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Hampden Risk Partners Syndicate 2689

Syndicate Annual Report and Accounts

31 December 2023

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

P A Jardine (Chairman)*
R P Barke
C V Barley
S Bradbury
E M Catchpole*
K A Green*
L Harfitt
D B Jones
L J M McMaster
S D Redmond*
K Shah*

Non-Executive Directors*

Signing Director

C V Barley

Managing Agent's Registered Office

5th Floor
20 Gracechurch Street
London
EC3V 0BG

Managing Agent's Registered Number

1918744

Active Underwriter

C P Sharp

Bankers

Barclays Bank
Citibank NA
RBC Dexia

Registered Auditors

Ernst & Young LLP

Signing Actuaries

Ernst & Young LLP

Active Underwriter's report

2023 represents my second full year as Active Underwriter of Syndicate 2689 but, more importantly, the first full year for which the portfolio is one that I and my team have sourced, assessed and secured capacity upon. This dynamic brings with it a huge sense of pride at what has been achieved from an underwriting, marketing, operational and reputational perspective.

The non-renewal of the Chord Re portfolio has ensured that we are in full control of the partnerships we enter into, partnerships that are selected based on profitability, longevity and true underwriting alignment. This non-renewal has also led to considerable efforts in ensuring an orderly run off both in terms of prudent reserving and diligent credit control effort.

The 'Follow Only' market has evolved considerably in the last twelve months. Lloyd's Syndicates, our customer base, are increasingly using Consortia and Quota Share mechanisms to avail themselves of alternative capital and reinsurance sources. Our 'Intelligent Follow' model, we believe, is a perfect solution. Syndicates can partner with Syndicate 2689 with the confidence that they will have a knowledgeable, aligned partner whose entire business model revolves around enhancing their gross line capabilities. This, for us, is the role of the Follow Market – it serves to augment the true industry leaders' capabilities and ensure these leaders are in the best possible position to navigate the market cycle. Our model is unique in that we do not compete with our Leaders – our Follow Only initiative is all we do, rather than complementing or indeed competing with our own direct underwriting play.

It is this latter point, combined with the strength of the Hampden brand, that has seen demand for our product grow considerably.

Our Follow Only also requires us to be astute market observers. Our portfolio construction is based on selecting those areas of (re)insurance we wish to be in at various points of the respective cycles, then selecting those true outperformers within the Lloyd's market who can deliver the underwriting profit required to satisfy our capital base's requirements. Interwoven with this top-down approach is a detailed risk appetite framework, one than attempts to ensure that every loss of note borne by the Syndicate will have been contemplated in advance for its financial and reputational impact.

The market remains buoyant in most sectors from a rating adequacy perspective. Our model allows us to be nimble – as market conditions harden, we can source additional teams to back rather than needing to engage in lengthy and costly recruitment initiatives. As market conditions soften, we can adjust our portfolio accordingly – reducing or non-renewing participations on an annual basis, again without any personnel impact.

2021 Year Update

The 2021 (and prior) Year of Account has closed with a 21.8% loss on capacity which includes a $500k margin. This Year of Account has been impacted by loss deterioration on existing claims as well as recent satellite losses impacting the legacy specialty book. Syndicate 2689 has been diligent in assessing likelihood or otherwise of future premium receipts and has written down items where appropriate. The account now also recognises a Profit Commission paid to the legacy specialty book for the one profitable consortium, out of three, written to that entity in 2021.

Active Underwriter's report continued

2022 Year Update

The 2022 Year of Account is showing a forecast return on capacity of 4.2% with a Lower Range of 0% and Higher Range of 10%. The year has been impacted by a small number of medium-sized risk losses written within the legacy specialty book. This has seen a deterioration in forecast result to 97.4% NCOR compared to the planned metrics of 92.1%. Whilst this is disappointing, we are nevertheless pleased to continue to project the first year of profitability for Syndicate 2689. A management view of result is more favourable, taking a less conservative view of the impact of Russia / Ukraine due to the low level of incurred claims to date and our knowledge and understanding of the current positions affecting the wider insurance market.

2023 Year Update

The 2023 Year of Account is showing a forecast return on capacity of 4.9% against a NCOR of 95.1%. This represents a modest deviation from the Business Plan metric of 94.5%. Capacity was reduced from GBP 70.7m to GBP 52m to enable the Syndicate to execute upon a realistic revised plan which called for an almost entirely new portfolio of business.

Our appropriately conservative reserving stance means that we have taken no benefit at Q42023 for the benign loss experience to date. From a Natural Catastrophe perspective, we have no material impact to the Syndicate from Hurricanes Idalia and Otis nor the Maui Wildfires and have very limited exposure to Japanese perils. In the man-made world, we have modest exposure to the Pemex offshore platform fire and have avoided the large satellite losses during the year. Our current incurred loss ratio is extremely favourable, and we expect to see our forecast return improve over the coming quarters. This is testament to the quality of the syndicates we back, who have avoided these losses based on their own underwriting and risk appetite processes. We have recognised some of this expected outperformance in a management view of 93.1% which generates a Return on Capacity of 6.7%.

Given the first year of our 'reset strategy' we are delighted to be able to show an almost immediate impact of our refined approach in terms of the gross underwriting result. Our top line has fallen short of plan by 14% on a Net Written basis which has put some pressure on our expense ratio and extensive reinsurance was purchased to ensure stability of result for this, our first full year of underwriting as a new team. Opportunities existed to write greater volumes of business, but we always prioritise expected performance over top line metrics.

