



**TOKIO MARINE**  
**HCC**

**ANNUAL REPORT AND ACCOUNTS**

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TOKIO MARINE  
HCC

ANNUAL REPORT AND ACCOUNTS

# Annual Report and Accounts Syndicate 4141

HCC Underwriting Agency Ltd

Year ended 31 December 2023

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## DIRECTORS AND ADVISORS

<b>Managing Agent:</b>	HCC Underwriting Agency Ltd
<b>Registered Office:</b>	1 Aldgate London EC3N 1RE
<b>Registered No:</b>	4632146
<b>Directors:</b>	A M Baker S A Button B J Cook P Engelberg (appointed 1 January 2023) T J G Hervy K L Letsinger N C Marsh (Non-executive Chair) H Mishima C A Scarr (Non-executive) Ko Shimizu G R A White
<b>Syndicate:</b>	Syndicate 4141
<b>Active Underwriter:</b>	S A Button
<b>Company Secretary:</b>	D R Feldman J L Holliday
<b>Investment Manager:</b>	New England Asset Management Ltd
<b>Independent Auditors:</b>	PricewaterhouseCoopers LLP Chartered Accountants and Statutory Auditors 7 More London Riverside London SE1 2RT

## REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of HCC Underwriting Agency Ltd ('HCCUA'), the Managing Agent, present their Annual Report and Accounts of Syndicate 4141 ('the Syndicate') for the year ended 31 December 2023 (the 'Annual Accounts').

The Annual Accounts have been prepared in accordance with United Kingdom Generally Accepted Accounting Practice and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations') and are presented using the annual basis of accounting in accordance with Regulation 5 of the 2008 Regulation.

### Strategic Report

#### Principal Activities

The Syndicate is managed by HCCUA which is authorised by the Prudential Regulation Authority ('PRA') and regulated by both the Financial Conduct Authority ('FCA') and the PRA. The principal activity of the Syndicate is the transaction of general insurance and reinsurance business in the United Kingdom and it operates solely within the Lloyd's market from its offices in London. The Syndicate trades through Lloyd's worldwide licences and benefits from the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, AA- (Very Strong) rating from Fitch Ratings and AA- (Very strong) from Standard & Poor's Financial Services LLC.

HCCUA is part of the Tokio Marine Group ('TM Group'), whose ultimate holding company is Tokio Marine Holdings, Inc. TM Group is a leading international insurance group located in Tokyo, Japan which has 268 subsidiaries, and 26 affiliates located worldwide, which undertake non-life and life insurance and operate within the financial and general business sector (including consulting and real estate).

As of 31 December 2023, TM Group had total assets of ¥29.9 trillion (December 2022: ¥28.6 trillion) and shareholders' equity of ¥2.3 trillion (December 2022: ¥2.1 trillion). TM Group and a number of its major insurance companies have a financial strength rating of A+ (Stable) from Standard & Poor's Financial Services LLC (S&P).

HCCUA is part of Tokio Marine HCC International Group (TM HCC International, or TMHCCI), which in addition to the Syndicate includes Houston Casualty Company (London Branch) ('HCL') and HCC International Insurance Company plc ('HCCI') and its wholly owned subsidiary, Tokio Marine Europe, S.A. ('TME'). TMHCCI manages its business by portfolio across these international platforms, with TMHCCI underwriters writing business based on prescribed rules which determine which carrier is utilised. Licensing, distribution or client choice are the principal determinants of the carrier utilised. Where an entity's results are disproportionately impacted by loss activity relative to its size, reinsurance arrangements with group companies are put in place.

Lines of business underwritten include Accident and Health (which includes Travel Medical, International Accident & Health and Disability), Professional Indemnity, Marine (including Marine Hull, Marine Liability and Marine Cargo), Treaty Reinsurance, Financial Lines, General Liability, Energy, Property (which includes Property Direct and Facultative and the UK Delegated Property portfolio), Contingency and Credit. Travel Medical business is written exclusively by the Syndicate on behalf of the Tokio Marine HCC Group's wholly owned agency, HCC Medical Insurance Services, which is marketed as 'WorldTrips' and is based in Indiana, USA. The Syndicate's capital is provided by Nameco (No. 808) Limited ('Nameco'), an affiliate in the Tokio Marine HCC Group.

#### Strategy and Market Conditions

Market conditions for the Syndicate have overall been favourable. The Syndicate's underwriting is concentrated in specifically defined lines of business where underwriting profit is expected to be achieved. The Syndicate's underwriting strategy focuses on risk selection to achieve an underwriting profit, our underwriters only writing business where we believe the pricing is sufficient to justify the business being written. Rating environments on the majority of the lines of business have been positive, with softening market conditions limiting growth in the Canadian General Liability portfolio. Gross written premium has been positively impacted by growth across Energy and Marine, where rating environments remain strong.

## REPORT OF THE DIRECTORS OF THE MANAGING AGENT

### Business Review

#### Key Performance Indicators (KPIs)

The Managing Agent monitors a number of KPIs for the business:

	<b>2023</b>	<b>2022</b>
	<b>£m</b>	<b>£m</b>
Gross written premiums	239.3	216.7
Underwriting profit (excluding investment return)	29.2	15.4
Profit for the financial year	39.2	9.2
Net loss ratio	37.6%	45.4%
Net combined ratio	84.6%	91.5%
Investment return	11.3	(6.5)

Overall, the directors are satisfied with the financial position of the Syndicate as at the year end.

### Results and Performance

The Syndicate made a profit for 2023 of £39.2m (2022: £9.2m) driven by strong underwriting results and a return to positive investment return. The balance on the technical account totalled £34.4m (2022: £16.7m) and reflects a net combined ratio, excluding investment return, of 84.6% (2022: 91.5%) with 2023 benefitting from lower London Market and Specialty loss experience.

The net loss ratio for 2023 of 37.6% was 7.8% lower than 2022. This is driven by the impact of net attritional reserve releases on older underwriting years. The current year saw no major large catastrophe losses which was similar to 2022.

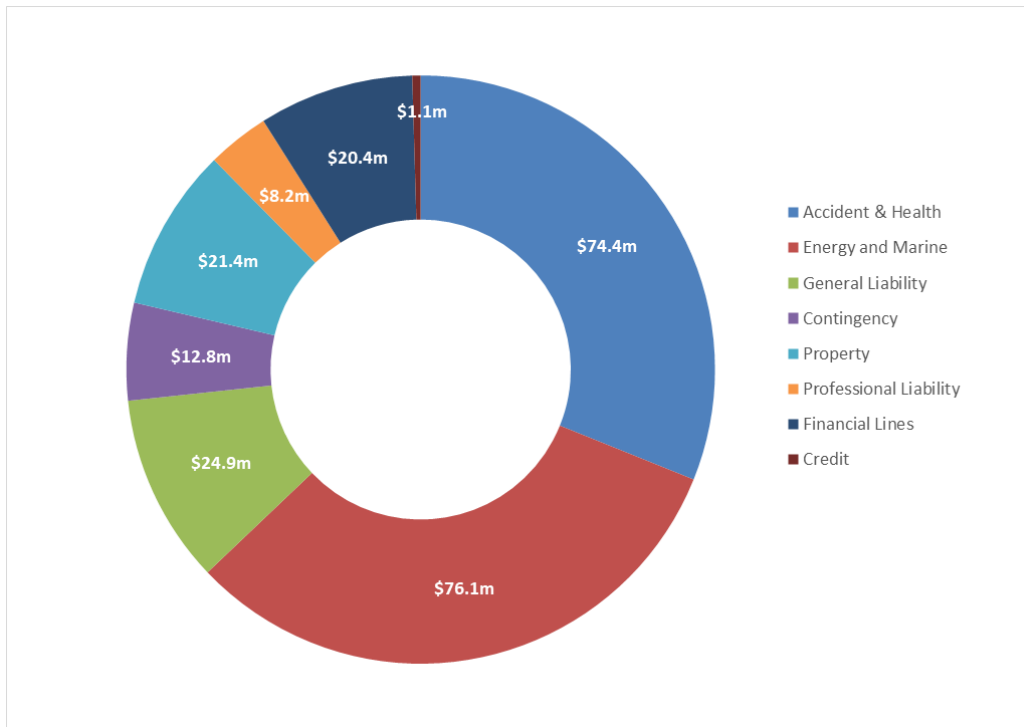
Investment return increased by £17.8m in 2023 to a gain of £11.3m (2022: loss £6.5m), largely due to higher investment income of £7.2m (2022: £2.0m) and unrealised gains of £6.2m (2022: £7.9m unrealised loss) reflecting interest rate reductions.

The sterling average exchange rate in 2023 for both the US Dollar and the Euro respectively was £1 = \$1.24 (2022: \$1.24) and £1 = €1.15 (2022: €1.17) reflecting a degree of weakening of Sterling against the Euro.

## REPORT OF THE DIRECTORS OF THE MANAGING AGENT

### Gross Written Premium

Syndicate 2023 gross written premium for its principal lines of business are presented below:



Gross written premium for 2023 totalled £239.3m compared to £216.7m for 2022, an increase of £22.6m. This is primarily driven by higher Energy and Marine (£19.6m) and Financial Lines (£3.8m), being partially offset by lower than expected written premium for Accident and Health. Smaller increases were observed in Professional Indemnity and Delegated Property, offset by reductions in other Property classes and General Liability.

#### **Accident and Health**

The largest line of business underwritten by the Syndicate, Accident and Health (A&H), is principally comprised of Travel Medical business, marketed as 'WorldTrips', alongside International A&H and Disability. Gross written premium was £74.4m (2022: £77.7m) primarily relating to WorldTrips with the marginal decrease driven by the adverse impact of persistent delays in US visa application approvals on our Atlas-America (US-Inbound) product.

#### **Energy and Marine**

Energy and Marine comprises Marine Hull, Marine Liability, Marine Cargo and Energy. Gross written premium across these lines of business increased by 35% from £56.5m to £76.1m mainly from Marine Liability and Marine Cargo with higher new and renewal premium reflecting positive market conditions and the fallout from the Russia/Ukraine war.

#### **General Liability**

General Liability comprises Employers and Public Liability business. Challenging market conditions and pressure on rates have resulted in a marginal decrease of 3% in gross written premium from £25.7m in 2022 to £24.9m in 2023.

#### **Contingency**

Gross written premium has increased by 10% from £11.6m to £12.8m, driven by a specific musician's tour and general market recovery post pandemic, together with significant rate increases following the losses in 2020 and 2021.

## REPORT OF THE DIRECTORS OF THE MANAGING AGENT

### **Property**

Property includes Treaty Reinsurance, Property D&F and Delegated Property. Gross written premium was unchanged at £21.4m with a marginal increase in Delegated Property of £1.9m (26%) offset by lower premium in the other two classes.

### **Professional Indemnity**

Gross written premium has improved by 39% from £5.9m to £8.2m mainly driven by opportunities in the Canadian market.

### **Financial Lines**

Gross written premium has increased by 23% from £16.6m to £20.4m driven by higher renewals and new business domiciled in Colombia, South America.

### **Reinsurance**

Reinsurance to cover catastrophe exposed lines is purchased by line of business across the TMHCCI insurance platforms, and reinsurance premiums for excess of loss programmes are allocated across the platforms based on gross written premiums of the underlying business. Reinsurance recoveries are allocated based on the share of gross claims suffered by each entity. In addition, the Syndicate purchases quota share and facultative reinsurance to balance line size and premium where it is prudent to do so. The Syndicate also purchases excess of loss reinsurance across all lines of business from an affiliate (see note 20c).

