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Agora Syndicate 3268

Syndicate Annual Report and Accounts
31 December 2022

Contents

Directors and Administration
IQUW Syndicate Management Limited

Directors
Francois-Xavier B Boisseau (Chairman)
Peter A Bilsby
Catherine M E Farnworth
Michele J Faull
Daniel P Flueckiger
Martin Hall
David J Harris
Richard A Hextall (appointed 29 July 2022)
David E Morris (appointed 26 May 2022)
Nathan R Ott
Heather I Thomas
Ryan R Warren (resigned 30 June 2022)

Company Secretary
Renuka S Fernando

Managing Agent's Registered Office
30 Fenchurch Street
England EC3M 3BD

Managing Agent's Registered Number
00426475

Run-off Manager
Hannah E Wyatt

Bankers
Barclays Bank Plc

Citibank N.A,

Royal Bank of Canada Dexia

Registered Auditor
Mazars LLP

Signing Actuary
Lane Clark Peacock

Managing Agent's report

IQUW Syndicate Management Limited ("IQUW SML" or "the Managing Agent"), a company registered in England and Wales, the managing agent of Syndicate 3268 (the "Syndicate" or "IQUW"), presents its report for the Syndicate for the year ended 31 December 2022. The managing agency of the Syndicate novated from Asta Managing Agency Ltd to IQUW SML on May 13th 2022.

This Annual Report has been prepared using the annual basis of accounting as required by regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" or "FRS 102") and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103") where applicable.

The Syndicate ceased underwriting new business as at 31 December 2021 and its business was renewed into Syndicate 1856, managed by IQUW SML. The intention at the end of 2023 is for the Syndicate to Reinsure to Close into Syndicate 1856, effective as of 1 January 2024. As such, the Syndicate is no longer considered to be a Going Concern and the financial statements have been prepared on a basis other than Going Concern.

Managing Agent

IQUW SML is registered as a Lloyd's managing agency and is, through intermediate holding companies, a wholly owned subsidiary of IQUW Holdings Bermuda Limited ("IQUW Holdings").

The managing agency of the Syndicate novated from Asta Managing Agency Ltd to IQUW SML on May 13th 2022.

Directors

The directors are listed on page 4.

Results

The total recognised result for calendar year 2022 is a comprehensive income of £19.1m (2021: comprehensive loss £4.8m).

Principal activity and review of the business

This is the fifth year of the Syndicate's operations. The Syndicate's principal activity is the underwriting of Property Insurance business in the Lloyd's market.

The last underwriting year of account is 2021 with the syndicate now in run-off. On this basis management focus on the profit and adequacy of net reserves when evaluating syndicate performance.

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

£'000	2022	2021
Gross technical provisions	116,869	208,403
Ceded technical provisions	45,030	50,599
Net technical provisions	71,839	157,804
Profit for the financial year	14,442	819

The calendar year profit is driven by favourable ultimate loss experience on the 2021 year of account of £18.1m. Net premium of £49.4m earned out in 2022 against net claims incurred of £22.3m. On specific claims, ultimate loss estimates for the Kentucky Tornado improved by £3.2m, Winter Storm Uri by £0.6m and Hurricane Ida decreased by £2.0m. The only large new event in 2022 to which the Syndicate had material exposure was Hurricane Ian. Gross claims relating to this are estimated at £6.8m. The Syndicate shared a reinsurance programme with Syndicate 1856 through much of 2022 and net claims from this event were £3.1m.

Net technical provisions have reduced through the year following the decision to renew business into Syndicate 1856 and claims have been settled.

The actual results of the Syndicate at 36 months on a year of account basis as a percentage of underwriting capacity are summarised as follows.

	2020 Closed
Capacity (£'000)	106,425
Actual result (£'000)	(2,688)
Actual return on capacity (%):	(2.5%)

Principal risks and uncertainties

A description of the principal risks and uncertainties facing the Syndicate and how it manages risks is set out in note 5. In particular, the note deals with the Syndicate's exposure to reserving risk, market risk, credit risk, liquidity risk, and climate change risk.

