive to the timing of expenditure during the lease term.

Other provisions

Other provisions include a restructuring provision and provisions for obligations under an onerous lease, other contractual obligations and under the Income Assistance Scheme (see below).

Restructuring provision

The provision is calculated using assumptions regarding the average salary and length of service of potentially impacted employees and is therefore sensitive to changes in these assumptions.

Obligations under onerous lease and contracts

A provision is made for obligations under an operating lease when the physically separable part of a property is taken out of use by the Society and the unavoidable costs of meeting the obligations under the lease exceed the economic benefits expected to be received. The provision is calculated using future lease payments as per the lease contract, discounted at the Society's long-term borrowing rate, and is therefore sensitive to changes in this assumption.

Other provisions

Income Assistance Scheme

The Income Assistance Scheme was effective from 1 January 2010 and replaced both the Hardship Income Top-up Scheme and the Income and Housing Support Scheme. The Income Assistance Scheme is permanent and replaces the discretionary nature of the previous schemes and guarantees ongoing payment of income assistance to eligible members of the previous schemes until the full undertaking has been utilised, other than in the event that Lloyd's faces severe financial stress.

The provision covers expected future payments under the Income Assistance Scheme. The Names covered by the scheme receive quarterly payments until: (a) death (or a spouse's death, depending upon the individual arrangements agreed); (b) earlier settlement of the debt by the Name; or (c) default by the Name on their contractual obligations. The value of the provision is therefore sensitive to the factors above, as well as to changes in inflation rates.

28. Creditors

	2023 £m	2022 £m
Creditors arising out of direct insurance operations	663	509
Creditors arising out of reinsurance operations	3,667	3,231
Other creditors including taxation and social security	197	194
Total creditors	**4,527**	3,934

Other creditors including taxation and social security comprises the Society's trade and other creditors due within one year.

29. Accruals and deferred income

	2023 £m	2022 £m
Reinsurers' share of deferred acquisition costs	439	356
Accrued expenses	97	85
Deferred income	78	60
Total accruals and deferred income	**614**	501

30. Cash generated from operations

	2023 £m	2022 (restated) £m
Profit before tax	358	124
Adjustments for:		
Net investment return	(244)	190
Increase in other assets	(132)	(30)
Share of profits of associates and joint ventures	(4)	(7)
Amortisation of intangible assets	14	12
Depreciation of tangible fixed assets	1	3
Impairment losses	–	5
Interest expense on financial liabilities at amortised cost	37	44
Increase in debtors, prepayments and accrued income	(1,054)	(2,304)
Increase in creditors, accruals and deferred income	1,031	2,307
Decrease in provisions	(18)	(9)
Loss/(profit) on foreign exchange	116	(139)
Net defined benefit pension payment	(2)	(9)
Cash generated from operations	**103**	187

Comparative values for the year ended 31 December 2022 have been restated as a result of the identification and correction of a misallocation of cash movements. As a result, £65m has been reanalysed increasing cash generated from operations. Refer to Note 3(w) for further details.

Notes to the Financial Statements continued

31. Operating leases

The totals of future minimum lease payments under non-cancellable operating leases are as follows:

	2023 £m	2022 £m
Payment due:		
Not later than one year	24	25
Later than one year and not later than five years	89	77
Later than five years	110	56
Total	**223**	158

Total operating lease charges paid during the year amounted to £25m (2022: £25m).

In December 2023, the lease for Lloyd's headquarters at One Lime Street was renewed until 2035, with an option to extend to 2040. The figures reported for the future minimum lease payments include the terms of the renewed agreement.

32. Contingent liabilities and capital commitments

On behalf of the Society, a letter of credit has been issued to Lloyd's Europe for €200m or £173m with a term until 2025 (2022: €200m or £177m).

Capital expenditure commitments contracted, but not provided for in the financial statements, were £nil (2022: £nil).

Parental guarantee exemption

The Society has provided a guarantee for all outstanding liabilities as at 31 December 2023 of the subsidiaries listed below, until those liabilities are satisfied in full. The named subsidiaries are therefore exempt, in accordance with section 479A of the Companies Act 2006, from the requirement to obtain an audit of their separate financial statements.