Rate change on the business we follow has been in excess of plan in all areas, with Property well ahead of plan at +25%.

Active Underwriter's report continued

2024 Year Update

The successful 'reset' initiatives carried out during 2022/3 has seen Capacity for 2024 increase from GBP 52m to GBP 75m. The relationships started during 2023 have grown both within existing lines and across broader, diversifying product areas, and we are pleased to have added further top quartile syndicates to our client roster. Indeed, 50% of our portfolio now emanates from true 'Top Quartile' Lloyd's players. As stated, the rating environment remains favourable across most classes with pricing adequacy at very attractive points. Some modest signs of softening, are, however, beginning to emerge – from our perspective we have seen the benefit of this in our outwards reinsurance placements at 1 January 2024 which have come in materially below plan from a spend perspective whilst still affording the required protection.

With the majority of our available business incepting at 1 January we are in the enviable position of having secured over 90% of our Top Line projections by this early stage of the year. Our focus, therefore, can turn to ensuing that our Follow Only product offering remains attractive to our current and prospective clients.

2023 Calendar Year Results

Some commentary is warranted on the 2023 Calendar Year GAAP results. This result has been heavily impacted by the deterioration on the 2021 year. The 2022 and 2023 Years of Account are showing a profit with respected earned Net Combined Ratios of 95.0% and 96.7%, with 2021 earned Net Combined Ratio of 216.1%.

2023 Calendar Year Results	2021 YOA	2022 YOA	2023 YOA	All YOAs
Gross Written Premium	1,469,196	1,929,713	69,438,135	**72,837,043**
Written Commissions	(2,027,834)	(881,862)	(16,163,627)	**(19,073,323)**
Gross Earned Premium	7,852,678	49,851,321	43,174,642	**100,878,641**
Ceded Earned Premium	(1,610,710)	(5,509,713)	(7,260,283)	**(14,380,706)**
Claims Incurred (net of Ri)	(9,259,841)	(27,869,864)	(18,248,041)	**(55,377,746)**
Earned Commissions	(3,888,893)	(13,834,990)	(9,977,064)	**(27,700,947)**
Other Expenses	(337,149)	(405,362)	(6,514,891)	**(7,257,402)**
Investment Inc & FX	1,267,741	899,619	168,306	**2,335,666**
Profit / (loss)	(5,976,174)	3,131,013	1,342,668	**(1,502,494)**
NCOR	216.1%	95.0%	96.7%	**104.4%**

Active Underwriter's report continued

Future Plans

Syndicate 2689 has achieved a remarkable strategic turnaround in a short space of time. The impact of this is immediately recognisable in the calibre of the portfolio the team has constructed. Insurance is, of course, a long game and we will continue to reserve prudently and allow the quality and results of the accounts to shine through when it is right to do so.

Future initiatives centre around defining and capturing more of what is truly 'outperforming' business. It is arguably when the market is losing money or encounters adverse experience from a frequency and severity perspective that the true outperformers show their worth.

Recent market results have been excellent, but we will not let good fortune obscure the greater value of prudent cross cycle underwriting management and risk selection.

My team and I are hugely grateful for the patience and support shown by our own capacity providers. This is a vote of trust we recognise and will work diligently to reward.

Chris Sharp

Active Underwriter
Hampden Risk Partners Syndicate 2689
27 February 2024

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The Directors of the Managing Agent present their report for the year ended 31 December 2023

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

Going concern for the Syndicate is reviewed at the monthly Liquidity Committee meetings (a sub-committee of the Executive Performance Oversight Working Group) and as such these financial statements have been prepared on a going concern basis. For further information, please see note 1 to the financial statements.

Results

The total recognised result for calendar year 2023 is a loss of $1,502,494 (2022: loss of $4,610,229).

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

Principal activity and review of the business

The Syndicate’s principal activity is the underwriting of insurance and reinsurance business. The Syndicate facilitates this by supporting selected insurance teams, via consortium and quota share agreements.

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

	2023 $’000	2022 $’000	Change %
Gross written premiums	72,837	105,725	-31.1%
Loss for the financial year	(1,502)	(4,610)	-67.4%
Combined ratio*	104.4%	102.1%	2.4%

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

The performance of the Syndicate has been assessed by measuring, as a percentage of underwriting capacity, the 36-month forecasted result on a funded accounting basis for a “closed‟ underwriting year of account.

	2023 YOA Open	2022 YOA Open	2021 YOA Closed
Capacity ($’000)	66,056	90,800	89,836
Forecasted result (Unaudited) ($’000)	3,250	3,812	(19,613)
Forecast return / (loss) on capacity (%)	4.9%	4.2%	-21.8%

Managing Agent's report continued

Principal risks and uncertainties

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

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate Board and Underwriting Committee manages insurance risk through challenge and oversight of the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate Board then monitors performance against the business plan and the aggregation of risk through exposure management reporting through the year. The Syndicate Board considers any proposed underwriting that impacts the syndicate's ESG profile to ensure consistency with the agreed ESG approach. Reserve adequacy is monitored through quarterly review by the Asta Actuarial team and the Reserving Committee.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate policy is to only use approved reinsurers, supported by collateralisation where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy. The Syndicate may also be exposed to broker credit risk, in particular where risk transfer arrangements are in place. Aged debt reporting for premiums is reviewed in the Syndicate Boards.