The most material risks are set out below.

Reserving risk

Reserving risk is defined as the risk that reserves set in respect of insurance claim losses are ultimately insufficient to fully settle these claims and associated expenses. The Syndicate's procedures for estimating the outstanding costs of settling insured losses at the balance sheet date, including claims incurred but not yet reported, are detailed in note 2 (iv).

The Syndicate aims to manage reserving risk:

- to minimise reserve volatility through robust reserving and application of actuarial modelling approaches; and
- to monitor reserve adequacy and performance on an ongoing basis

The Syndicate undertakes both an internal and external actuarial review of the claims' provisions, independent of the underwriting teams. The Statement of Actuarial Opinion ("SAO") on claims reserve adequacy, required by Lloyd's, is provided by an independent external actuarial firm.

Reserve adequacy is monitored through quarterly review by the Actuarial team and the Reserving Committee. Reserves are carried at £3.0m above the actuarial best estimate.

Inflation risk

IQUW SML explicitly considered economic and excess inflation in the reserving process when setting the best estimate reserves as historical data is not likely to be representative of the current environment and traditional reserving techniques do not address this.

IQUW SML allowed for both increases to outstanding claims and IBNR claims using the following approach:

1. Uplifting outstanding claims reserves by a set factor. This factor was derived at class of business underwriting year level by weighting calendar year inflation assumptions with the expected proportion of future claims to be paid in each calendar year. The expected pattern of claims payments was derived using relevant market risk code triangles at a class of business level.

2. IBNR claims are uplifted by using the IELRs in the reserving model. This uplift was estimated by projecting relevant market risk code triangles at a class of business levels to ultimate before making an allowance for the estimated inflation shock. This projection is used to derive relevant IELRs at a class of business level. This exercise was then repeated with the inflation shock applied (on a calendar year basis) to estimate an uplift to the IELRs used in the Managing Agent's reserving model.

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's core business is to accept insurance risk, while its appetite for other risks is low.

Acceptable levels of credit risk are achieved by placing limits on exposure to singular and group counterparties, and to geographical and industry segments.

Market risk

Market risk relates to asset exposure impacting the Syndicate from fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Syndicate has minimal exposure to changes in interest rates as all funds are held in cash and cash equivalents. The Syndicate participates in sweep accounts which means that the true nature of financial investments in the statement of financial position is that of holding cash.

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 Run-off Committee has reviewed cash flow projections and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from Capital providers.

The Syndicate has in place a multicurrency net overdraft facility of £4.25m with Barclays bank plc, which is currently not used.

Operational risk

This is the risk that errors caused by people, processes, systems, and external events lead to losses to the Syndicate. IQUW SML actively monitors and controls its operational risks and has an ongoing focus on safeguarding the well-being of its employees, serving its brokers and policyholders, and preserving operational continuity.

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. IQUW SML is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. IQUW SML has a Compliance Officer who monitors business activity and regulatory developments to assess any effects on the business.

Future developments

Following the successful acquisition of Agora Syndicate Services Ltd by IQUW Holdings during 2021 the renewal book of 3268 was underwritten within IQUW's managed Syndicate 1856. It is expected that next year the Syndicate 3268 will reinsure to close into Syndicate 1856.

Environmental, Social and Governance (ESG)

IQUW SML is putting in place a 3-year ESG plan to progress further towards being a sustainable insurer that will cover the transition of the underwriting portfolio, tracking of carbon footprint across operational activity, investment management strategy, scenario modelling, and integration into the Risk Management Framework.

Climate change

The Syndicate's underwriting performance is exposed to the physical risk of climate change from a potential increased frequency or severity of physical hazards because of global temperature increases, albeit this is mitigated by the Syndicate being in run-off and therefore has a limited exposure to future events. This impacts the property and marine classes especially. Further, there are elements of the portfolio that may be exposed to transition risk from the resulting economic transition following potential regulator or government intervention, and liability risk from potential increased litigation considering climate change in investment management practices or increases in other liability claims.