Companies House no.	Legal entity
03189026	Lloyd's America Limited

33. Group undertakings

Subsidiaries are those entities over which the Society directly or indirectly has the power to govern the operating and financial policies in order to gain economic benefits. The basis on which subsidiaries are consolidated in the Group financial statements is outlined in the basis of preparation in note 1.

The following subsidiaries principally affected the Group's financial position and results for the year ended 31 December 2023, as set out in the Society Group profit and loss account:

Company name	Nature of business	Registered address and country of incorporation
Additional Securities Limited	Provision of deposits overseas on behalf of Lloyd's underwriters to comply with local insurance regulations	One Lime Street, London EC3M 7HA England and Wales
Centrewrite Limited	Authorised UK insurance company assisting resigned members of the Society with participations on run-off syndicates to end their affairs at Lloyd's	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Finance Company Limited	Provides additional flexibility regarding the capital structure of Lloyd's Insurance Company S.A. ('Lloyd's Europe')	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Housing Support Limited	General commercial company	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Australia Limited	In relation to the Society's activities within Australia, the company undertakes certain regulatory compliance and market development activities	Suite 1603, Level 16, 1 Macquarie Place, Sydney NSW 2000, Australia
Lloyd's Canada Inc.	In relation to the Society's activities within Canada, the company undertakes certain regulatory compliance and market development activities	200 Bay Street, Suite 2930, PO Box 51, Toronto, Ontario M5J 2J2 Canada
Lloyd's Brasil Serviços Técnicos Ltda.	In relation to the Society's activities within Brazil, the company undertakes certain regulatory compliance and market development activities	Avenida Almirante Barroso 52, Sala2401, CEP 20031-918 – Rio de Janeiro, RJ Brazil
Lloyd's Insurance Company (China) Limited	In relation to the Society's activities within China, the company provides bespoke services to support business development and underwriting. The entity is an authorised insurance company	30th Floor Shanghai Tower, 501 Middle Yincheng Road, Pudong New Area, Shanghai 200120, China

Company name	Nature of business	Registered address and country of incorporation
Lloyd's Insurance Company S.A.	In relation to the Society's activities within Europe, the company provides bespoke services to support business development and underwriting. The entity ensures that Lloyd's policyholders across the European Economic Area can continue to access the underwriting expertise and financial security of the Lloyd's market, despite the United Kingdom's exit from the European Union. The entity is an authorised insurance company and is the holding company of various other European subsidiaries of the Society	Bastion Tower – Floor 14 5 Place du Champ de Mars, 1050 Bruxelles Belgium
Lloyd's Japan Inc.	In relation to the Society's activities within Japan, the company provides bespoke services to support business development and underwriting	Tokyo Club Building 6F 3-Chome-2-6 Kasumigaseki Chiyoda-ku, Tokyo 100-0013 Japan
Lloyd's Labuan Limited	In relation to the Society's activities within Malaysia, the company is licensed to carry on business as underwriting manager	Brumby Centre, Lot 42, Jalan Muhibbah, 87000 Labuan F.T. Malaysia
Lloyd's Limited	In relation to the Society's activities within Dubai, the company undertakes certain regulatory compliance and market development activities	Unit 4A, Floor 5, Gate Village 8, DIFC, Dubai, United Arab Emirates
Lloyd's of London (Asia) Pte Ltd	In relation to the Society's activities within Singapore (and the wider region), the company provides bespoke services to support business development and underwriting	138 Market Street, #03-01 CapitaGreen, Singapore 048946
Lloyd's of London (Representative Office) Greece Single Member SA	In relation to the Society's activities within Greece, the company acts as a fiscal representative	25A Boukourestiou Street, 106 71 Athens Greece
Lloyd's South Africa (Proprietary) Ltd	In relation to the Society's activities within South Africa, the company undertakes certain regulatory compliance and market development activities	15th floor, The Forum 2 Maude Street, Sandton, 2146 South Africa
Lloyd's America Holdings Inc. Lloyd's America Inc.	In relation to the Society's activities, the company provides certain services in the United States	280 Park Avenue, 25th Floor, New York, NY 10017 USA
Lloyd's Kentucky, Inc.	Serves as the attorney-in-fact for underwriters writing licensed insurance business in Kentucky and the US Virgin Islands. Provides compliance support for licensed business. The US Finance team is also employed by Lloyd's Kentucky, Inc.	200 W. Main St. Frankfort, Kentucky KY 40601-1806 USA
Lloyd's Illinois, Inc.	Serves as the attorney-in-fact for underwriters writing licensed insurance business in Illinois. Provides compliance support for licensed business, as well as operational and IT support services in the Americas	181 W Madison Street, Suite 3870 Chicago, Illinois 60602 USA
Lloyd's America Limited	Holding company	One Lime Street, London EC3M 7HA England and Wales