### **Investment Policy and Management**

The investment function is overseen by the Investment Committee, which operates under terms of reference set by the Board. The Committee is responsible for preparing, in conjunction with the Syndicate's Investment Managers, the investment policy for approval by the Board. It is also responsible for monitoring investment performance and recommending the appointment of Investment Managers.

The Syndicate maintains funds in US Dollars, Sterling, Canadian Dollars, Euros and Australian Dollars. Certain national regulators have requirements for funds to be held and controlled either domestically or by Lloyd's. The remaining funds are referred to as unregulated funds and their investment is under the Syndicate's control within the framework laid down by the PRA.

New England Asset Management Ltd is the Investment Manager for the non-Lloyd's controlled regulated funds and unregulated funds. Each fund consists primarily of a portfolio of highly rated Corporate Bonds which are rated BBB and above, including Bonds guaranteed by the US, UK, German and Canadian governments. The average duration of the aggregate funds at the year-end was 1.63 years (2022: 1.93 years).

### **Review of Financial Position**

The balance sheet of the Syndicate shows total assets of £457.0m (2022: £412.5m). Of the total assets, \$251.4m, 55% (2022: \$191.4m, 46%) was represented by financial investments and cash at bank, the increase reflecting the higher underwriting profit and investment return.

The Syndicate has a Member's balance of £54.4m as at 31 December 2023 (2022: £15.6m). The increase in the Member's balance is principally due to the profit for the year.

The directors of the Managing Agent have prepared the accounts on a going concern basis which recognises the intention of NameCo to continue to provide capital to support future underwriting activities. Member's Funds at Lloyd's are further explained in Note 21. In the unlikely event that the Syndicate might not be able to meet its obligations as they fall due, the Lloyd's chain of security would provide support to ensure that any remaining obligations would be met.



## REPORT OF THE DIRECTORS OF THE MANAGING AGENT

### Future Outlook

TMHCCI continues to consider profitable opportunities in complimentary and new lines of business, through expansion of teams, venturing into new territories and potential acquisitions. The Syndicate continues to be an important platform within TMHCCI which helps facilitate these opportunities.

The Syndicate continues to monitor developing risk events. These include: 1) actual or potential geopolitical tensions around the world including Russia-Ukraine, Israel-Hamas (to which the syndicate only has limited direct exposure on a few classes of business) and China-Taiwan with the impact on future business expected to be limited; and 2) the increasing speed of technological advancement, such as the rising profile surrounding generative AI. The Syndicate's cautious investment strategy, long-term focus and a general policy of holding investments to maturity mean that current market volatility is unlikely to cause any material long-term issues from an investment perspective. Other indirect exposures are limited by the Syndicate's robust operational frameworks.

### Principal Risks and Uncertainties

The Board sets risk appetite as part of the Syndicate's business planning and capital assessment process. The Managing Agent regularly reviews and updates the risk register and monitors performance against risk appetite using a series of key risk indicators, which are categorised as Insurance; Strategic, Regulatory and Group; Market; Operational; Credit; and Liquidity. The risk indicators are considered in detail in Note 5 to the accounts.

### Directors

The directors of the Managing Agent, who were in office during the year and up to the date of signing the accounts, unless otherwise stated, were:

A M Baker  
S A Button  
B J Cook  
P Engelberg (appointed 1 January 2023)  
T J G Hervy  
K L Letsinger  
N C Marsh (Non-executive Chair)  
H Mishima  
H-D Rohlf (Non-executive) (resigned 30 April 2023)  
C A Scarr (Non-executive)  
Ko Shimizu  
G R A White

### Directors' Interests

No director participated in the Syndicate.

## REPORT OF THE DIRECTORS OF THE MANAGING AGENT

### Financial Information on HCC Underwriting Agency Ltd

Summary financial information of the Syndicate's Managing Agent, HCCUA, is set out below:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
	(unaudited)	(audited)
Managed capacity	225,000	225,000
Fee income	150	150
Commission income	613	694
Expenses net of recharges	(98)	(77)
Other income and expenses	19	1
FX (loss)/gain	(184)	298
Profit before tax	500	1,066
Net assets	4,666	4,283

A copy of the Managing Agent's accounts will be available for inspection at its registered office.

### Post Balance Sheet Events

There are no significant post balance sheet events to be disclosed.

### Statement of managing agent' responsibilities in respect of the annual report and accounts

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('2008 Regulations') requires the managing agent to prepare annual report and accounts for each financial year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, comprising FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"), and Financial Reporting Standard 103 Insurance Contracts ("FRS 103"). The annual report and accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate's annual report and accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 and FRS 103 have been followed, subject to any material departures disclosed and explained in the annual report and accounts;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the annual report and accounts on the going concern basis unless it is inappropriate to presume that the Syndicate will continue in business.

The managing agent is responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is also responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the annual reports and accounts comply with the 2008 Regulations.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on its website. Legislation in the United Kingdom governing the preparation and dissemination of annual report and accounts may differ from legislation in other jurisdictions.

## REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the managing agent confirm that they have complied with the above requirements in preparing the Syndicate's annual report and accounts.

### **Independent Auditors**

PricewaterhouseCoopers LLP have expressed their willingness to continue in office as the Syndicate's auditors.

### **Annual General Meeting**

The directors do not propose to hold a Syndicate Annual General Meeting during 2024, as permitted under the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000).

The capacity provider may object to the matter set out above within 21 days of the issue of these accounts. Any such objection should be addressed to J L Holliday, Company Secretary, at the registered office.

Approved for and on behalf of HCC Underwriting Agency Ltd.

B J Cook  
Director  
22 February 2024

# ***Independent auditors' report to the member of Syndicate 4141***

## **Report on the audit of the syndicate annual accounts**

### **Opinion**

In our opinion, 4141's syndicate annual accounts:

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

We have audited the syndicate annual accounts included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Balance Sheet as at 31 December 2023; the Profit and Loss Account: Technical account – General business, the Profit and Loss Account: Non-technical account, the Statement of Other Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Member's Balance for the year then ended; and the Notes to the syndicate annual accounts, which include a description of the significant accounting policies.

### **Basis for opinion**

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

### **Independence**

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

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

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

# ***Independent auditors' report to the member of Syndicate 4141***

## **Conclusions relating to going concern**

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

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

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

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

## **Reporting on other information**

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

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

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

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

## **Managing Agent's Report**

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

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

# ***Independent auditors' report to the member of Syndicate 4141***

## **Responsibilities for the syndicate annual accounts and the audit**

### **Responsibilities of the Managing Agent for the syndicate annual accounts**

As explained more fully in the Statement of managing agent's responsibilities in respect of the Annual Report, the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the Managing Agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the syndicate annual accounts**

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

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

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

# ***Independent auditors' report to the member of Syndicate 4141***

- Discussions with the Board, management, internal audit, senior management involved in the Risk and Compliance functions and Syndicate's legal function, including consideration of known or suspected instances of non-compliance with laws, regulation and fraud;
- Assessment of matters reported on the Syndicate's whistleblowing helpline and fraud register and the results of management's investigation of such matters;
- Reading key correspondence with the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with relevant laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit Committee;
- Challenging assumptions and judgements made by management when determining their significant accounting estimates, in particular in relation to valuation of the IBNR component of claims outstanding and pipeline premium;
- Testing journal entries, including revenue journals, identified in accordance with our risk assessment, in particular any journal entries posted with unusual account combinations or posted by unexpected users;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Testing any transactions entered outside of the normal course of the Syndicate's business.

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

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

## **Use of this report**

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

# ***Independent auditors' report to the member of Syndicate 4141***

## **Other required reporting**

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

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

We have no exceptions to report arising from this responsibility.

Philip Watson (Senior statutory auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
22 February 2024



**PROFIT AND LOSS ACCOUNT:**  
**TECHNICAL ACCOUNT – GENERAL BUSINESS**  
For the year ended 31 December 2023

	Note	2023	2022
		£'000	£'000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	6	239,299	216,681
Outward reinsurance premiums		<u>(47,116)</u>	<u>(36,743)</u>
<b>Net premiums written</b>		<u>192,183</u>	<u>179,938</u>
Change in the provision for unearned premiums			
Gross amount	14	(6,338)	1,868
Reinsurers' share	14	<u>3,421</u>	<u>(75)</u>
<b>Change in the net provision for unearned premiums</b>		<u>(2,917)</u>	<u>1,793</u>
<b>Earned premiums, net of reinsurance</b>		<b>189,266</b>	<b>181,731</b>
Total investment return transferred from non-technical account		5,140	1,323
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross amount		(98,756)	(109,118)
Reinsurers' share		<u>27,135</u>	<u>35,327</u>
<b>Net claims paid</b>		<u>(71,621)</u>	<u>(73,791)</u>
Change in the provision for claims			
Gross amount	14	16,513	25,848
Reinsurers' share	14	<u>(16,049)</u>	<u>(34,613)</u>
<b>Change in the net provision for claims</b>		<u>464</u>	<u>(8,765)</u>
<b>Claims incurred, net of reinsurance</b>	7	<b>(71,157)</b>	<b>(82,556)</b>
Net operating expenses	8	(88,870)	(83,781)
<b>Balance on the technical account for general business</b>		<u><b>34,379</b></u>	<u><b>16,717</b></u>

All amounts relate to continuing operations.

**PROFIT AND LOSS ACCOUNT:  
NON-TECHNICAL ACCOUNT**  
For the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
<b>Balance on the general business technical account</b>		<b>34,379</b>	<b>16,717</b>
Investment income	11	7,215	1,999
Unrealised gains on investments	11	6,212	130
Unrealised losses on investments	11	(32)	(7,981)
Investment expenses and charges	11	(2,074)	(676)
Earned investment return transferred to general business technical account	11	(5,140)	(1,323)
Other (charges)/income including value adjustments		(1,339)	343
<b>Profit for the financial year</b>		<b>39,221</b>	<b>9,209</b>

**STATEMENT OF OTHER COMPREHENSIVE INCOME**

For the year ended 31 December 2023

	2023 £'000	2022 £'000
Profit for the financial year	39,221	9,209
Foreign currency exchange (loss)/profit on translation	(1,925)	911
<b>Total recognised gains</b>	<b>37,296</b>	<b>10,120</b>

The Profit and Loss Account (technical and non-technical account) and Statement of Other Comprehensive Income should be read in conjunction with the accompanying notes.

**BALANCE SHEET**

As at 31 December 2023

	Note	2023 £'000	2022 £'000
<b>ASSETS</b>			
<b>Investments</b>			
Other financial investments	13	245,219	187,059
Deposits with ceding underwritings		<u>43</u>	<u>144</u>
		245,262	187,203
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	14	17,163	14,150
Claims outstanding	14	<u>89,674</u>	<u>110,826</u>
		106,837	124,976
<b>Debtors</b>			
Debtors arising out of direct insurance operations	15	46,234	30,517
Debtors arising out of reinsurance operations		19,182	39,746
Other debtors	16	<u>2,988</u>	<u>2,004</u>
		68,404	72,267
<b>Other assets</b>			
Cash at bank and in hand		<u>6,207</u>	<u>4,175</u>
		6,207	4,175
<b>Prepayments and accrued income</b>			
Accrued interest		1,128	889
Deferred acquisition costs	14	<u>23,373</u>	<u>22,960</u>
		24,501	23,849
<b>Total assets</b>		<u><b>451,211</b></u>	<u><b>412,470</b></u>

**BALANCE SHEET**

As at 31 December 2023

	Note	2023		2022	
		£'000	£'000	£'000	£'000
<b>LIABILITIES</b>					
<b>Member's balance</b>			54,427		15,627
<b>Technical provisions</b>					
Provision for unearned premiums	14	84,205		80,677	
Claims outstanding	14	<u>220,170</u>		<u>245,356</u>	
			304,375		326,033
<b>Creditors</b>					
Creditors arising out of direct insurance operations		6,136		2,945	
Creditors arising out of reinsurance operations	17	22,884		22,268	
Other creditors including taxation and social security	18	<u>57,656</u>		<u>40,990</u>	
			86,676		66,203
Accruals and deferred Income			5,733		4,607
<b>Total liabilities</b>			<u><b>451,211</b></u>		<u><b>412,470</b></u>

The Balance Sheet should be read in conjunction with the accompanying notes.