Market risk

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

Investments are monitored through Investment Managers with quarterly Investment Committees that review the performance, duration and ESG ratings for the investments.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk the Syndicate Board and Investment Committee reviews cash flow projections regularly and

Managing Agent's report continued

Managing Agent's report continued ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from capital providers.

As at 31 December 2023, the Syndicate had utilised $0.0m (2022: $11.0m) of a letter of credit facility from Barclays Bank PLC (Barclays).

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through a robust operational risk and control framework including detailed procedure manuals and a thorough training programme. This is underpinned by a structured programme of testing of processes and systems by internal audit, who serve as an independent line of assurance, reporting directly to the Chair of the Agency Audit Committee. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators. The Agency has a Head of Regulatory Affairs who manages a function that monitor business activity and regulatory developments to assess any effects on both the Agency and the Syndicate.

The Syndicate has no appetite for failing to adhere to the requirements of the FCA Consumer Duty regulation and continues its focus on ensuring that it is treating customers fairly. The Syndicate manages and monitors consumer duty risk through a suite of risk indicators and reporting metrics as part of its documented customer duty risk framework. The consumer duty risk framework is consistently applied across all Asta syndicates and is overseen by the Conduct Oversight Group (COG), which is an Asta Managing Agency (AMA) Board Committee that includes a non-executive director as a member who fulfils the role of Consumer Duty Champion.

Group / strategic risk

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

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Future developments

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

The capacity for the 2024 year of account is £75.0m (2023 year of account £52.0m).

The Syndicate is a going concern from management's view and will continue business in 2024.

Managing Agent's report continued

Environmental, Social and Governance (ESG)

The Syndicate has an ESG policy in place, which was submitted to Lloyd's alongside the 2023 Business plan. The policy was aligned to Lloyd's ESG guidance from October 2021. In November 2023, Lloyd's launched a consultation on their roadmap for "Insuring the transition", setting out their proposed approach for the next three years across all areas of sustainability for the market, including underwriting, investments, exposure management, capital and reserving. During 2024, the Syndicate ESG policy will be reviewed and developed against the roadmap, including the development of management information for ongoing monitoring and action, where required.

Managing the Financial Risks of Climate change

Following the Prudential Regulation Authority's (PRA) Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, Asta have built a climate change framework, applicable to all syndicates, covering physical, transition and liability climate change risks, based on the underlying business written by each syndicate. Asta's managed syndicates accept climate change risk where it is an inherent part of an insurance business model, providing it is understood, managed and controlled and/or compensated. There is no appetite for uncontrolled, unmanaged exposure to the financial risks of climate change.

The framework ensures Board-level engagement and accountability with Lloyd's and PRA's requirements and expectations, assigning clear responsibilities for managing the financial risks associated with climate change. The AMA Chief Risk Officer, who is a Board member, is responsible for the climate change framework, including identifying and managing financial climate related risks.

Asta continue on an ongoing basis to monitor against regulatory guidance and expectations, as it is released, on managing the financial risks of climate change.

Emerging Risks

An emerging risk or opportunity is defined as "a developing issue, triggered externally, with the potential to have a significant business impact but which may not be sufficiently understood or accounted for". The business impact in this case could represent a downside risk or an upside opportunity. Emerging risks and opportunities include:

- Syndicate insurable risks, as areas of potential future losses or new product offerings;
- Those risks that may affect a syndicate's ability to carry out normal business operations and/or lead to unplanned significant costs/income;
- Both new risks and those which are re-emerging in a new context.

The Agency and Syndicate continue to monitor the impact of emerging risks on syndicate business, taking into account their impacts on the strategic direction of the syndicate. Monitoring takes place in various forums, including the Asta Emerging Risks and Opportunities Group ("EROG") which meets quarterly and considers emerging risks and opportunities from both an internal and external lens. Specific areas of focus over the external environment across the year at Syndicate and Asta level include:

- The geopolitical landscape from a tension and broader political risk impact, including any exposures stemming from regional conflicts (e.g. Russia - Ukraine conflict).

- The heightened inflationary environment and subsequent volatility surrounding inflation risk. This has also been considered by the Syndicate within their annual business planning process and reserve reviews.

2024 will see a significant proportion of the world go to the polls in elections including both in the UK and US, which may see changes of government on both sides of the Atlantic. Knock-on impacts from worldwide elections in 2024 may impact geopolitical stability in the wider world as well as having more regional social impacts.

Directors

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

C N Griffiths	Resigned 28 February 2023
S Bradbury	Appointed 22 May 2023
A J Hubbard	Resigned 30 June 2023

Disclosure of information to the auditors

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

Auditors

The Managing Agent intends to reappoint EY as the Syndicate's auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 27 April 2024.

On behalf of the Board

C V Barley
Director
27 February 2024

Statement of Managing Agent's responsibilities

The Managing Agent is responsible for preparing the financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. The Financial statements 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 financial statements, the managing agent is required to:

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

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

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors’ report to the members of Syndicate 2689

Report on the Syndicate annual accounts

Opinion

We have audited the syndicate annual accounts of syndicate 2689 (‘the syndicate’) for the year ended 31 December 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members’ Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 ‘The Financial Reporting Standard applicable in the UK and Republic of Ireland’ and FRS 103 ‘Insurance Contracts’ (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate’s affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

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

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

Conclusions relating to going concern

In auditing the syndicate annual accounts, we have concluded that the managing agent’s use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate’s ability to continue as a going concern for a period of 12 months from when the syndicate annual accounts are authorised for issue.