For Syndicate 3268, the most material identified insurance risk is through the physical risk to property from weather related events which may become more frequent or more severe due to the effects of climate change. As IQUW SML develops the overall framework, the identification, assessment, quantification, mitigation and reporting of this and other associated risks will become more visible and identifiable.

Disclosure of information to the auditor

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 auditor, 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.

Auditor

The Managing Agent appointed Mazars LLP as the Syndicate’s auditor in 2018. This engagement has continued for 2023.

Annual general meeting (“AGM”)

Notice is hereby given that the managing agent does not propose holding a Syndicate AGM this year unless objections to this proposal or the intention to reappoint the auditors are received from Syndicate members by 30 April 2023.

By order of the Board:

Peter Bilsby

Director

6 March 2023

Statement of managing agent's responsibilities

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

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

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate Annual Accounts; and
- prepare the Syndicate Annual 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate Annual Accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

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

Independent auditor's report to the members of Syndicate 3268

Opinion

We have audited the syndicate annual accounts of Syndicate 3268 (the "syndicate") for the year ended 31 December 2022 which comprise the Income statement, the Statement of other comprehensive income, the Statement of changes in members' balances, the Statement of financial position, the Statement of cash flows and the notes to the syndicate annual accounts, 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 state of the syndicate's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Emphasis of matter – Basis of preparation

We draw attention to note 1 of the syndicate annual accounts, which explains that the Syndicate ceased writing business at the closure of the 2021 year of account and will reinsure to close into Syndicate 1856 effective 1 January 2024. As such, the directors of the managing agent do not consider it to be appropriate to adopt the going concern basis of accounting in preparing the syndicate annual accounts. Accordingly, syndicate annual accounts have been prepared on a basis other than going concern as described in note 1 of the syndicate annual accounts. Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Syndicate Annual Report and Accounts, other than the syndicate annual accounts and our auditor's report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in our 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 audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinion on the 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 for 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 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 in relation to which 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 Agent’s emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent’s Responsibilities set out on page 10, 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 the syndicate annual accounts.

The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud.

Based on our understanding of the syndicate and the insurance sector in which it operates, we considered that non-compliance with the following laws and regulations might have a material effect on the syndicate annual accounts: permissions and supervisory requirements of the Prudential Regulation Authority (‘PRA’) and the Financial Conduct Authority, and regulations set by the Council of Lloyd’s.

To help us identify instances of non-compliance with these laws and regulations, and in identifying and assessing the risks of material misstatement in respect to non-compliance, our procedures included, but were not limited to:

- Inquiring of directors and management of the Managing Agent and the syndicate's management as to whether the syndicate is in compliance with laws and regulations, and discussing their policies and procedures regarding compliance with laws and regulations;
- Inspecting correspondence, if any, with relevant licensing or regulatory authorities;
- Communicating identified laws and regulations to the engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the syndicate which were contrary to applicable laws and regulations, including fraud.

We also considered those laws and regulations that have a direct impact on the preparation of the syndicate annual accounts such as United Kingdom Generally Accepted Accounting Practice and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

In addition, we evaluated the directors' and management of the Managing Agent's and the syndicate management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts, including the risk of management override of controls and determined that the principal risks related to posting manual journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation to the valuation of the provisions for the settlement of future claims and application of earning patterns, and significant one-off or unusual transactions.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management of the Managing Agent and syndicate management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud;
- Addressing the risks of fraud through management override of controls by performing journal entry testing; and
- Reviewing the accounting estimate in relation to valuation of insurance liabilities for evidence of management bias and performing procedures to respond to the fraud risk in revenue recognition.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

A further description of our responsibilities is available on the Financial Reporting Council's website at www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of the audit 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.