The accounts on pages 16 to 49 were approved by the Board of HCC Underwriting Agency Ltd and signed on its behalf by

K L Letsinger  
Director

22 February 2024

**STATEMENTS OF CHANGES IN MEMBER'S BALANCE**

For the year ended 31 December 2023

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Member's balance brought forward at 1 January	15,627	2,076
Profit for the financial year	39,221	9,209
Foreign currency exchange (loss)/profit on translation	(1,925)	911
Funding contribution	1,504	3,431
Member's balance carried forward at 31 December	<u>54,427</u>	<u>15,627</u>

**STATEMENT OF CASH FLOWS**

For the year ended 31 December 2023

	Note	<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
Net cash inflow/(outflow) from operating activities	19	55,274	(16,451)
Investing activities:			
Purchase of debt securities		(98,265)	(66,130)
Sale of debt securities		36,294	76,604
Investment income received		7,005	1,810
Financing activities:			
Funding contribution		1,504	3,431
Net cash inflow/(outflow)		<u>1,812</u>	<u>(736)</u>
Cash and cash equivalents at beginning of year		4,175	5,570
Foreign exchange gain/(loss) on translation of brought forward balances		220	(659)
Cash and cash equivalents at end of year		<u>6,207</u>	<u>4,175</u>
<b>Cash and cash equivalents consist of:</b>		<b>2023</b>	<b>2022</b>
		<b>£'000</b>	<b>£'000</b>
Cash at bank and in hand		<u>6,207</u>	<u>4,175</u>



## NOTES TO THE ACCOUNTS

### 1. GENERAL INFORMATION

Syndicate 4141 ('the Syndicate') is a fully aligned Syndicate managed by HCCUA which is authorised by the PRA and regulated by both the FCA and the PRA. The principal activity of the Syndicate remains the transaction of general insurance and reinsurance business in the United Kingdom and it operates solely within the Lloyd's market from its offices in London. HCCUA is a private company limited by shares and is incorporated in England. The address of its registered office is 1 Aldgate, London EC3N 1RE.

### 2. STATEMENT OF COMPLIANCE

These annual accounts have been prepared in accordance with Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103, 'Insurance Contracts' (FRS 103). The general result is determined on an annual basis of accounting.

### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

#### a. Basis of preparation

These accounts have been prepared in accordance with Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in conformity with FRS 102 and FRS 103.

The preparation of accounts in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the accounts are disclosed in Note 4.

#### b. Going concern

As part of the preparation of these accounts the directors of HCCUA have considered whether the Syndicate will be able to continue to be a going concern for at least 12 months from the date that these accounts are approved.

Consideration was given to the adequacy of the Syndicate's capital and liquidity based on the 2024 Syndicate Business Forecast and included stress testing and reverse stress testing as part of the ORSA process as well as stress tests performed by the Syndicate's investment managers. In the light of the above the Board concluded that there were no material uncertainties that would cast doubt on the ability of the Syndicate to continue as a going concern for at least 12 months from the date of approval of these accounts.

#### c. Foreign currency

##### Functional and presentation currency

The Syndicate's functional currency is US Dollars and consistent with prior years the presentation currency is Sterling as required by Lloyd's. Foreign currency transactions are recorded using the spot exchange rates at the dates of the transactions into the functional currency. At each period end, foreign currency monetary assets and liabilities are revalued 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 considered to be monetary items.

Differences arising on the revaluation of foreign currency amounts to the functional currency are recognised in the non-technical Profit and Loss Account.

## NOTES TO THE ACCOUNTS

The foreign currency exchange arising upon translation from functional currency to presentational currency is recognised in other comprehensive income.

The foreign exchange rates used for translation to the presentation currency are set out below:

- a) Assets and liabilities at the closing rate at the balance sheet date which for Sterling was £1 = US\$1.2732 (2022: US\$1.2062); and
- b) Income and expenses at monthly rates during the year. The average rate for the year for Sterling was £1 = US\$1.24 (2022: US\$1.24).

### d. Insurance contracts

#### i. Classification of insurance and investment contracts

The Syndicate issues insurance contracts that transfer significant insurance risk. The Syndicate does not issue investment contracts that transfer financial risk.

#### ii. Insurance contracts

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 follows:

##### a. Premiums written

Premiums written relate to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for unreported, or pipeline, premiums representing amounts due to the Syndicate not yet notified.

##### b. Unearned premiums

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 a time apportionment/risk profile basis.

##### c. Acquisition costs

Acquisition costs, which represent commission and other related expenses, are deferred over the period in which the related premiums are earned. No profit commission is incurred by the Managing Agent.

##### d. Claims incurred

Claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years.

## NOTES TO THE ACCOUNTS

### e. 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 yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Gross claims provisions are calculated gross of any reinsurance recoveries.

The estimate of claims incurred but not reported ('IBNR') is generally subject to a greater degree of uncertainty than the estimate of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR often may not be apparent to the insured until many years after the event giving rise to the claim has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims, the Syndicate uses a variety of estimation techniques, generally based upon statistical analysis of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large claims; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these, the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis and projected separately, in order to allow for the possible distortive effect of the development and incidence of these large claims.

Where possible, the Syndicate adopts multiple techniques to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year.



## NOTES TO THE ACCOUNTS

### Reinsurance

Reinsurance to cover catastrophe exposed lines or lines with unbalanced line size to premium is purchased on a shared basis for the international insurance entities. Reinsurance premiums on excess of loss programmes are allocated across Tokio Marine HCC International platforms based on gross written premiums. Reinsurance recoveries are allocated based on the share of gross claims suffered by each carrier. Reinsurance to cover catastrophe exposed lines is purchased by line of business across the TMHCCI insurance platforms, and reinsurance premiums for excess of loss programmes are allocated across the platforms based on gross written premiums of the underlying business. Reinsurance recoveries are allocated based on the share of gross claims suffered by each entity. Purchases of the shared reinsurance programme are advised to both Lloyd's and the PRA. In addition, the Syndicate purchases quota share and facultative reinsurance to balance line size and premium where it is prudent to do so. Since the beginning of 2021, the Syndicate has purchased excess of loss reinsurance, across all lines of business, from an affiliate.

The reinsurers' share of claims incurred in the Profit and Loss Account reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the year. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the Profit and Loss Account as "outwards reinsurance premiums".

### Unexpired risks provision

Provisions are made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision and unexpired risks provision. The expected claims are calculated based on information available at the balance sheet date including events covered by the Syndicate's in force event cancellation policies that were due to take place after that date that had already been cancelled or postponed resulting in a loss to the policyholder.

Unexpired risks surpluses and deficits are offset where business classes are managed together, and a provision is made if an aggregate deficit arises. The unexpired risks provision would be included within 'Other technical provisions'.

### Subrogation and salvage

Recoveries arising out of subrogation or salvage are estimated on a prudent basis and included within 'Other debtors'.

#### e. Taxation

Under Schedule 19 of the Finance Act 1993, the Syndicate is not a taxable entity. Corporation tax is accounted for and payable by the Syndicate's corporate member, Nameco (No. 808) Limited ('Nameco'). For US tax purposes, no provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any tax payments made or suffered by the Syndicate during the year are transferred to Nameco.

#### f. Cash and cash equivalents

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

#### g. Provisions

Provisions are recognised when:

- the Syndicate has a present legal or constructive obligation as a result of past events;
- it is probable that an outflow of resources will be required to settle the obligation; and
- the amount of the obligation can be estimated reliably.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations might

## NOTES TO THE ACCOUNTS

be small. Provisions for levies are recognised on the occurrence of the event identified by legislation that triggers the obligation to pay the levy.

### **h. Financial instruments**

The Syndicate has adopted FRS 102 relating to fair value hierarchy disclosures and applied the recognition and measurement provisions of IAS 39 (as adopted for use in the UK) and the disclosure requirements of FRS 102 in respect of financial instruments.

### **i. Financial assets**

The Syndicate classifies its financial assets into the following categories:

- Shares and other variable yields securities and units in unit trusts – at fair value through profit or loss;
- Debt securities and other fixed-income securities – at fair value through profit or loss; and
- Loans and receivables.

Management determines the classification of its investments at initial recognition and re-evaluates this at each reporting date.

Financial assets designated at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Syndicate's key management personnel. The Syndicate's investment strategy is to invest in fixed and variable interest rate debt securities and units in unit trusts.

The fair values of financial instruments traded in active markets are based on quoted bid prices on the balance sheet date. A market is regarded as active if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency; and those prices represent actual and regularly occurring market transactions on an arm's length basis.

The fair values of financial instruments that are not traded in an active market (for example, corporate bonds), are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take place between market participants. Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Profit and Loss Account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Syndicate intends to sell in the short term or that it has designated at fair value through profit or loss. Loans and receivables are subsequently measured at amortised cost using the effective interest rate method. Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

### **j. Impairment of financial assets**

For financial assets not at fair value, the Syndicate assesses at each balance sheet date whether there is objective evidence that a financial asset or group of financial assets is impaired. A financial asset or group of financial assets is impaired and impairment losses are incurred only if there is objective evidence of impairment as a result of one or more events that have occurred after the initial recognition of the asset (a 'loss event') and that loss event (or events) has an impact on the estimated future cash flows of the financial asset or group of financial assets that can be reliably estimated. Objective evidence that a financial asset or group of assets is impaired includes observable data that comes to the attention of the Syndicate about the following events:

- significant financial difficulty of the issuer or debtor;
- a breach of contract such as a default or delinquency in payments;
- it becoming probable that the issuer or debtor will enter bankruptcy or other financial reorganisation;
- the disappearance of an active market for that financial asset because of financial difficulties; or

## NOTES TO THE ACCOUNTS

- observable data indicating that there is a measurable decrease in the estimated future cash flow from a group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group, including:
  - adverse changes in the payment status of issuers or debtors in the group; or
  - national or local economic conditions that correlate with defaults on the assets in the Syndicate.

The Syndicate first assesses whether objective evidence of impairment exists individually for financial assets that are individually significant. If the Syndicate determines that no objective evidence of impairment exists for an individually assessed financial asset, whether significant or not, then it includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in a collective assessment of impairment.

If there is objective evidence that an impairment loss has been incurred on loans and receivables the amount of the loss is measured as the difference between the asset carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced and the amount of the loss is recognised in the Profit and Loss Account for the period. As a practical expedient, the Syndicate may measure impairment on the basis of an instrument's fair value using an observable market price.

For the purpose of a collective evaluation of impairment, financial assets are grouped on the basis of similar credit risk characteristics (i.e. on the basis of the Syndicate's grading process that considers asset type, industry, geographical location, past-due status and other relevant factors). Those characteristics are relevant to the estimation of future cash flows for groups of such assets by being indicative of the issuer's ability to pay all amounts due under the contractual terms of the debt instrument being evaluated.