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

Other information

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

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities on page 11, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the syndicate annual accounts

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

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

Independent auditors' report continued

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance. We also performed procedures to understand the culture of compliance and governance including the obtainment and review of the code of conduct, employee handbook and whistleblowing policy. Furthermore in order to assess the internal views of risks and their likelihoods, we have reviewed the risk register and risk event summary for the syndicate.

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

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

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

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

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

Use of our report

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

Robert Bruce (Senior statutory auditor)

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

London

Date: 27 February 2024

Income statement

Technical account - General business

For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Gross premiums written	3	72,837	105,725
Outward reinsurance premiums		(11,056)	(11,698)
Net written premiums		61,781	94,027
Change in the provision for unearned premiums			
Gross amount		28,042	(861)
Reinsurers' share		(3,325)	888
Change in the net provision for unearned premiums	4	24,717	27
		86,498	**94,054**
Earned premiums, net of reinsurance			
Allocated investment return transferred from the non-technical account		**2,207**	**(1,286)**
Claims paid			
Gross amount		(36,123)	(29,944)
Reinsurers' share		3,544	2,737
Net claims paid		(32,579)	(27,207)
Changes in claims outstanding			
Gross amount		(22,068)	(26,397)
Reinsurers' share		(730)	(5,771)
Change in the net provision for claims	4	(22,798)	(32,168)
Claims incurred, net of reinsurance		**(55,377)**	**(59,375)**
Net operating expenses	5	**(34,958)**	**(36,581)**
Balance on technical account – general business		**(1,630)**	**(3,188)**

Income statement continued

Non-technical account - General business

For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Balance on technical account – general business		**(1,630)**	**(3,188)**
Investment return		1,514	631
Unrealised Gains on Investments		684	1
Gains / (losses) on the realisation of investments		227	(287)
Unrealised losses on investments		(182)	(1,587)
Investment management charges		(36)	(44)
Allocated investment return transferred to the general business technical account	9	(2,207)	1,286
Exchange Gains / (Losses)		128	(1,422)
Loss for the financial year		**(1,502)**	**(4,610)**

All the amounts above are in respect of continuing operations.

The notes on pages 23 to 49 form part of these financial statements.

Statement of comprehensive income

There were no recognised gains and losses in the year other than those reported in the Income Statement and hence no Statement of Other Comprehensive Income has been presented.

Statement of changes in Members' balances

For the year ended 31 December 2023

	2023 $'000	2022 $'000
At 1 January	(14,040)	(35,617)
Loss for the financial year	(1,502)	(4,610)
Amount due from members	(168)	(101)
Cash calls made to date	-	17,800
Loss Collection from Members	4,476	8,488
At 31 December	(11,234)	(14,040)

Statement of financial position

As at 31 December 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Investments			
Financial investments	10	52,659	38,685
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	386	3,710
Claims outstanding	4	8,678	9,399
		9,064	13,109
Debtors			
Debtors arising out of direct insurance operations	11	151	11,986
Debtors arising out of reinsurance operations	12	53,685	66,004
		53,836	77,990
Cash and other assets			
Cash at bank and in hand	13	29,502	8,688
Deposits with ceding undertakings		25	230
Other assets		32	107
		29,559	9,025
Prepayments and accrued income			
Deferred acquisition costs	4	7,373	15,936
Other prepayments and accrued income		353	426
		7,726	16,362
Total assets		152,844	155,171

The notes on pages 23 to 49 form part of these financial statements.

Statement of financial position continued

As at 31 December 2023

	Notes	2023 $'000	2022 $'000
MEMBERS' BALANCE AND LIABILITIES			
Capital and reserves			
Members' balances		(11,234)	(14,040)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	30,775	58,664
Claims outstanding	4	131,452	108,937
		162,227	167,601
Creditors			
Creditors arising out of direct insurance operations	14	221	62
Creditors arising out of reinsurance operations	15	1,037	908
		1,258	970
Accruals and deferred income		593	640
Total liabilities		164,078	169,211
Total members' balances and liabilities		152,844	155,171

The notes on pages 23 to 49 form part of these financial statements.

The financial statements on pages 17 to 49 were approved by board of Directors on 22 February 2024 and were signed on its behalf by:

R P Barke
Director
27 February 2024

Statement of cash flows

For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Loss for the financial year		(1,502)	(4,610)
(Decrease) in gross technical provisions		(5,374)	(74,801)
Decrease in reinsurers' share of gross technical provisions		4,045	4,932
Increase in debtors		24,154	19,724
Increase / (Decrease) in creditors		288	(10,431)
Movement in other assets/liabilities		8,818	200
Investment return		(2,207)	1,286
Net cash Inflow / (outflow) from operating activities		28,222	(63,700)
Cash flows from investing activities			
Purchase of other financial investments		(35,967)	(18,581)
Sale of other financial investments		24,361	47,274
Investment income received		1,705	716
Decrease in overseas deposits		1,654	(2,867)
Net cash inflow / (outflow) from investing activities		(8,247)	26,542
Cash flows from financing activities			
Cash call		-	17,800
Distribution loss		4,476	8,488
Changes in amount due from members		(168)	(101)
Net cash inflow from financing activities		4,308	26,187
Net (outflow) in cash and cash equivalents		**24,283**	**(10,971)**
Cash and cash equivalents at beginning of year		**13,305**	**25,353**
Changes to market value and currency		51	(1,077)
Cash and cash equivalents at end of year	13	**37,639**	**13,305**

Notes to the financial statements

For the year ended 31 December 2023

1. Basis of preparation

Statement of compliance

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

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value. In adopting the going concern basis, the Syndicate's current and forecast solvency and liquidity positions for the next 12 months and beyond has been reviewed.