The main territory of operation of subsidiaries incorporated in England and Wales is the UK. For overseas subsidiaries, the principal country of operation is the same as the country of incorporation. All operating subsidiaries have a 31 December year-end reporting date with the exception of Lloyd's Japan Inc. and Lloyd's Finance Company Limited, which have a reporting date of 31 March. All operating subsidiaries are 100% directly owned by the Society.

Restrictions

Lloyd's operates in more than 200 territories around the world and uses a number of different operating models depending upon local regulatory requirements. Different countries operate different regulatory regimes and, in some cases, these may place certain restrictions on the use of capital and assets that are held within those countries, including capital of RMB 1bn (2022: RMB 1bn) within Lloyd's Insurance Company (China) Limited and €558m (2022: €558m) in Lloyd's Insurance Company S.A. Lloyd's proactively manages its international asset base to ensure that any such restrictions have a minimal impact upon the utilisation of capital and investments or upon the operations of the Corporation.

Notes to the Financial Statements continued

33. Group undertakings continued

Dormant subsidiaries

During the financial year, the Society had, or continues to have, an interest in the following dormant subsidiaries. These subsidiaries are all 100% owned by the Society and have not actively traded for the year ended 31 December 2023.

Company name	Registered address and country of incorporation
Additional Underwriting Agencies (No. 9) Limited	One Lime Street, London EC3M 7HA England and Wales
Additional Underwriting Agencies (No. 10) Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Nominees Director Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Nominees Secretary Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Aviation Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Building Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's.com Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Information Services Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Life Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's List Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's of London Press Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Recoveries Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's Shelf Company 1 Limited	One Lime Street, London EC3M 7HA England and Wales
Lutine Nominees & Insurance Limited	One Lime Street, London EC3M 7HA England and Wales
Sharedealer Limited	One Lime Street, London EC3M 7HA England and Wales
Lloyd's of London Limited	One Lime Street, London EC3M 7HA England and Wales

All subsidiary undertakings are included in the consolidated Society Report. The proportions of voting rights in the subsidiary undertakings held directly by the Society do not differ from the proportions of ordinary shares held. With the exception of £1 preference share for Lloyd's Building Limited, the Society does not have any preference shares of subsidiary undertakings included in the Group.

34. Related party transactions

Services provided to Ins-sure Holdings Limited in the year ended 31 December 2023 included operating systems support and development, and other administrative services.

Services provided to Xchanging Claims Services Limited in the year ended 31 December 2023 were primarily administrative services.

Services provided to London Market Operations & Strategic Sourcing Limited in the year ended 31 December 2023 were primarily fee collection services.

The Society made a £6.6m investment in Placing Platform Limited (PPL) in 2020, to continue to advance the implementation of digital trading in the Lloyd's market. This is accounted for as an investment in a joint venture using the equity method. The investment is recognised at cost. The carrying value is adjusted to reflect the Society's share of PPL profit or loss. During the year a second loan of £7.5m was provided to PPL, taking the total advance to £15m. Interest on the loan is charged at a rate of 4.25% per annum and the loan is repayable by 31 December 2026.

The following table provides the total value of transactions entered into with Society related parties for the relevant financial years, together with information regarding the outstanding balances at 31 December 2023 and 2022.

	Sales to related parties		Purchases from related parties		Amounts due from related parties	
	2023 £m	2022 £m	**2023 £m**	2022 £m	**2023 £m**	2022 £m
Associates:						
Ins-sure Holdings Limited	1	–	1	2	–	–
Xchanging Claims Services Limited	–	–	–	–	–	–
Joint ventures:						
London Market Operations & Strategic Sourcing Limited	–	–	–	1	–	–
Placing Platform Limited	–	–	5	–	15	8

Transactions with associates and joint arrangements are priced on an arm's-length basis.