If in a subsequent period the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised (such as improved credit rating), the previously recognised impairment loss is reversed through the Profit and Loss Account for the period.

### **k. Financial liabilities**

Creditors are financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Long-term creditors are subsequently stated at amortised cost, using the effective interest method.

### **l. Investment return**

Interest income is recognised using the effective interest rate method. Investment expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at fair value through profit and loss are calculated as the difference between net sales proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price and their fair value at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the Non-Technical Account and then earned investment return is transferred to the Technical Account.

### **m. Distributions to Member**

Distributions to its Member are made in the year following the year a reporting year of account closes, which is generally three years after inception of the Reporting Year of Account.

### **n. Related party transactions**

The Syndicate discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the Syndicate's accounts.

## NOTES TO THE ACCOUNTS

### 4. CRITICAL ACCOUNTING JUDGEMENTS AND ESTIMATION UNCERTAINTY

Judgements and estimates are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

#### Significant estimates

Estimation of the ultimate net claims incurred from the issuance of insurance contracts involves assumptions concerning the future, and the resulting accounting estimates will, by definition, seldom equal the related actual results. The assumptions used in making estimates that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are addressed below.

#### i. The ultimate liability arising from claims made under insurance contracts

The estimate of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. The carrying amount of the claims outstanding, net of reinsurance, is £130.5m (2022: £134.5m), see Note 14 for net claims outstanding. There are many sources of uncertainty that need to be considered in the estimate of the liability that the Group will ultimately pay for such claims. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advice, experience of development of similar claims, historical experience, case law and legislative and judicial actions.

Full analyses of reserves take place at least annually. During the full analyses, attritional claims and large losses gross and net of reinsurance are projected to ultimate using the following four standard actuarial methods: Paid Chain Ladder, Incurred Chain Ladder, Incurred Bornhuetter-Ferguson and Loss Ratio method. The method selected depends on the accident or underwriting year, gross or net of reinsurance perspective and the line of business. Generally, for more developed years, the Incurred Chain Ladder is used and for less developed years, the Incurred Bornhuetter-Ferguson method is used. For the years where the Incurred Bornhuetter-Ferguson or Loss Ratio method is used, the ultimate claim projected is sensitive to the Initial Expected Ultimate Loss Ratio assumption (also referred to as the 'prior loss ratio' assumption).

The most significant assumptions made relate to the level of future claims, the level of future claims settlements and the legal interpretation of insurance policies. Whilst the directors consider 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 amounts of provision are reflected in the accounts for the period in which the adjustments are made. The methods used and the estimates made are reviewed regularly. See Note 5.1.iv for loss development triangles.

#### ii. Fair value of financial instruments

The fair value of financial instruments traded in active markets is based on quoted bid prices at the balance sheet date.

If quoted prices are not readily available, observable prices for recent arm's length transactions for an identical asset are used to determine its fair value. The carrying value of these instruments is £234.0m (2022: £175.6m), see Note 12 for pricing basis. The Syndicate uses its judgement to select a variety of methods and make assumptions that are mainly based on market conditions existing at the end of each reporting period.

#### iii. Pipeline premium

The Syndicate makes an estimate of premiums written on a policy by policy basis. Pipeline premium is the difference between estimated premium and booked premium. For the majority of lines written, premium is adjusted to equal booked premium two years post expiry. Pipeline premium is recorded within gross written premium and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element. The pipeline premium included within gross written premium is £36.3m (2022: £29.4m).

## NOTES TO THE ACCOUNTS

There are no significant judgements made in applying the accounting policies.

### 5. RISK MANAGEMENT

The Syndicate has identified the risks arising from its activities and has established policies and procedures to manage these risks in accordance with its risk appetite. The Syndicate categorises its risks into six areas: Insurance; Strategic, Regulatory and Group; Market; Operational; Credit and Liquidity. The sections below outline the Syndicate's risk appetite and explain how it defines and manages each category of risk.

#### 5.1 Insurance risk

The Syndicate's insurance business assumes the risk of loss from persons or organisations that are themselves directly exposed to an underlying loss. Insurance risk arises from this risk transfer due to inherent uncertainties about the occurrence, amount and timing of insurance liabilities. The four key components of insurance risk are underwriting including delegated authorities, reinsurance purchasing, claims management and reserving. Each element is considered below.

##### i. Underwriting risk

Underwriting risk relates to the potential claims arising from inadequate underwriting. There are four elements that apply to all insurance products offered by the Syndicate:

- cycle risk – the risk that business is written without full knowledge as to the (in)adequacy of rates, terms and conditions;
- event risk – the risk that individual risk claims or catastrophes lead to claims that are higher than anticipated in plans and pricing;
- pricing risk – the risk that the level of expected loss is understated in the pricing process; and
- expense risk – the risk that the allowance for expenses and inflation in pricing is inadequate.

The Syndicate manages and models these four elements in the following three categories; attritional claims, large claims and catastrophe events.

The Syndicate's underwriting strategy is to seek a diverse and balanced portfolio of risks in order to limit the variability of outcomes. This is achieved by accepting a spread of business over time, segmented between different products, geographies and sizes.

To manage underwriting exposures, the Syndicate has developed limits of authority and business plans which are binding upon all staff authorised to underwrite and are specific to underwriters, classes of business and industry.

These authority limits are enforced through a comprehensive sign-off process for underwriting transactions including an escalation process for all risks exceeding individual underwriters' authority limits. Exception reports are also run regularly to monitor compliance and a rigorous peer and external review process are in place.

Rate monitoring, including risk adjusted rate change and adequacy against benchmark rates, are recorded and reported.

The annual Syndicate Business Forecast ('SBF') incorporates the Syndicate's underwriting strategy by line of business and sets out the classes of business, the territories and the industry sectors in which business is to be written. The SBF is approved by the directors.

The underwriters calculate premiums for risks written based on a range of criteria tailored specifically to each individual risk. These factors include, but are not limited to, the financial exposure, loss history, risk characteristics, limits, deductibles, terms and conditions and acquisition expenses using rating and other models.

The Syndicate also recognises that insurance events are, by their nature, random and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

To address this, the Syndicate sets out its risk appetite (expressed as Probable Maximum Loss estimates

## NOTES TO THE ACCOUNTS

(‘PML’) and modelled return period events) in certain territories as well as a range of events such as natural catastrophes and specific scenarios which may result in large industry claims. As part of the Lloyd’s market, this is monitored through regular calculation and reporting of Realistic Disaster Scenarios (‘RDS’) to Lloyd’s. Additionally, the aggregated position is monitored at the time of underwriting a risk and reports are regularly produced to highlight the key aggregations to which the Syndicate is exposed.

The Syndicate uses a number of modelling tools to monitor its exposures against the agreed risk appetite set and to simulate catastrophe claims in order to measure the effectiveness of its reinsurance programmes. Stress and scenario tests are also run using these models.

One of the largest types of event exposure relates to natural catastrophe events such as windstorm or earthquake. Where possible, the Syndicate measures geographic accumulations and uses its knowledge of the business, historical loss behaviour and commercial catastrophe modelling software to assess the expected range of claims at different return periods. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of extreme events at a range of return periods.

The Syndicate’s catastrophe risk appetite set by the directors is limited to a gross PML aggregate of no more than 200% of Capital and for a probability of gross catastrophe event exceeding 50% of Capital of less than 1%. Additionally, the appetite for non-modelled risk and other potential non-natural catastrophe perils is included within the catastrophe appetites noted above.

The Syndicate continues to monitor developing risk events. These include: 1) actual or potential geopolitical tensions around the world including Russia-Ukraine, Israel-Hamas and China-Taiwan; and 2) the increasing speed of technological advancement, such as the rising profile surrounding generative AI. Regarding the current conflicts between Russia-Ukraine and Israel-Hamas, the impact on the Syndicate continues to be limited with only a few classes of business having direct exposure. The main indirect exposure has been market volatility driven by the continuing economic impacts arising from these situations. However, the Syndicate’s cautious investment strategy, long-term focus and a general policy of holding investments to maturity mean that the current state of affairs is unlikely to cause any material long-term issues from an investment perspective. Other indirect exposures are limited by the Syndicate’s robust operational frameworks. The impact of the conflicts on future business is expected to remain limited.

### ii. Reinsurance risk

Reinsurance risk arises where reinsurance contracts:

- do not perform as anticipated;
- result in coverage disputes; or
- prove inadequate in terms of the vertical or horizontal limits purchased.

Failure of a reinsurer to pay a valid claim is considered a credit risk which is detailed in the credit risk section (see Note 5.5).

The purchase of reinsurance is a key tool utilised to manage underwriting risk. The Syndicate’s reinsurance programme is comprised predominantly of excess of loss cover. Prior to placement of the programme, it is modelled against significant historic and modelled events across the peak exposure areas. The programme is purchased on a class of business basis, modelling catastrophe, large and attritional claims separately. Since 2021, the Syndicate has purchased excess of loss reinsurance, across all lines of business, from an affiliate.

Consideration is given to a number of factors when setting minimum retention including the Annual Aggregate Loss (‘AAL’) for catastrophe exposed lines. Where market opportunity allows, additional reinsurance is purchased. Quota share and facultative reinsurance is also utilised where considered appropriate. The Tokio Marine HCC Reinsurance Security Policy Committee examines and approves all reinsurers to ensure that they possess suitable security. The Syndicate’s reinsurance team ensures that these guidelines are followed, undertakes the administration of reinsurance contracts and monitors and instigates our responses to any erosion of the reinsurance programmes.

## NOTES TO THE ACCOUNTS

### iii. Claims management risk

Claims management risk may arise within the Syndicate in the event of inaccurate or incomplete case reserves and claims settlements, poor service quality or excessive claims handling costs. These risks may damage the Syndicate brand and undermine its ability to win and retain business or incur punitive damages. These risks can occur at any stage of the claim life cycle.

The Syndicate's claims teams are focused on delivering quality, reliability and speed of service to both internal and external clients. Their aim is to adjust, and process claims in a fair, efficient and timely manner, in accordance with the policy's terms and conditions, the regulatory environment and the business' broader interests. Prompt and accurate case reserves are set for all known claims liabilities, including provisions for expenses, as soon as a reliable estimate can be made of the claims liability.

### iv. Reserving risk

Reserving risk occurs within the Syndicate where established insurance liabilities are insufficient through inaccurate forecasting, or where there is inadequate allowance for expenses and reinsurance bad debts.

The objective of the Syndicate's reserving policy is to produce accurate and reliable estimates that are consistent over time and across classes of business. The Syndicate's reserving process is governed by the IBNR Committee, a subcommittee of the Board, which meets on a quarterly basis (more frequently if catastrophic events require). The membership of the IBNR Committee is comprised of executives, actuarial, claims and finance representatives. A fundamental part of the reserving process involves information from and recommendations by each underwriting team for each underwriting year and reserving class of business. These estimates are compared to the actuarial estimates and management's best estimate of IBNR is recorded. It is the policy of the Syndicate to carry, at a minimum, the actuarial best estimate. It is not unusual for management's best estimate to be higher than the actuarial best estimate.

The actuarial reserving team uses a range of recognised techniques to project current paid and incurred claims and monitors claim development patterns. This analysis is then supplemented by a variety of tools including back testing, scenario testing, sensitivity testing and stress testing. In particular, high level sensitivity testing on the impact of changes in future inflation rates has been carried out. An external independent actuary also performs an annual review to produce a statement of actuarial opinion. The actuarial analysis considers information drawn from across TM HCC International, allowing the Syndicate to benefit, where appropriate, from the use of a larger pool of data that is available from its portfolio in isolation. This mitigates the potential for volatility and data sparseness from considering solely the comparatively small Syndicate portfolio, noting that there is a common business operating model across all TM HCC International subsidiary companies.