The financial statements are prepared in US Dollars which is the functional and presentational currency of the Syndicate and rounded to the nearest $'000.

2. Accounting policies

Use of estimates

In preparing these financial statements, the Directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the annual accounts.

Actual results may differ from those estimates. Significant items subject to such estimates and assumptions include:

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

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

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain.

In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement.

Accounting policies continued

Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future.

Case estimates for the Hampden Risk Partners book are also based on bordereau information, and as such, the Syndicate is reliant on each cedant for outstanding claims information. Each cedant also provides reserving data for significant large & Cat losses.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Significant accounting policies

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

Gross premiums

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

For the majority of inwards reinsurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to quota share reinsurance business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying future premium, is that past premium development can be used to project future premium development.

Underwriters periodically review EPI on the underwriting system. After 33 months, written premium is reported as signed premium with the odd exception manually overriding this rule.

Reinsurance premiums

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

Outwards reinstatement premiums are estimated based on the earned reinsurance recoveries and the corresponding reinstatement premium rates.

Accounting policies continued

Claims incurred

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

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. An element of IBNR also relates to specific large losses, such as catastrophe events.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates where relevant.

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

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Provisions for unearned premiums

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

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

Accounting policies continued

Unexpired risks

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

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

At 31 December 2023 the Syndicate had nil gross unexpired risk provision and nil net unexpired risk provision (2022: nil).

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio. It is not the Syndicate's policy to reallocate a portion of indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies, to acquisition costs.

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

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

Insurance and reinsurance receivables

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

Insurance receivables are not recognised when the de-recognition criteria for financial assets have been met.

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

Insurance and reinsurance payables

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

Accounting policies continued

Foreign currencies

The Syndicate's functional currency and presentational currency is US Dollars.

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

Exchange differences are recorded in the non-technical account.

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

	2023	**2022**
	Year End	**Year End**
USD:GBP	0.79	0.83

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate’s investment strategy.

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate‘s contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

A financial asset or financial liability is measured initially at fair value plus, for a financial liability at amortised cost, transaction costs that are directly attributable to its acquisition or issue.

Accounting policies continued

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in the income statement. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

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

Accounting policies continued

Fair value measurement of investments

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

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

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using quoted prices in an active market.
- Deposits with credit institutions are included at cost plus accrued income.
- Money Market Funds are valued on a stable net asset value (NAV) basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Currency derivatives and bond futures are included at market price.
- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.
- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd’s).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data.

Accounting policies continued

Taxation

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

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

Pension costs

Hampden Syndicate Services Ltd operate a defined contribution scheme for the benefit of Syndicate staff. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Syndicate operating expenses

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

Profit commission is charged by the Managing Agent at a rate of 10% for the first £10m of profit and a rate of 7.5% of profit in excess of £10m subject to the operation of a deficit clause. Such commission does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission on naturally open years is accrued on the basis of earned profit to date.

3. Segmental analysis

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

2023	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Ceded Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Marine, Aviation and Transport	905	1,845	(659)	(496)	(278)	412
Fire and Other Damage to Property	(1,141)	500	(32)	57	(226)	299
Third Party Liability	(2,556)	(1,516)	814	171	7	(524)
Credit and Suretyship	(86)	2,535	(1,569)	(712)	(19)	235
Total Direct	(2,878)	3,364	(1,446)	(980)	(516)	422
Reinsurance accepted	75,715	97,515	(56,745)	(33,978)	(11,051)	(4,259)
	72,837	100,879	(58,191)	(34,958)	(11,567)	(3,837)

2022	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Ceded Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Aviation	2,141	786	(417)	(318)	(37)	14
Fire and other damage to property	7,649	2,220	(1,056)	(748)	(335)	81
Third party liability	2,937	1,592	(739)	(667)	-	186
Total Direct	12,727	4,598	(2,212)	(1,733)	(372)	281
Reinsurance accepted	92,998	100,266	(54,129)	(34,848)	(13,472)	(2,183)
	105,725	104,864	(56,341)	(36,581)	(13,844)	(1,902)

All premiums were concluded in the UK.

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

4. Technical provisions

	2023 Gross provisions $'000	Reinsurance assets $'000	Net $'000
Claims outstanding			
Balance at 1 January	108,937	(9,399)	99,538
Change in claims outstanding	22,068	730	22,798
Effect of movements in exchange rates	447	(9)	438
Balance at 31 December	131,452	(8,678)	122,774
Claims notified	36,361	(1,460)	34,901
Claims incurred but not reported	95,091	(7,218)	87,873
Balance at 31 December	131,452	(8,678)	122,774
Unearned premiums			
Balance at 1 January	58,664	(3,710)	54,954
Change in unearned premiums	(28,042)	3,325	(24,717)
Effect of movements in exchange rates	153	(1)	152
Balance at 31 December	30,775	(386)	30,389
Deferred acquisition costs			
Balance at 1 January	15,936	-	15,936
Change in deferred acquisition costs	(8,628)	-	(8,628)
Effect of movements in exchange rates	65	-	65
Balance at 31 December	**7,373**	**-**	7,373