In the normal course of business, the Society may enter into transactions with Lloyd's market businesses in which members of Council may have an interest.

35. Events after the reporting period

Subsequent to the balance sheet date, the Society has approved the repayment of the 2019 tranche of syndicate loans. For further information refer to note 24.

Other Information

Alternative performance measures

The following metrics, which are consistently used to analyse financial performance in the Lloyd's market results and/or in the Society Report, are considered to be alternative performance measures (APMs). These measures are not defined under UK GAAP and may not be comparable with similarly titled measures presented by other companies.

Metric	Applicable part of the Annual Report	Definition	Reason for use
Combined ratio	Market Results	A measure of the profitability of an insurer's underwriting activity. It is the ratio of net operating expenses plus claims incurred net of reinsurance to earned premiums net of reinsurance.	Used to measure the profitability of underwriting activity across the Lloyd's market. It also serves as a comparator of Lloyd's market underwriting profitability to its peers.
Expense ratio	Market Results	A measure of the level of expenses associated with underwriting activity. It is the ratio of net operating expenses to earned premiums net of reinsurance.	Used to measure the level of expenses associated with underwriting activity across the Lloyd's market. It also serves as a comparator of Lloyd's market expenses to its peers.
Underwriting result	Market Results	A measure of the profitability of an insurer's underwriting activity. It is calculated as earned premiums net of reinsurance less net operating expenses and claims incurred net of reinsurance.	Used to measure the profitability of underwriting activity across the Lloyd's market.
Underlying combined ratio	Market Results	A measure of the profitability of underwriting activity excluding major claims. It is the ratio of net operating expenses plus claims incurred, excluding major claims, to earned premium net of reinsurance.	Used to measure the profitability of the underwriting activity of the Lloyd's market, excluding the impact of major claims.
Accident year ratio	Market Results	A measure of the profitability of underwriting activity attributable to the current financial year. It is the ratio of net operating expenses plus claims incurred net of reinsurance, before prior year releases, to earned premium net of reinsurance.	Used to measure the profitability of the underwriting activity of the Lloyd's market attributable to the current financial year.
Attritional loss ratio	Market Results	A measure of residual insurance claims, expressed as a percentage of earned premiums net of reinsurance. Attritional insurance claims are calculated as total claims less major losses and movements in prior year claims reserves.	Used to measure the profitability of general underwriting activity across the Lloyd's market. It also serves as a comparator of Lloyd's market underwriting profitability to its peers.

Metric	Applicable part of the Annual Report	Definition	Reason for use
Prior year release ratio	Market Results	A measure for assessing prior year movements in claims reserves. It is calculated as a percentage of earned premiums net of reinsurance.	Used to determine the adequacy of reserves across the Lloyd's market and the benefit of reserve margin to be considered within the combined ratio. It also serves as a comparator of Lloyd's market underwriting profitability to its peers.
Major claims ratio	Market Results	A measure of significant loss events which have impacted the profitability of underwriting activity. It is calculated as the sum of major claims in the market, expressed as a percentage of earned premiums net of reinsurance.	Used to measure the impact of significant loss events on the underwriting performance of the market. It also serves as a comparator of Lloyd's market underwriting profitability to its peers.
Return on capital	Market Results	A measure of overall profitability. It is the ratio of results for the year before tax to the average of opening and closing total capital and reserves.	Used to measure the overall profitability and value creating potential to create value of the Lloyd's market.
Investment return	Market Results and Society Report	A measure of the performance of an insurer's investing activity. It can be expressed as the ratio of total investment return to the average of opening and closing financial investments and cash at bank and in hand.	Used to measure the performance of the portfolio of investments and cash balances held across the Lloyd's market.
Free cash	Society Report	Represents the amounts, both at bank and on deposit, held in the UK and overseas, excluding any balances held in respect of insurance and arbitration activities.	Provides a measure of the cash resources available to the Society to meet operating expenses.
Solvency coverage ratio	Market Results and Society Report	Under the Solvency II regime, Lloyd's monitors the amount of eligible capital available to cover its market-wide SCR (MWSCR) and Central SCR (CSCR). This is calculated as total eligible capital, expressed as a percentage of the respective solvency capital requirements.	Solvency coverage ratios are used to ensure that the Society and its members hold sufficient capital to meet Lloyd's regulatory capital requirements, as well as to ensure Lloyd's solvency risk appetites are satisfied.