Gross and net development triangles of the estimate of ultimate claim cost for claims notified in a given year of account (YoA) are presented below and give an indication of the accuracy of the Syndicate's estimation technique for claims payments. Data has been translated using 31 December 2023 foreign exchange rates throughout the triangle.

## NOTES TO THE ACCOUNTS

Loss development triangles - GROSS	Underwriting year (pure YOA)											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL	
Ultimate claims and cumulative payments	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
End of reporting year	31,347	35,237	33,771	83,046	47,020	37,206	49,360	40,882	56,135	61,526		
- one year later (*)	48,842	68,655	64,441	100,877	94,644	145,974	99,746	77,205	95,051			
- two years later	46,927	69,948	65,008	129,531	106,452	174,289	104,816	82,965				
- three years later	50,014	67,133	62,982	126,249	104,823	149,688	104,185					
- four years later	47,437	61,262	73,279	123,244	106,168	122,210						
- five years later	48,222	64,875	73,904	122,358	110,155							
- six years later	46,607	66,126	77,883	125,553								
- seven years later	46,007	66,253	78,861									
- eight years later	46,492	66,103										
- nine years later	46,277											
Current estimate of ultimate claims	46,277	66,103	78,861	125,553	110,155	122,210	104,185	82,965	95,051	61,526		
Cumulative payments to date	43,697	65,856	77,440	116,354	96,995	100,952	80,654	49,694	38,531	12,118		
Liability recognised in the balance sheet	2,580	247	1,421	9,199	13,160	21,258	23,531	33,271	56,520	49,408	210,595	
Provision in respect of previous years												9,575
<b>Total provision included in the balance sheet</b>												<b>220,170</b>

\* the significant increase in the estimate of ultimate claims one year later reflects the earning patterns of in-force policies beyond the first calendar year.



## NOTES TO THE ACCOUNTS

Loss development triangles NET	Underwriting year (pure YOA)											
	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	TOTAL	
Ultimate claims and cumulative payments	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
End of reporting year	29,500	26,536	31,913	50,010	37,676	33,025	36,997	34,042	42,799	49,471		
- one year later (*)	44,648	51,398	58,127	73,826	64,422	59,617	61,039	63,680	74,315			
- two years later	42,244	52,697	57,979	89,673	72,441	62,939	61,601	66,283				
- three years later	45,148	51,397	56,302	84,732	76,665	67,643	60,116					
- four years later	43,546	48,815	63,383	84,775	77,132	61,731						
- five years later	44,317	50,968	63,661	83,052	77,559							
- six years later	42,874	50,567	63,899	85,178								
- seven years later	42,457	51,168	62,462									
- eight years later	42,924	50,307										
- nine years later	43,062											
Current estimate of ultimate claims	43,062	50,307	62,462	85,178	77,559	61,731	60,116	66,283	74,315	49,471		
Cumulative payments to date	41,078	49,556	61,363	89,220	74,714	52,344	45,631	42,459	34,903	10,642		
Liability recognised in the balance sheet	1,984	751	1,099	(4,042)	2,845	9,387	14,485	23,824	39,412	38,829	128,574	
Provision in respect of previous years												1,922
<b>Total provision included in the balance sheet</b>												<b>130,496</b>

\* the significant increase in the estimate of ultimate claims one year later reflects the earning patterns of in-force policies beyond the first calendar year.

### 5.2 Strategic, regulatory and group risk

The Syndicate manages strategic, regulatory and group risk together. Each element is considered below.

#### i. Strategic risk

This is the risk that the Syndicate's strategy is inappropriate or that the Syndicate is unable to implement its strategy. Where an event exceeds the Syndicate's strategic plan, this is escalated at the earliest opportunity through the Syndicate's monitoring tools and governance structure to the Board of directors.

On a day-to-day basis, the Syndicate's management structure encourages organisational flexibility and adaptability, while ensuring that activities are appropriately coordinated and controlled. By focusing on the needs of customers and demonstrating both progressive and responsive abilities, staff, management and outsourced service providers are expected to excel in service and quality. Individuals and teams are also expected to transact their activities in an open and transparent way. These behavioural expectations reaffirm low risk tolerance by aligning interests to ensure that routine activities, projects and other initiatives are implemented to benefit and protect resources of both local business segments and the Syndicate as a whole.

#### ii. Regulatory risk

Regulatory risk is the risk arising from not complying with regulatory and legal requirements. The operations of the Syndicate are subject to legal and regulatory requirements within the jurisdictions in which it operates, and the Syndicate's finance and compliance functions are responsible for ensuring that these requirements are adhered to. Regulatory risk includes capital management risk.

## NOTES TO THE ACCOUNTS

### Capital

The Lloyd's of London (Lloyd's) is a regulated undertaking and subject to supervision by the PRA under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework. Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II requirements, 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, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall Society level. Accordingly, the capital requirement at Syndicate level is not disclosed in these accounts.

In order to meet Lloyd's requirements, the Syndicate is required to calculate its Solvency Capital Requirement ('SCR') for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCR of the Syndicate is subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. Syndicate 4141 is wholly aligned and Nameco does not participate on any other Syndicate; therefore, the SCR for Nameco is equal to that of the Syndicate.

Over and above the SCR, Lloyd's applies capital uplift to the member's capital requirement, known as the Economic Capital Assessment ('ECA'). The purpose of this uplift, which is a Lloyd's rather than Solvency II requirement, is to meet Lloyd's financial strength, licencing and ratings objectives. The capital uplift applied for 2023 was 35% (2022: 35%) of the member's SCR 'to ultimate'. Nameco provides the capital to meet its ECA by way of a Tier 2 bank letter of credit deposited with Lloyd's (i.e. Funds at Lloyd's) plus Tier 1 assets required by Lloyd's. Lloyd's restricts the amount of Tier 2 capital that can be used to support the ECA. During the year Nameco obtained approval from Lloyd's to use a Third Party Deposit Trust which if used would provide Tier 1 capital. The restriction as at 31 December 2023 is 50% of the Syndicate's ECA can be covered by Tier 2 capital. There are no expectations that this restriction on the proportion of Tier 2 capital will reduce further than the 50% noted.

### iii. Group risk

Group risk occurs where business units fail to consider the impact of other parts of a group on the Syndicate, as well as the risks arising from these activities. There are two main components of group risk which are explained below.

#### a) Contagion

Contagion risk is the risk arising from actions of one part of a group which could adversely affect any other part of the group. The Syndicate is a member of the Tokio Marine group and therefore may be impacted by the actions of any other group company. This risk is managed by operating with clear and open lines of communication across the group to ensure all group entities are well informed and working to common goals.

#### b) Reputation

Reputation risk is the risk of negative publicity as a result of the Tokio Marine group's contractual arrangements, customers, products, services and other activities. The Syndicate's preference is to minimise reputation risks but, it is not possible or beneficial to avoid them, as the benefits of being part of the group brand are significant.

Reputational risk is considered as an impact on all risk events in the Risk Register, but not as a risk in its own right.

## NOTES TO THE ACCOUNTS

### 5.3 Market risk

Market risk arises where the value of assets and liabilities or future cash flows change as a result of fluctuations in economic variables, such as movements in foreign exchange rates, interest rates and market prices.

Managing investment risk as a whole is fundamental to the operation and development of our investment strategy key to the investment of Syndicate assets.

The investment strategy is developed by reference to an investment risk budget, reviewed annually by the directors as part of the overall risk budgeting framework of the business. In 2023, the investment risk budget was maintained at a level such that the amount of an investment loss, at the 1-in-200 Tail Value at Risk (TVaR) level, was limited to the Syndicate's excess capital (above the regulatory minimum). The investment risk budget will be at a similar level in 2024.

Investment strategy is consistent with this risk appetite and investment risk is monitored on an ongoing basis. The internal model includes an asset risk module, which uses an Economic Scenario Generator ('ESG') to simulate multiple simulations of financial conditions, to support stochastic analysis of investment risk. This is supplemented by bespoke analysis from our investment consultants. Internal model output is used to assess potential investment downsides, at different confidence levels, including '1 in 200' year event, which reflects Solvency II modelling requirements. In addition, management undertakes regular scenario tests (which look at shock events such as yield curve shifts, credit spread widening, or the repeat of historic events) to assess the impact of potential investment losses.

ESG outputs are regularly validated against actual market conditions, but (as noted above) management also uses a number of other qualitative measures to support the monitoring and management of investment risk.

#### i. Foreign exchange risk

The Syndicate's functional currency is the US Dollar and its presentational currency is Sterling. The effect of this on foreign exchange risk is that the Syndicate's profit for the financial year is mainly exposed to fluctuations in exchange rates for non-US dollar denominated transactions upon revaluation of monetary assets and liabilities. The US dollar functional currency is translated to Sterling presentational currency and any foreign exchange gains or losses are recognised in the Statement of Other Comprehensive Income.

Although net assets in the balance sheet are relatively small, comprising the Member's balance on the open Years of Account which are distributed when the YoA closes, foreign exchange risk arises if net assets in individual foreign currencies are not matched.

The Syndicate operates in six main currencies: US Dollars; Sterling; Canadian Dollars; Australian Dollars; Swiss Francs and Euros. Transactions in all non-US Dollar currencies are converted to the US Dollar functional currency on initial recognition with any balances on monetary items at the reporting date being translated at the US Dollar closing spot rate.

In 2023, the Syndicate managed its foreign exchange risk by periodically assessing its non-US Dollar exposures and rebalancing where appropriate.

## NOTES TO THE ACCOUNTS

The following table summarises the carrying values of non-US dollar total assets and total liabilities, converted to US dollars and categorised by the Syndicate's main currencies:

<b>FX risk exposure</b>	<b>AUD\$</b>	<b>CAD\$</b>	<b>CHF</b>	<b>EUR</b>	<b>GBP</b>
<b>31 December 2023</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total assets	14,758	172,158	1,519	9,490	40,888
Total liabilities	(14,713)	(122,297)	(784)	(10,094)	(38,543)
Net assets/ (liabilities)	<b>45</b>	<b>49,861</b>	<b>735</b>	<b>(604)</b>	<b>2,345</b>

<b>FX risk exposure</b>	<b>AUD\$</b>	<b>CAD\$</b>	<b>CHF</b>	<b>EUR</b>	<b>GBP</b>
<b>31 December 2022</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
Total assets	15,211	140,509	2,213	11,743	35,544
Total liabilities	(13,447)	(106,096)	(2,213)	(8,242)	(28,445)
Net assets/ (liabilities)	<b>1,764</b>	<b>34,413</b>	<b>-</b>	<b>3,501</b>	<b>7,099</b>

### Sensitivity analysis

Fluctuations in the Syndicate's operating currencies against US dollar would result in a change to net profit and member's balances. The table below gives an indication of the impact on net profit and net assets of a percentage change in the relative strength of US dollar against the value of the non-US dollar denominated transactions.

<b>FX risk exposure - sensitivity</b>	<b>Impact on profit for the financial year</b>		<b>Impact on net assets</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
<b>Change in exchange rate of Canadian dollar, Australian dollar, Euro, Swiss Franc and Sterling, relative to USD dollar</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
US dollar weakens 30% against other currencies	3,527	9,985	(12,341)	(10,192)
US dollar weakens 20% against other currencies	2,531	6,656	(8,227)	(6,795)
US dollar weakens 10% against other currencies	1,176	3,328	(4,114)	(3,397)
US dollar strengthens 10% against other currencies	(1,176)	(3,328)	4,114	3,397
US dollar strengthens 20% against other currencies	(2,531)	(6,656)	8,227	6,795
US dollar strengthens 30% against other currencies	(3,527)	(9,985)	12,341	10,192

### ii. Interest rate risk

Some of the Syndicate's financial instruments, including cash and certain financial assets at fair value, are exposed to movements in market interest rates.