	2022 Gross provisions $'000	Reinsurance assets $'000	Net $'000
Claims outstanding			
Balance at 1 January	184,618	(15,219)	169,399
Change in claims outstanding	26,397	5,771	32,168
Effect of movements in exchange rates	(481)	30	(451)
External RITC	(101,597)	19	(101,578)
Balance at 31 December	**108,937**	**(9,399)**	**99,538**
Claims notified	23,442	-	23,442
Claims incurred but not reported	85,495	(9,399)	76,096
Balance at 31 December	**108,937**	**(9,399)**	**99,538**
Unearned premiums			
Balance at 1 January	57,784	(2,822)	54,962
Change in unearned premiums	861	(888)	(27)
Effect of movements in exchange rates	19	-	19
Balance at 31 December	**58,664**	**(3,710)**	**54,954**
Deferred acquisition costs			
Balance at 1 January	17,160	-	17,160
Change in deferred acquisition costs	(1,237)	-	(1,237)
Effect of movements in exchange rates	13	-	13
Balance at 31 December	**15,936**	**-**	**15,936**

5. Net operating expenses

	2023	2022
	$'000	$'000
Acquisition costs	(19,073)	(25,671)
Change in deferred acquisition costs	(8,628)	(1,237)
Brokerage rebates	46	101
Administration expenses	(7,303)	(9,774)
Net operating expenses	(34,958)	(36,581)

Members' standard personal expenses amounting to $0.6m (2022: $2.1m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission.

6. Staff costs

	2023	2022
	$'000	$'000
Wages and salaries	(1,326)	(1,192)
Social security costs	-	-
Other pension costs	-	-
	(1,326)	(1,192)

The average number of staff employed during the year was 4 members of staff (2022: 4). Staff costs are recharged from Hampden Syndicate Services Limited.

7. Auditors' remuneration

	2023	2022
	$'000	$'000
Audit of the financial statements	(253)	(205)
Other services pursuant to Regulations and Lloyd's Byelaws	(57)	(43)
Other services relating to actuarial review	(95)	(87)
	(405)	(335)

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

8. Emoluments of the Directors of Asta Managing Agency Ltd

The aggregate emoluments of the Directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of S P A Norton, L Harfitt and R P Barke. S P A Norton's and L Harfitt's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of R P Barke is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate. (2022: nil) The emoluments of the Active Underwriter are borne by the Syndicate and amounted to $578k (2022: $557k) in the year.

No other compensation was payable to key management personnel.

9. Investment return

	2023	2022
	$'000	**$'000**
Income from other financial investments	1,514	631
Gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	227	-
Total investment income	1,741	631
Losses on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	-	(287)
Investment expenses and charges	(36)	(44)
	(36)	(331)
Unrealised gains and losses on investments		
- Financial instruments at fair value through profit and loss	502	(1,586)
Total investment return	2,207	(1,286)

10. Financial Investments

31 December 2023	Carrying value $'000	Purchase price $'000
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	9,475	9,475
- Overseas deposits as investments	2,800	2,800
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	40,384	39,740
Total	52,659	52,015

31 December 2022	Carrying value $'000	Purchase price $'000
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	6,053	6,053
- Overseas deposits as investments	4,454	4,454
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	28,178	29,743
Total	38,685	40,250

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

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

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2023				
Shares and other variable yield securities and units in unit trusts	-	8,137	1,338	9,475
Debt securities and other fixed income securities	8,410	31,974	-	40,384
Overseas deposits	200	2,600	-	2,800
Total	8,610	42,711	1,338	52,659

Financial investments continued

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 December 2022				
Shares and other variable yield securities and units in unit trusts	254	4,363	1,436	6,053
Debt securities and other fixed income securities	12,144	16,034	-	28,178
Overseas deposits	512	3,942	-	4,454
Total	12,910	24,339	1,436	38,685

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

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

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data. The only asset in this category is the loan provided to the Lloyd's Central Fund.

11. Debtors arising out of direct insurance operations

	2023	2022
	$'000	$'000
Debtors arising out of direct insurers (within one year)	151	11,985
Debtors arising out of direct insurers (after one year)	-	1
Total	151	11,986

12. Debtors arising out of reinsurance operations

	2023	2022
	$'000	$'000
Due from ceding reinsurers (within one year)	51,819	60,086
Due from ceding reinsurers (after one year)	1,866	5,918
Total	53,685	66,004

13. Cash and cash equivalents

	2023	2022
	$'000	$'000
Short-term deposits with financial institutions	9,476	6,053
Central fund loan	(1,339)	(1,436)
Cash at bank and in hand	29,502	8,688
Total	37,639	13,305

14. Creditors arising out of direct insurance operations

	2023	2022
	$'000	$'000
Due to direct insurers (within one year)	(221)	(62)
Due to direct insurers (after one year)	-	-
Total	(221)	(62)

15. Creditors arising out of reinsurance operations

	2023	2022
	$'000	$'000
Due to ceding reinsurers (within one year)	(1,037)	(908)
Due to ceding reinsurers (after one year)	-	-
Total	(1,037)	(908)

16. Related parties

The ultimate parent company of Asta Managing Agency Ltd is Tennessee Topco Ltd following the acquisition of Asta Capital Ltd by the Davies Group Ltd on 13 July 2022.

Asta provides services and support to Syndicate 2689 in its capacity as Managing Agent. During the year, a combined fee of $2.5m was charged to the Syndicate. (In 2022, a manging agency fee of $1.2m and services fees of $3.4m were charged to the Syndicate). As at 31 December 2023 an amount of $228k (2022: $274k) was owed to Asta in respect of these services.

A subsidiary of the Hampden Group, Hampden Agencies Ltd, acts as the Members Agent for most of the third-party capital providers of the Syndicate. The Syndicate had no outstanding balances with this entity as at 31 December 2023 (2022: nil).