Glossary of terms and useful links

Set out below is a guide to insurance and Lloyd's-related terms. These are not precise definitions but are included to provide assistance to readers as to the general meaning of terms commonly used in the Lloyd's market. Formal definitions are set out in the Definitions Byelaw on www.lloyds.com.

Accident year ratio A measure of the profitability of underwriting activity attributable to the current financial year. The accident year ratio is calculated as net operating expenses and net incurred losses (paid and reserves) for claims occurring in the year as a proportion of net premiums earned during the year. It excludes movements during the calendar year on claims, expenses and premium estimates for previous years.

Active underwriter A person employed by a managing agent with principal authority to accept insurance and reinsurance risks on behalf of the members of a syndicate.

Binding authority An agreement between a Lloyd's managing agent and a coverholder under which the Lloyd's managing agent delegates its authority to enter into a contract or contracts of insurance to be underwritten by the members of a syndicate.

Callable layer Central Fund assets may be supplemented by a 'callable layer' of up to 5% of members' overall premium limits in any one calendar year. These funds would be drawn from premium trust funds.

Central assets The net assets of the Society, including the Central Fund, but excluding the subordinated debt liability and the callable layer.

Central Fund The fund financed by (among other things) contributions from Lloyd's members and administered by the Council primarily as a fund for the protection of policyholders, and includes both the Old Central Fund and the New Central Fund.

Central SCR The Lloyd's Central Solvency Capital Ratio is calculated to cover all of the risks facing the Society and the Central Fund at a 99.5% confidence level over a one year time horizon.

Combined ratio A measure of an insurer's underwriting profitability based on the ratio of net incurred claims plus net operating expenses to net earned premiums. A combined ratio of 100% is breakeven (before taking into account investment returns). A ratio less than 100% is an underwriting profit.

Corporate member A company incorporated with limited liability, a Scottish limited partnership or a limited liability partnership, admitted to membership of the Society.

Corporation The Corporation of Lloyd's provides the licences and other facilities that enable business to be underwritten on a worldwide basis by managing agents acting on behalf of members.

Council The Council, created by the Lloyd's Act 1982, has the management and superintendence of the affairs of the Society and the power to regulate and direct the business of insurance at Lloyd's.

Coverholder A firm either in the UK or overseas that is authorised by a managing agent under the terms of a binding authority to enter into contracts of insurance to be underwritten by members of a syndicate managed by the managing agent. A Lloyd's broker may act as a coverholder.

Economic Capital Assessment The level of capital required to meet Lloyd's financial strength, licence and rating objectives.

Financial Conduct Authority (FCA) The FCA supervises the conduct of the UK financial services industry. The Society, managing agents, members' agents and Lloyd's brokers are regulated by the FCA.

Free cash balances Represents the amounts, both at bank and on deposit, held in the UK and overseas, excluding any balances held in respect of insurance and arbitration activities.

Funds at Lloyd's (FAL) Capital lodged and held in trust at Lloyd's as security for the policyholders and to support a member's overall underwriting business.

Integrated Lloyd's Vehicle (ILV) An arrangement in which a syndicate's capital is wholly provided by corporate members that are under the same ownership and control as the syndicate's managing agent.

Investment return A measure of performance of an insurer's investing activity. It is the ratio of total investment return to the average financial investments and cash at bank and in hand.

Lines of business Refers to the product segmental split disclosed in the Pro Forma Financial Statements.

Major claims Major claims encompass both natural and non-natural catastrophe losses. For the purpose of the PFFS this amounts to loss codes reported by the market, in aggregate, in excess of £20m net of reinsurance.

Managing agent An underwriting agent responsible for managing a syndicate, or multiple syndicates.

Market-wide SCR The market-wide Solvency Capital Ratio is calculated to cover all the risks arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together at a 99.5% confidence level over a one-year time horizon.

Member (of the Society) A person admitted to membership of the Society.

Members' agent An underwriting agent appointed by a member to provide services and perform duties including advising the member on which syndicates they should participate.