Changes in interest rates also impact the present values of estimated Syndicate liabilities, which are used for solvency calculations. Our investment strategy reflects the matching principle of our liabilities, and the combined market risk of investment assets and estimated liabilities is monitored and managed within specified limits.

The following table shows the average duration at the reporting date of the financial instruments that are exposed to movements in market interest rates. Duration is a commonly used measure of volatility and we believe gives a better indication than maturity of the likely sensitivity of our investment portfolio to changes in interest rates.

## NOTES TO THE ACCOUNTS

<b>Investments and cash - Duration</b>	<b>&lt;1 yr</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>3-4 yrs</b>	<b>4-5 yrs</b>	<b>&gt;5 yrs</b>	<b>Total</b>
<b>31 December 2023</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares and other variable yield securities	67,308	-	-	-	-	-	67,308
Debt securities	28,862	81,557	25,421	9,943	1,450	564	147,797
Overseas deposits	30,114	-	-	-	-	-	30,114
<b>Total other financial investments</b>	<b>126,284</b>	<b>81,557</b>	<b>25,421</b>	<b>9,943</b>	<b>1,450</b>	<b>564</b>	<b>245,219</b>
Cash at bank	6,207	-	-	-	-	-	6,207
<b>Total</b>	<b>132,491</b>	<b>81,557</b>	<b>25,421</b>	<b>9,943</b>	<b>1,450</b>	<b>564</b>	<b>251,426</b>

<b>Investments and cash - Duration</b>	<b>&lt;1 yr</b>	<b>1-2 yrs</b>	<b>2-3 yrs</b>	<b>3-4 yrs</b>	<b>4-5 yrs</b>	<b>&gt;5 yrs</b>	<b>Total</b>
<b>31 December 2022</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares and other variable yield securities	26,966	-	-	-	-	-	26,966
Debt securities	31,896	36,051	46,920	10,707	2,954	486	129,014
Overseas deposits	31,079	-	-	-	-	-	31,079
<b>Total other financial investments</b>	<b>89,941</b>	<b>36,051</b>	<b>46,920</b>	<b>10,707</b>	<b>2,954</b>	<b>486</b>	<b>187,059</b>
Cash at bank	4,175	-	-	-	-	-	4,175
<b>Total</b>	<b>94,116</b>	<b>36,051</b>	<b>46,920</b>	<b>10,707</b>	<b>2,954</b>	<b>486</b>	<b>191,234</b>

### Sensitivity analysis

Changes in interest yields, with all other variables constant, would result in changes in the capital value of debt securities as well as subsequent interest receipts and payments. This would affect reported profits and net assets as indicated in the table below:

Investments and cash – interest rate sensitivity	Impact on net profit		Impact on net assets	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shift in yield (basis points)				
100 basis point increase	(2,425)	(2,483)	(2,425)	(2,483)
50 basis point increase	(1,212)	(1,241)	(1,212)	(1,241)
50 basis point decrease	1,227	1,260	1,227	1,260
100 basis point decrease	2,453	2,520	2,453	2,520

### 5.4 Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or external events. Operational risk includes conduct risk.

The Syndicate actively manages and minimises operational risks where appropriate. This is achieved by implementing and communicating guidelines and detailed procedures and controls to staff and other third parties. The Syndicate regularly monitors the performance of its controls and adherence to procedures through the risk management reporting process. Key components of the Syndicate's operational control environment include:

- modelling of operational risk exposure and scenario testing;
- management review of activities;
- documentation of policies and procedures;
- preventative, directive and detective controls within key processes;
- contingency planning; and
- other systems' controls.

## NOTES TO THE ACCOUNTS

Addressing Conduct Risk has always been treated as a priority irrespective of the regulatory emphasis on the selling of financial products, including insurance products, to consumers. The Syndicate's primary objective is that all policyholders should receive fair treatment throughout the product lifecycle, which requires the effective management of Conduct Risk, including the recent and up-coming requirements of Fair Value and Consumer Duty regulations. However, Conduct Risk is not limited to the fair treatment of customers and the Conduct Risk Policy broadly defines Conduct Risk as "...the risk that detriment is caused to the Syndicate, our customers, clients or counterparties because of the inappropriate execution of our business activities."

As a result, business activities are conducted in a manner that is not only fair, honest and transparent but that also complies fully with applicable UK and International laws and regulations and internal policies and procedures. This is clearly communicated from the Board of HCCUA directors downwards to all members of staff and oversight is provided throughout the governance structure, primarily by way of the Product Governance and Distribution Committee. Day-to-day responsibility for monitoring the fair treatment of customers and broader aspects of Conduct Risk resides with the International Compliance Department which undertakes scheduled reviews as part of a comprehensive Compliance Monitoring schedule.

### Operational resilience

Following the closure of the Operational Resilience project and the successful transfer of responsibility to the newly created Operational Resilience Office in October 2022, work has continued to close identified gaps to ensure that the Syndicate will be compliant with the regulations by March 2025. The annual self-assessment exercise in March 2023 confirmed that the work was on track to meet the required regulatory deadlines.

### 5.5 Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the Syndicate are:

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

The Syndicate's core business is to accept insurance risk and the appetite for other risks is low. This protects the Syndicate's solvency from erosion from non-insurance risks so that it can meet its insurance liabilities.

The Syndicate limits exposure to a single counterparty or a group of counterparties and analyses the geographical locations of exposures when assessing credit risk.

An approval system exists for all new brokers and coverholders and their performance is carefully monitored. Regular exception reports highlight trading with non-approved brokers, and the Syndicate's credit control function frequently assesses the ageing and collectability of debtor balances. Any large, aged items are prioritised and where collection is outsourced incentives are in place to support these priorities.

The Investment Committee has established comprehensive guidelines for the Syndicate's Investment Managers regarding the type, duration and quality of investments acceptable to the Syndicate to ensure credit risk relating to the investment portfolio is kept to a minimum. The performance of our Investment Managers is regularly reviewed to confirm adherence to these guidelines.

The Syndicate has developed processes to formally examine all reinsurers before entering into new business arrangements. New reinsurers are approved by the reinsurance approval group, which also reviews arrangements with all existing reinsurers at least annually. Vulnerable or slow-paying reinsurers are examined more frequently. To assist in the understanding of credit risks, A.M. Best, Moody's and Standard & Poor's ('S&P') ratings are used. The Syndicate's concentrations of credit risk have been categorised by these ratings as follows:

**NOTES TO THE ACCOUNTS**

<b>Investment and cash - credit ratings</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>&lt;BBB</b>	<b>Not rated</b>	<b>Total</b>
<b>31 December 2023</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares and variable yield securities	-	30,383	36,925	-	-	-	67,308
Debt securities	34,793	69,392	42,180	1,432	-	-	147,797
Overseas deposits	17,547	1,281	2,901	2,310	1,814	4,261	30,114
Deposits with ceding undertakings	-	-	43	-	-	-	43
<b>Total investments</b>	<b>52,340</b>	<b>101,056</b>	<b>82,049</b>	<b>3,742</b>	<b>1,814</b>	<b>4,261</b>	<b>245,262</b>
Reinsurers' share of claims - outstanding	-	28,460	49,061	-	-	12,153	89,674
Cash at bank	-	-	6,207	-	-	-	6,207
<b>Total</b>	<b>52,340</b>	<b>129,516</b>	<b>137,317</b>	<b>3,742</b>	<b>1,814</b>	<b>16,414</b>	<b>341,143</b>

<b>Investment and cash - credit ratings</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB</b>	<b>&lt;BBB</b>	<b>Not rated</b>	<b>Total</b>
<b>31 December 2022</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares and variable yield securities	-	15,724	11,242	-	-	-	26,966
Debt securities	31,538	58,270	39,206	-	-	-	129,014
Overseas deposits	14,338	3,605	3,746	2,251	3,298	3,841	31,079
Deposits with ceding undertakings	-	-	144	-	-	-	144
<b>Total investments</b>	<b>45,876</b>	<b>77,599</b>	<b>54,338</b>	<b>2,251</b>	<b>3,298</b>	<b>3,841</b>	<b>187,203</b>
Reinsurers' share of claims outstanding	-	34,513	64,800	-	-	11,513	110,826
Cash at bank	-	-	4,175	-	-	-	4,175
<b>Total</b>	<b>45,876</b>	<b>112,112</b>	<b>123,313</b>	<b>2,251</b>	<b>3,298</b>	<b>15,354</b>	<b>302,204</b>

The Syndicate's largest counterparty exposure is £34.7m (2022 £31.4m) of Canadian government securities.

Insurance receivables and other receivable balances held by the Syndicate have not been impaired based on available evidence, and no impairment provision has been recognised in respect of these assets. An aged analysis of the Syndicate's insurance and reinsurance receivables that are past due at the reporting date is presented below:

<b>Financial assets – aging</b>	<b>Not yet due</b>	<b>Up to 3 months past due</b>	<b>3 to 6 months past due</b>	<b>7 to 12 months past due</b>	<b>&gt; 1 year past due</b>	<b>Total</b>
<b>31 December 2023</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Reinsurers share of claims outstanding	89,674	-	-	-	-	89,674
Insurance debtors	45,430	316	190	298	-	46,234
Reinsurance debtors	2,410	2,211	5,710	5,049	3,802	19,182
Deposits with ceding undertakings	43	-	-	-	-	43
Other debtors	2,988	-	-	-	-	2,988
<b>Total</b>	<b>140,545</b>	<b>2,527</b>	<b>5,900</b>	<b>5,347</b>	<b>3,802</b>	<b>158,121</b>

## NOTES TO THE ACCOUNTS

Financial assets – aging 31 December 2022	Not yet due	Up to 3 months past due	3 to 6 months past due	7 to 12 months past due	> 1 year past due	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Reinsurers share of claims outstanding	110,826	-	-	-	-	110,826
Insurance debtors	29,268	493	311	445	-	30,517
Reinsurance debtors	10,748	5,966	5,745	3,105	8,655	34,219
Deposits with ceding undertakings	144	-	-	-	-	144
Other debtors	2,004	-	-	-	-	2,004
<b>Total</b>	<b>152,990</b>	<b>6,459</b>	<b>6,056</b>	<b>3,550</b>	<b>8,655</b>	<b>177,710</b>

### 5.6 Liquidity risk

Liquidity risk arises where cash may not be available to pay obligations when due at a reasonable cost. The Syndicate is exposed to daily calls on its available cash resources, principally from claims arising from its insurance business. In the majority of cases, these claims are settled from premiums received.