Hampden Syndicate Services Limited recharged $1,734k (2022: $2,199k) to the syndicate in the year. There was $119k (2022: $99k) owed to Hampden Syndicate Services Limited as at 31 December 2023.

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

17. Disclosure of interests

Managing Agent's interest

During 2023 Asta was the Managing Agent for twelve Syndicates, one Special Purpose Arrangements and five Syndicates in a Box. Syndicates 1322, 1609, 1699, 1892, 1985, 1988, 2288, 2525, 2689, 2786, 4242 and 4747 as well as Special Purpose Arrangements 1416 and Syndicates in a Box 1796, 1902, 2880, 3456 and 5183 were managed on behalf of third party capital providers.

On 1 January 2024, Asta took on the management of Syndicate in a box 1922.

On 1 January 2024, Asta reinsured to close Syndicate 2288 into Renaissance Re Syndicate 1458.

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking several ancillary roles for other clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

18. Funds at Lloyd's

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

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

19. Off-balance sheet items

At 31 December 2023, the Syndicate had utilised \$0.0m (2022: \$11m) of a letter of credit facility, provided by Barclays Bank PLC (Barclays).

20. Risk management

a) Governance framework

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

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

The Syndicate board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. The Syndicate board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

Risk management continued

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly, the capital requirement in respect of Syndicate 2689 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk,

but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA).

The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 20, represent resources available or required to meet members' and Lloyd's capital requirements.

c) Insurance risk

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

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

Risk management continued

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

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

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

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the Realistic Disaster Scenario (RDS) on the Syndicate’s planned exposure for the year.

2023	**Estimated Gross loss**	**Estimated Net loss**
	$’000	**$’000**
Terrorism - Rockefeller Center	(39,669)	(9,917)
Alternative RDS A - To be specified by syndicate	(9,917)	(4,959)
Alternative RDS B - To be specified by syndicate	(9,917)	(4,959)
Loss of Major Complex - To be specified by syndicate	(44,628)	(14,876)
Aviation Collision - To be specified by syndicate	(14,876)	(4,959)
Liability - Internal Scenario 1	(30,240)	(9,917)
Liability - Internal Scenario 2	(10,920)	(9,917)
AEP Loss 30 Year Return Period - US WS (Incl GM WS)	(19,835)	(4,959)
AEP Loss 30 Year Return Period - UC EQ	(14,876)	(4,959)
Cyber - Major Data Security Breach	(19,835)	(4,959)
AEP Loss 30 Year Return Period - Whole World	(34,711)	(4,959)
Terrorism - One World Trade Center	(39,669)	(9,917)
Marine - Marine Collision in US Waters	(29,752)	(4,959)
Marine - Major Cruise Vessel Incident	(29,752)	(4,959)
Cyber - Blackout II	(1,983)	(1,983)
Cyber - Ransomware Contagion	(1,983)	(1,983)
Cyber - Cloud Cascade	(1,983)	(1,983)

Risk management continued

2022	Estimated Gross loss	Estimated Net loss
	$'000	$'000
Terrorism - Rockefeller Center	(48,808)	(18,550)
Alternative RDS A	(7,521)	(6,522)
Alternative RDS B	(2,696)	(2,696)
Loss of Major Complex	(62,843)	(32,585)
Aviation Collision	(22,852)	(22,852)
Liability - Internal Scenario 1	(30,240)	(21,960)
Liability - Internal Scenario 2	(10,920)	(3,600)
AEP Loss 30 Year Return Period - US WS (Incl GM WS)	(16,188)	(8,200)
AEP Loss 30 Year Return Period - UC EQ	(10,159)	(6,566)
Cyber - Major Data Security Breach	(14,719)	(14,719)
AEP Loss 30 Year Return Period - Whole World	(27,658)	(16,269)
Terrorism - One World Trade Center	(48,808)	(18,550)
Marine - Marine Collision in US Waters	(33,516)	(4,655)
Marine - Major Cruise Vessel Incident	(33,516)	(4,655)
Cyber - Blackout II	(8,696)	(8,696)
Cyber - Ransomware Contagion	(8,696)	(8,696)
Cyber - Cloud Cascade	(8,696)	(8,696)

Key assumptions

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

There are a number of factors which impact the inflationary environment; such as government or central bank actions, movements in exchange rates impacting the cost of imports, and geopolitical factors such as those already noted above. As such there is a high level of uncertainty around forward-looking inflation assumptions in both the short and long term.

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

Risk management continued

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions, such as legislative changes, uncertainty in the estimation process.

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

	2023	2022
Gross	**$'000**	**$'000**
Five percent increase in claim liabilities	6,573	5,447
Five percent decrease in claim liabilities	(6,573)	(5,447)
Net		
Five percent increase in claim liabilities	6,139	4,977
Fiver percent decrease in claim liabilities	(6,139)	(4,977)

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date. The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

Underwriting year	**2020**	**2021**	**2022**	**2023**
	$'000	**$'000**	**$'000**	**$'000**
Estimate of cumulative gross claims incurred:				
At end of first underwriting year	42,665	51,034	33,254	21,300
One Year Later	92,851	97,435	63,498	
Two Years Later	123,040	136,932		
Three Years Later	125,921			
Less cumulative gross paid	(98,767)	(99,519)	(17,393)	(520)
Liability for gross outstanding claims	27,154	37,413	46,105	20,780
Total gross outstanding claims (all years)				**131,452**

Risk management continued

Underwriting year	2020	2021	2022	2023
	$'000	$'000	$'000	$'000
Estimate of cumulative net claims incurred:				
At end of first underwriting year	41,328	39,577	31,674	18,258
One Year Later	89,109	94,274	62,274	
Two Years Later	121,108	136,650		
Three Years Later	125,336			
Less cumulative net paid	(99,503)	(102,206)	(17,515)	(520)
Liability for net outstanding claims	25,833	34,444	44,759	17,738
Total net outstanding claims (all years)				122,774

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

In 2023, there has been an overall deterioration of $2.9m on closed year reserves (2022: nil).