Name A member of the Society who is an individual and who trades on an unlimited basis.

New Central Fund The New Central Fund constituted by and governed by the New Central Fund Byelaw (No. 23 of 1996).

Non-technical account Under UK GAAP the profit and loss account must be divided between the technical account and the non-technical account. Reported in the latter is all investment return, although an element will be reanalysed to the technical account, and any income and expenses that do not arise directly from the entity's underwriting activity.

Premium trust funds (PTF) The premiums and other monies that members receive in respect of their underwriting at Lloyd's are held by their managing agents in trust for them, subject to the discharge of their underwriting liabilities.

The premium trust funds comprise a sterling fund, Lloyd's American Trust Fund, Lloyd's Dollar Trust Funds, Lloyd's Canadian Trust Fund and the Lloyd's Asia Trust Funds (which cover general business written through coverholders in Singapore). These premium trust funds are available to fund overseas regulatory deposits, claims, return premiums, underwriting expenses and any profit that is payable to the member after providing for all future liabilities.

Price changes on renewal business These are calculated as current year insurance premium less prior year insurance premium, expressed as a proportion of prior year insurance premium, where the policy coverage and wording are held consistent.

Prior years' reserve movements These are calculated as movements in reserves established for claims that occurred in previous accident years.

Prudential Regulation Authority (PRA) The PRA is responsible for the prudential regulation and supervision of banks, building societies, credit unions, insurers and major investment firms. The Society and managing agents are regulated by the PRA.

Realistic Disaster Scenarios (RDS) A series of scenarios, both natural and man-made, which are used to assess the market's risk profile to a variety of different catastrophes enables better risk management practices within Lloyd's.

Reinsurance to close (RITC) A reinsurance agreement under which members of a syndicate for a year of account to be closed are reinsured by members who comprise that or another syndicate for a later year of account against all liabilities arising out of insurance business written by the reinsured syndicate.

Reinsurance to close (RITC) syndicate A syndicate set up solely to underwrite the reinsurance to close of other syndicates.

Return on capital A measure of overall profitability. It is the ratio of results for the year before tax to the average of opening and closing total capital and reserves.

Service company A wholly owned subsidiary of either a managing agent or of a managing agent's holding company and which is authorised to enter into contracts of insurance for members of its associated syndicate and/or associated insurance companies.

Solvency ratio The measure of an insurer's solvency based on the ratio by which the net assets for solvency purposes exceed the solvency requirement.

Special Purpose Arrangement (SPA) A syndicate set up solely to underwrite a quota share reinsurance of another syndicate's business for a year of account.

Syndicate A member, or group of members, underwriting insurance business at Lloyd's through the agency of a managing agent.

Syndicate allocated capacity In relation to a syndicate, the aggregate of the member's syndicated premium limits of all the members for the time being of the syndicate.

Syndicate in a box A member, or group of members, underwriting insurance business at Lloyd's and has met certain criteria for adjusted participation and entry requirements for the first three years of underwriting.

Technical account Under UK GAAP the profit and loss account must be divided between the technical account and the non-technical account. The technical account reports the results of the underwriting activity, premiums less claims, less expenses; and also includes an element of the investment return reanalysed from the non-technical account.

Underwriting result A measure of the profitability of an insurer's underwriting activity. It is calculated as earned premiums net of reinsurance less net operating expenses and claims incurred net of reinsurance.

Year of account The year to which a risk is allocated and to which all premiums and claims in respect of that risk are attributed. The year of account of a risk is usually determined by the calendar year in which the risk incepts. A year of account is normally closed by reinsurance to close at the end of 36 months.

Useful links

To find out more about Lloyd's, visit:

Lloyd's Corporation

www.lloyds.com/corporation

Lloyd's governance

www.lloyds.com/governance

Lloyd's capital structure and chain of security

www.lloyds.com/capitalstructure

Lloyd's impact on society
(including Lloyd's Sustainability Reporting)

www.lloyds.com/sustainability

Lloyd's diversity and inclusion

www.lloyds.com/diversityinclusion

Lloyd's gender and ethnicity pay gap reports

www.lloyds.com/paygapreports

Full glossary of terms

www.lloyds.com/glossary

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