The Syndicate's approach is to manage its liquidity position so that it can reasonably survive a significant individual or market loss event (see Note 5.1.i). This means that the Syndicate maintains sufficient liquid assets, or assets that can be readily converted into liquid assets at short notice, to meet expected cash flow requirements. These liquid funds are regularly monitored using cash flow forecasting to ensure that surplus funds are invested to achieve a higher rate of return. The Syndicate can also draw on group funds to bridge short-term cash flow requirements. The following table is an analysis of the net contractual cash flows based on all the liabilities held at 31 December 2023 and 2022:

Financial liabilities – projected cash flows 31 December 2023	Within 1 year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Gross claims outstanding	76,905	74,654	33,529	35,082	220,170
Creditors from direct insurance operations	6,136	-	-	-	6,136
Creditors from reinsurance operations	22,884	-	-	-	22,884
Other creditors	57,656	-	-	-	57,656
<b>Total</b>	<b>163,581</b>	<b>74,654</b>	<b>33,529</b>	<b>35,082</b>	<b>308,646</b>

Financial liabilities – projected cash flows 31 December 2022	Within 1 year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Gross claims outstanding	96,908	72,849	34,538	41,061	245,356
Creditors from direct insurance operations	2,945	-	-	-	2,945
Creditors from reinsurance operations	22,268	-	-	-	22,268
Other creditors	40,990	-	-	-	40,990
<b>Total</b>	<b>163,111</b>	<b>72,849</b>	<b>34,538</b>	<b>41,061</b>	<b>311,559</b>



## NOTES TO THE ACCOUNTS

The next two tables summarise the carrying amount at the reporting date of financial instruments analysed by maturity date.

<b>Investments and cash - maturity</b>	<b>Within 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
<b>31 December 2023</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares and other variable yield securities	67,308	-	-	-	67,308
Debt security	28,862	106,978	11,393	564	147,797
Overseas Deposits	30,114	-	-	-	30,114
<b>Total other financial investments</b>	<b>126,284</b>	<b>106,978</b>	<b>11,393</b>	<b>564</b>	<b>245,219</b>
Cash at bank	6,207	-	-	-	6,207
<b>Total</b>	<b>132,491</b>	<b>106,978</b>	<b>11,393</b>	<b>564</b>	<b>251,426</b>

<b>Investments and cash - maturity</b>	<b>Within 1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
<b>31 December 2022</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares and other variable yield securities	26,966	-	-	-	26,966
Debt security	31,896	82,972	13,660	486	129,014
Overseas deposits	31,079	-	-	-	31,079
<b>Total other financial investments</b>	<b>89,941</b>	<b>82,972</b>	<b>13,660</b>	<b>486</b>	<b>187,059</b>
Cash at bank	4,175	-	-	-	4,175
<b>Total</b>	<b>94,116</b>	<b>82,972</b>	<b>13,660</b>	<b>486</b>	<b>191,234</b>

### 5.7 Other Current Risks

This section identifies risks that have the potential to materially impact the existing risk profiles. It should be noted that, in addition to monitoring the Syndicate's existing and established principal risks, the risk management framework is designed to support the identification of developing and emerging risks; those which have the potential to impact, or require a review of, the existing strategic objectives. Risks which are more imminently likely to crystallise are also monitored.

#### Sustainability Risk

Sustainability risk, including climate change risk, continues to be recognised as a continuing key risk for the Syndicate. 2023 saw further work in terms of: 1) continuing to embed Sustainability risk within its governance and risk frameworks; 2) further development of risk appetites, and risk metrics to monitor them, particularly with regard to investments; 3) further work on potential quantitative impacts of climate change, including capital assessments and impacts from Reverse Stress Tests; and 4) development of various initiatives including Business Travel initiative to allow for future CO2 emissions data capture.

#### Inflation

Given recent rises in interest rates and consumer prices, the issue of inflation, including social inflation, remains a current hot topic in the industry, driven by concerns over supply chains, transport costs and recruitment/retention. Management has looked at how the risk is being mitigated in the areas of underwriting, claims, reserving and capital modelling, noting that the impact of inflation will vary widely by line of business. Explicit allowance for inflation is now incorporated within the reserving process and within the capital model (as approved by Lloyd's in 2023). Management have concluded that the mitigations for this risk remain appropriate. In the current inflationary environment, the risk is being kept under close review.

#### Outsourcing & Supplier Management

Outsourcing and supplier management is a key focus for the Syndicate, in light of greater reliance on cloud service providers and increased use of coverholders. Strong risk governance in this area is vital to ensure uninterrupted service to both external and internal stakeholders. It is also a sub-component of Supply Chain risk, which is an area subject to increased scrutiny with regulatory focus on insurers and their ability to demonstrate their operational resilience in this regard. Against a backdrop of increased digitalisation of the insurance market and escalating cyber-security threats, robust supply chain management is paramount.

## NOTES TO THE ACCOUNTS

A central Vendor Management System has been purchased, and is being implemented, as part of a project that will enhance the performance of due diligence and monitoring against service standards. Resilience standards are also in the process of being developed to ensure that any disruption experienced by the Syndicate's material outsourcers does not impact the service they provide to the Syndicate.

### 6. SEGMENTAL ANALYSIS

The analysis of the underwriting result set out below applies the Lloyd's reporting class categories which are not entirely consistent with the line of business analysis used in managing and monitoring of the business, as referred to in the Business Review (Pages 5 to 8).

	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Net Underwriting result £'000
<b>2023</b>						
<b>Direct insurance:</b>						
Accident and health	72,079	71,975	(27,195)	(38,545)	(475)	5,760
Marine aviation and transport	58,045	52,674	(33,589)	(16,936)	(549)	1,600
Fire and other damage to property	9,398	9,501	(5,100)	(4,016)	1,207	1,592
Third party liability	48,078	50,478	(18,281)	(20,338)	(2,505)	9,354
Other	17,074	15,335	7,867	(2,330)	(23,362)	(2,490)
<b>Total direct</b>	<b>204,674</b>	<b>199,963</b>	<b>(76,298)</b>	<b>(82,165)</b>	<b>(25,684)</b>	<b>15,816</b>
Reinsurance assumed	34,625	32,998	(5,945)	(6,704)	(6,926)	13,423
<b>Total</b>	<b>239,299</b>	<b>232,961</b>	<b>(82,243)</b>	<b>(88,870)</b>	<b>(32,609)</b>	<b>29,239</b>
Investment return						5,140
<b>Technical account</b>						<b>34,379</b>
	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Net Underwriting result £'000
<b>2022</b>						
<b>Direct insurance:</b>						
Accident and health	76,459	76,705	(28,395)	(39,883)	40	8,467
Marine aviation and transport	46,188	43,564	(29,088)	(12,666)	196	2,006
Fire and other damage to property	9,985	10,658	(3,896)	(4,622)	(1,736)	404
Third party liability	46,084	47,255	(23,101)	(18,458)	(4,274)	1,422
Other	11,351	11,456	16,718	(1,399)	(23,951)	2,824
<b>Total direct</b>	<b>190,067</b>	<b>189,638</b>	<b>(67,762)</b>	<b>(77,028)</b>	<b>(29,725)</b>	<b>15,123</b>
Reinsurance assumed	26,614	28,911	(15,508)	(6,753)	(6,379)	271
<b>Total</b>	<b>216,681</b>	<b>218,549</b>	<b>(83,270)</b>	<b>(83,781)</b>	<b>(36,104)</b>	<b>15,394</b>
Investment return						1,323
<b>Technical account</b>						<b>16,717</b>

The reinsurance balance represents the credit/(charge) to the technical account from the aggregate of all items relating to reinsurance outwards. All premiums were concluded in the UK.

## NOTES TO THE ACCOUNTS

The geographical analysis of gross premiums written by destination is:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
UK	32,662	33,656
EU countries	12,014	5,304
Rest of the world	194,623	177,721
<b>Total</b>	<b>239,299</b>	<b>216,681</b>

### 7. CLAIMS INCURRED, NET OF REINSURANCE

Net claims incurred include a prior year reserve release of £11.6m (2022: increase £3.6m) on an accident year basis.

### 8. NET OPERATING EXPENSES

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Acquisition costs	75,854	70,158
Change in deferred acquisition costs	(1,221)	734
Reinsurers' commissions and profit participation	(10,497)	(9,333)
Administrative expenses (see table below)	24,734	22,222
	<b>88,870</b>	<b>83,781</b>

Total Commissions for direct insurance amounted to £66.4m (2022: £64.7m). In addition, £11.6m (2022: £14.7m) of commission has been paid to related parties.

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Administrative expenses:</b>		
Wages and salaries	8,125	3,436
Social security costs	1,116	559
Other pension costs	292	169
<b>Total staff costs</b>	<b>9,533</b>	<b>4,164</b>
Personal expenses	1,874	1,814
Other expenses	13,327	16,244
	<b>24,734</b>	<b>22,222</b>

The average number of direct underwriting staff (excluding directors) working for the Syndicate during the year was nineteen (2022: nineteen).

All staff are employed by HCC Service Company Inc. (UK branch). The disclosures for staff costs and headcount above relate to underwriting staff only. The costs of staff providing central services for group entities (including claims and underwriting support staff) are allocated and recharged to the Syndicate as a management fee. This staff information is not included in salary costs and average staff numbers as it is not practical to allocate them to the underlying entities to which the staff provide services.

## NOTES TO THE ACCOUNTS

### 9. DIRECTORS' EMOLUMENTS

The directors of HCCUA received the following aggregate remuneration recharged to the Syndicate by HCC Service Corporation (UK). These costs are included in net operating expenses.

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	628	1,240
Pension contributions	1	1
	<b>629</b>	<b>1,241</b>

Included in aggregate emoluments above is £197,627 (2022: £251,409) for the services of the Active Underwriter. Pension contributions for the Active Underwriter totalled £446 (2022: £nil). Pension benefits are accruing to four directors (2022: two) under the Group's defined contribution scheme.

The amounts in respect of the highest paid director are as follows:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Aggregate emoluments	239	544
Pension contributions	-	-
	<b>239</b>	<b>544</b>

### 10. AUDITORS' REMUNERATION

The total remuneration payable by the Syndicate, excluding VAT, to its auditors PricewaterhouseCoopers LLP, in respect of the audit of the Syndicate undertakings is detailed below:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Fees payable for the audit of the Syndicate's accounts	240	216
Fees payable for audit-related assurance services	73	69
Fees payable for non-audit services	170	162
	<b>483</b>	<b>447</b>

## NOTES TO THE ACCOUNTS

### 11. INVESTMENT INCOME

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Investment income:</b>		
Income from financial investments at fair value through profit or loss	7,215	1,968
Gains on the realisation of financial investments at fair value through profit or loss	-	31
	<u>7,215</u>	<u>1,999</u>
<b>Net unrealised losses on investments:</b>		
Unrealised gains on financial investments at fair value through profit or loss	6,212	130
Unrealised losses on financial investments at fair value through profit or loss	(32)	(7,981)
	<u>6,180</u>	<u>(7,851)</u>
<b>Investment expenses and charges:</b>		
Investment management expense	(209)	(158)
Losses on the realisation of financial investments at fair value through profit or loss	(1,865)	(518)
	<u>(2,074)</u>	<u>(676)</u>
<b>Total investment return</b>		
	<u><b>11,321</b></u>	<u><b>(6,528)</b></u>
Profit on investments transferred to the technical account	(5,140)	1,323

The average amount of Syndicate funds available for investment and the investment yield by currency and in total are shown below. The average fund is the average of bank balances, overseas deposits and investments held on behalf of the capacity provider of the Syndicate at the end of each quarter during the year. For this purpose, investments are revalued at quarter-end market prices which include accrued investment income.