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

e) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Investment guidelines are established setting out the quality of investments to be included within the Syndicates portfolio. The policy is monitored by the Syndicate Board.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Syndicate Board.

Risk management continued

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

2023	**$'000**			
	Neither past due nor impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	9,475	-	-	9,475
Debt Securities	40,384			40,384
Overseas Deposits	2,800	-	-	2,800
Reinsurers share if claims outstanding	8,678			8,678
Deposits with ceding undertakings	25			25
Reinsurance debtors on ceded business	364			364
Insurance debtors	151			151
Other debtors	61,465	-	-	61,465
Cash at bank and in hand	29,502	-	-	29,502
Total	152,844	-	-	152,844

2022	**$'000**			
	Neither past due nor impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	6,053	-	-	6,053
Debt Securities	28,178	-	-	28,178
Overseas Deposits	4,453	-	-	4,453
Reinsurers share if claims outstanding	9,398			9,398
Deposits with ceding undertakings	230			230
Reinsurance debtors on ceded business	-	-	-	-
Insurance debtors	11,986			11,986
Other debtors	86,185	-	-	86,185
Cash at bank and in hand	8,688	-	-	8,688
Total	155,171	-	-	155,171

Risk management continued

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

2023				**$'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	1,339	8,136	-	-	-	9,475
Debt securities	2,850	14,488	18,422	-	-	4,624	40,384
Overseas deposits	608	96	105	1,761	3	227	2,800
Deposits with ceding undertakings	-	-	25	-	-	-	25
Reinsurers share of claims outstanding	-	647	4,599	-	-	3,432	8,678
Reinsurance debtors on ceded business	-	27	193	-	-	144	364
Cash at bank and in hand	-	-	29,502	-	-	-	29,502
Total	3,458	16,597	60,982	1,761	3	8,427	91,228

2022				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	6,053	-	-	-	6,053
Debt securities	16,754	1,920	6,966	-	-	2,538	28,178
Overseas deposits	471	95	92	3,271	1	524	4,454
Deposits with ceding undertakings	-	-	230	-	-	-	230
Reinsurers share of claims outstanding	-	652	2,347	-	-	6,400	9,399
Reinsurance debtors on ceded business	-	-	-	-	-	-	-
Cash at bank and in hand	-	-	8,688	-	-	-	8,688
Total	17,225	2,667	24,376	3,271	1	9,462	57,002

Risk management continued

Maximum credit exposure

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

During the year, no credit exposure limits were exceeded (2022: none).

f) Liquidity risk

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

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

2023			**$'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	54,450	50,513	14,799	11,690	131,452
Creditors	-	1,258	-	-	-	1,258
Total	-	55,708	50,513	14,799	11,690	132,709

2022			**$'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	43,485	44,093	13,568	7,791	108,937
Creditors	-	970	-	-	-	970
Total	-	44,455	44,093	13,568	7,791	109,907

Risk management continued

g) Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

a) Currency risk

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

The Syndicate's functional currency is US Dollar and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro, Canadian and Australian dollar.

The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

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

2023	**GBP**	**EUR**	**USD**	**CAD**	**AUD**	**JPY**	**Total**
Total Assets	5,810	2,951	138,839	4,271	81	892	152,844
Total Liabilities	(7,009)	(2,938)	(152,814)	(1,005)	(83)	(229)	(164,078)
Net Assets	(1,199)	13	(13,975)	3,266	(2)	663	(11,234)

2022			**$'000**				
	GBP	**EUR**	**USD**	**CAD**	**AUD**	**JPY**	**Total**
Total Assets	12,717	2,557	134,236	4,314	290	1,057	155,171
Total Liabilities	(7,700)	(3,037)	(155,972)	(1,944)	(141)	(417)	(169,211)
Net Assets	5,017	(480)	(21,736)	2,370	149	640	(14,040)

Risk management continued

Sensitivity to changes

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

	Impact on profit and member's balance	
	2023	**2022**
	$'000	**$'000**
US Dollar weakens		
10% against other currencies	274	770
20% against other currencies	548	1,539
US Dollar strengthens		
10% against other currencies	(274)	(770)
20% against other currencies	(548)	(1,539)

b) Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

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

Sensitivity to changes

The table below shows an indication of the potential impact on the Syndicate's result and net assets if interest rates had been 50 basis points higher or lower in the year.

	2023	**2022**
	$'000	**$'000**
Interest Rate Risk		
Impact of 50 basis point increase on result	(41)	(24)
Impact of 50 basis point decrease on result	41	24
Impact of 50 basis point increase on net assets	(41)	(24)
Impact of 50 basis point decrease on net assets	41	24

21. Post balance sheet events

The Syndicate will collect $14.9m from members in Q2 2024, in relation to the 2021 year of account losses. The AMA board met on 22 February 2024 and approved the 2021 Underwriting result.