	<b>2023</b>			<b>2022</b>		
	<b>Return</b>	<b>Avg Fund</b>	<b>Avg Yield</b>	<b>Return</b>	<b>Avg Fund</b>	<b>Avg Yield</b>
	<b>£'000</b>	<b>£'000</b>	<b>%</b>	<b>£'000</b>	<b>£'000</b>	<b>%</b>
Australian Dollars	140	7,035	2.0%	(192)	6,415	(3.0)%
Canadian Dollars	5,398	93,315	5.8%	(5,819)	96,270	(6.0)%
Euros	2	1,694	0.1%	(2)	3,646	(0.1)%
Sterling	629	13,934	4.5%	(201)	12,794	(1.6)%
United States Dollars	5,152	112,288	4.6%	(314)	79,446	(0.4)%
	<u><b>11,321</b></u>	<u><b>228,266</b></u>	<u><b>5.0%</b></u>	<u><b>(6,528)</b></u>	<u><b>198,571</b></u>	<u><b>(3.3)%</b></u>

## NOTES TO THE ACCOUNTS

### 12. Fair value estimation

The following table presents the Syndicate's financial investments measured at fair value at 31 December 2023 and at 31 December 2022 categorised into levels 1, 2 and 3, reflecting the categorisation criteria specified in FRS 102.

<b>Financial investments - valuation hierarchy</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2023</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares and other variable yield securities	-	67,308	-	67,308
Debt securities	7,826	139,971	-	147,797
Overseas deposits	3,383	26,731	-	30,114
<b>Total</b>	<b>11,209</b>	<b>234,010</b>	<b>-</b>	<b>245,219</b>

<b>Financial investments - valuation hierarchy</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
<b>31 December 2022</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>	<b>£'000</b>
Shares and other variable yield securities	-	26,966	-	26,966
Debt securities	8,296	120,718	-	129,014
Overseas deposits	3,164	27,915	-	31,079
<b>Total</b>	<b>11,460</b>	<b>175,599</b>	<b>-</b>	<b>187,059</b>

FRS 102 defines fair value hierarchies as described in Note 3.i as follows:

**Level 1** – quoted prices in an active market.

These financial instruments are traded in active markets whose fair value is based on quoted bid prices at the balance sheet date.

**Level 2** – recent transactions in an identical asset in the absence of quoted prices in active markets at the balance sheet date.

These use observable prices for recent arm's length transactions for an identical asset that are available directly as prices or indirectly from prices. Determining whether a market is active requires the exercise of judgement and is determined based upon the facts and circumstances of the market for the instrument being measured. The Syndicate has chosen to classify all securities other than Sovereign and overseas deposits as Level 2 securities; and

**Level 3** – use of a valuation technique where there is no active market of other transactions which are a good estimate of fair value.

These comprise financial instruments where it is determined that there is no active market or that the application of criteria to demonstrate such as Level 2 securities is impractical. FRS102 requires that fair value is established through the use of a valuation technique which incorporates relevant information to reflect appropriate adjustments for credit and liquidity risks and maximises the use of observable market data where it is available and relies as little as possible on entity specific estimates. The relative weightings given to differing sources of information and the determination of non-observable inputs to valuation models can require the exercise of significant judgement. The Syndicate does not hold any Level 3 securities.

No markets for investments were judged to be inactive at year end and as a result there were no adjustments to the prices or quotes provided by the independent pricing services, third party investment managers as of 31 December 2023 or 31 December 2022.

## NOTES TO THE ACCOUNTS

### 13. OTHER FINANCIAL INVESTMENTS

	Fair value		Book cost	
	2023	2022	2023	2022
	£'000	£'000	£'000	£'000
Shares and other variable yield securities	67,308	26,966	67,308	26,966
Debt securities	147,797	129,014	149,364	134,332
Overseas deposits	30,114	31,079	30,114	31,079
	<b>245,219</b>	<b>187,059</b>	<b>246,786</b>	<b>192,377</b>

Of the above, £11.2m (2022: £11.5m) is listed on a recognised exchange (see note 12 pricing basis level 1).

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. The funds are required in order to protect policyholders and enable the Syndicate to operate in those markets. The Syndicate has restricted access to these funds and has no influence over how they are invested.

### 14. TECHNICAL PROVISIONS

	Provisions for unearned premiums	Claims outstanding - reported claims	Claims outstanding - incurred but not reported claims	Claims outstanding - Total	Deferred acquisition costs (1)	Net technical liabilities
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Gross of reinsurance</b>						
At 1 January 2023	80,677	84,565	160,791	245,356	22,960	303,073
Exchange adjustments	(2,810)	(3,093)	(5,580)	(8,673)	(808)	(10,675)
Movement in provision	6,338	(9,929)	(6,584)	(16,513)	1,221	(11,396)
<b>At 31 December 2023</b>	<b>84,205</b>	<b>71,543</b>	<b>148,627</b>	<b>220,170</b>	<b>23,373</b>	<b>281,002</b>
<b>Reinsurance</b>						
At 1 January 2023	14,150	32,785	78,041	110,826	3,814	121,162
Exchange adjustments	(408)	(1,315)	(3,788)	(5,103)	280	(5,791)
Movement in provision	3,421	3,089	(19,137)	(16,049)	1,016	(13,644)
<b>At 31 December 2023</b>	<b>17,163</b>	<b>34,559</b>	<b>55,115</b>	<b>89,674</b>	<b>5,110</b>	<b>101,727</b>
<b>Net</b>						
<b>At 31 December 2023</b>	<b>67,042</b>	<b>36,984</b>	<b>93,512</b>	<b>130,496</b>	<b>18,263</b>	<b>179,275</b>
<b>At 31 December 2022</b>	<b>66,527</b>	<b>51,780</b>	<b>82,750</b>	<b>134,496</b>	<b>19,146</b>	<b>181,911</b>

(1) Reinsurer's share of deferred acquisition costs are included in accruals and deferred income.

## NOTES TO THE ACCOUNTS

### 15. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Due from intermediaries within one year	46,234	30,517

### 16. OTHER DEBTORS

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Other including taxes	2,988	2,004

All amounts are due within one year.

### 17. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Due to third parties	22,884	22,268

This balance comprises reinsurance premiums payable to third party reinsurers. All amounts are due within one year.

### 18. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Balance with group companies	57,656	40,990

All amounts are due within one year. Amounts owed to group undertakings are short-term, unsecured, interest free and have no fixed date of repayment.

### 19. NET CASH INFLOW FROM OPERATING ACTIVITIES

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
<b>Profit for the financial year</b>	39,221	9,209
Decrease in net technical provisions	(3,510)	23,004
Decrease/ (increase) in debtors	3,863	(17,654)
Increase in prepayments and accrued income	(651)	(1,993)
Increase/(decrease) in creditors	20,473	(17,811)
Increase/(decrease) in accruals and deferred income	1,126	800
Investment (profit)/loss	(11,321)	6,528
Other movements - foreign currency loss on retranslation	6,073	(18,534)
<b>Net cash inflow/(outflow) from operating activities</b>	<b>55,274</b>	<b>(16,451)</b>



## NOTES TO THE ACCOUNTS

### 20. RELATED PARTIES

- a. The Syndicate's capital is provided by Nameco (No. 808) Limited ('Nameco'). Nameco's ultimate parent company is Tokio Marine Holdings, Inc. ('TMHD'). TMHD is incorporated in Japan and listed on the Tokyo Stock Exchange. The consolidated accounts of TMHD can be obtained from its website at [http://www.tokiomarinehd.com/en/ir/library/annual\\_report/index.html](http://www.tokiomarinehd.com/en/ir/library/annual_report/index.html).
- b. The Syndicate incurred managing agency fees of £150,000 (2022: £150,000) from its Managing Agent, HCCUA. HCCUA is a wholly owned subsidiary of HCC Intermediate Holdings Inc. An amount of £0.0m (2022: £0.0m) was due to HCCUA at the balance sheet date. In addition, £18.5m (2022: £18.3m) was paid to HCC Service Company Inc. (UK branch) for expenses paid during the year on behalf of the Syndicate and an amount of £2.4m was due to (2022: £1.6m) HCC Service Company Inc. (UK branch) at the balance sheet date. Profit related remuneration for the Syndicate's underwriting staff is charged to the Syndicate.
- c. The Syndicate shares a reinsurance programme with the other Tokio Marine HCC International carriers. Reinsurance premiums are pro-rated across Tokio Marine HCC International platforms according to their respective gross written premiums. Reinsurance recoveries are pro-rated based on the share of gross claims suffered by each carrier. The balance due to HCCII was £6.2m (2022: £7.5m due to HCCII) at the balance sheet date. Reinsurance is also purchased from affiliate entities comprising:
  - i. A whole account Excess of Loss cover was arranged in 2023 with HCCII with a coverage of \$19m excess of \$1m (2022: \$9m excess of \$1m) and premium payable of £1.9m (2022: £2.0m).
  - ii. An aggregate Excess of Loss cover arranged with HCL for Contingency losses on the 2019 and 2020 years. The balance due from HCL was £1.5m (2022: £nil) at the balance sheet date.
- d. Nameco provides the entire capacity of Syndicate 4141. The immediate controller of Nameco and its sole shareholder is HCC Intermediate Holdings Inc. and the ultimate controller is TMHD. An amount of £10.9m (2022: £2.4 due to) was due to Nameco at the balance sheet date.
- e. The Syndicate transacts business with agencies and coverholders that are owned by the HCC group. Full delegated underwriting authorities have been provided to the following HCC group entities; HCC Medical Insurance Services, HCC Specialty Ltd (ceased January 2023). The arrangements produced:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Premium income	75,248	95,179
Net Commission expense	30,323	31,802
Balance due to the Syndicate at year end	209	1,119

- f. The Syndicate transacts business with the following Tokio Marine entities: Lloyd's Syndicate 1880; Tokio Marine Brasil Seguradora and Tokio Marine Kiln Group Ltd. These arrangements have produced:

	<b>2023</b>	<b>2022</b>
	<b>£'000</b>	<b>£'000</b>
Gross premium written	45	241
Acquisition costs	(12)	(60)

## NOTES TO THE ACCOUNTS

- g. The following who were directors during the year are also directors of HCCII, a wholly owned subsidiary of the TM HCC Group:
- A M Baker
  - S A Button
  - B J Cook
  - P Engelberg (appointed 1 January 2023)
  - T J G Hervy
  - K L Letsinger
  - N C Marsh (Non-executive Chair)
  - H Mishima
  - H-D Rohlf (Non-executive) (resigned 30 April 2023)
  - C A Scarr (Non-executive)
  - Ko Shimizu
  - G R A White

### 21. FUNDS AT LLOYD'S

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

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

### 22. PENSION COMMITMENTS

TMHCC operates a Group Self Invested Personal Pension Scheme. The assets of the pension scheme are held separately from those of the Group's international operations in an independently administered fund. The pension cost charged to the Syndicate Profit and Loss Account for the year was £292k (2022: £169k). The accrued pension cost outstanding as at 31 December 2023 was £nil (2022: £nil).

### 23. ULTIMATE CONTROLLING PARTY AND PARENT UNDERTAKING OF WHICH THE RESULTS OF THE SYNDICATE ARE INCLUDED

Nameco provides 100% of the capital to support the underwriting of the Syndicate and the principal activity of Nameco is to monitor and support the operations of the Syndicate.

The Syndicate is managed by HCC Underwriting Agency Ltd which is authorised by the Prudential Regulation Authority ('PRA') and regulated by both the Financial Conduct Authority and the Prudential Regulation Authority.

The results of the Syndicate are reported both within those of Nameco and the larger Tokio Marine HCC Insurance Holdings, Inc. group.

The ultimate parent company of both the Syndicate and of Nameco is Tokio Marine Holdings, Inc. (TMHD). TMHD's head office is located in Tokyo, Japan. TMHD is a leading international insurance group with offices worldwide.

### 24. POST BALANCE SHEET EVENTS

The directors confirm that there are no significant post balance sheet events requiring disclosure.