Amanda Barker (Senior Statutory Auditor)

for and on behalf of Mazars LLP

Chartered Accountants and Statutory Auditor

London

Date: 6 March 2023

Income statement
Technical account - General business

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Gross written premium	3	**1,799**	142,807
Outward reinsurance premium		**(7,496)**	(25,999)
Net written premium		**(5,697)**	116,808
Change in the provision for unearned premium			
Gross amount		**59,485**	(5,629)
Reinsurers' share		**(4,366)**	506
	4	**55,119**	(5,123)
Earned premium, net of reinsurance		**49,422**	111,685
Allocated investment return transferred from the non-technical account		**716**	122
Claims paid			
Gross amount		**(73,443)**	(79,256)
Reinsurers' share		**13,634**	21,034
		(59,809)	(58,222)
Changes in the provision for claims outstanding			
Gross amount		**43,876**	(27,156)
Reinsurers' share		**(6,326)**	7,931
	4	**37,550**	(19,225)
Claims incurred, net of reinsurance		**(22,259)**	(77,447)
Net operating expenses	6	**(12,230)**	(34,726)
Balance on technical account – general business		**15,649**	(366)

All the amounts above are in respect of continuing operations.

The notes on pages 20 to 41 form part of these financial statements.

Non-technical account - General business

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Balance on technical account – general business		**15,649**	(366)
Investment income	10	**716**	122
Allocated investment return transferred to the general business technical account		**(716)**	(122)
Exchange (loss)/gain		**(1,207)**	1,185
Profit for the financial year		**14,442**	819

All the amounts above are in respect of continuing operations.

Statement of other comprehensive income

For the year ended 31 December 2022

	2022 £'000	2021 £'000
Profit for the financial year	**14,442**	819
Other comprehensive income – Currency translation differences	**4,707**	(5,577)
Total comprehensive profit/(loss) for the year	**19,149**	(4,758)

Statement of changes in Members' balances

For the year ended 31 December 2022

	2022 £'000	2021 £'000
At 1 January	**(29,590)**	(35,553)
Total comprehensive profit / (loss) for the financial year	**19,149**	(4,758)
Members Agents' fees	**(72)**	(72)
Other non-standard personal expenses	**(127)**	(564)
Loss collection	**4,747**	11,357
At 31 December	**(5,893)**	(29,590)

The notes on pages 20 to 41 form part of these financial statements.

Statement of financial position

As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Assets			
Investments			
Shares and other variable yield securities	11	**47,371**	78,398
Deposits with ceding undertakings	12	**6**	19
Reinsurers' share of technical provisions			
Provision for unearned premium	4	**-**	3,930
Claims outstanding	4	**45,030**	46,669
		45,030	50,599
Debtors			
Debtors arising out of direct insurance operations	13	**995**	17,720
Debtors arising out of reinsurance operations	13	**19,874**	25,069
Other debtors		**3,592**	2,721
		24,461	45,510
Cash and other assets			
Cash at bank and in hand		**4,226**	8,020
Other assets	14	**5,824**	4,476
		10,050	12,496
Prepayments and accrued income			
Deferred acquisition costs	4	**1,214**	12,042
Other prepayments and accrued income		**-**	190
		1,214	12,232
Total assets		**128,132**	199,254

The notes on pages 20 to 41 form part of these financial statements.

Statement of financial position continued

As at 31 December 2022

	Notes	2022 £'000	2021 £'000
Members balances and liabilities			
Capital and reserves			
Members' balances		**(5,893)**	(29,590)
Liabilities			
Technical provisions			
Provision for unearned premium	4	**4,449**	64,305
Claims outstanding	4	**112,420**	144,098
		116,869	208,403
Creditors			
Creditors arising out of direct insurance operations	15	**514**	617
Creditors arising out of reinsurance operations	15	**15,476**	18,239
		15,990	18,856
Accruals and deferred income		**1,166**	1,585
Total liabilities		**134,025**	228,844
Total members' balances and liabilities		**128,132**	199,254

The notes on pages 20 to 41 form part of these financial statements.

The financial statements on pages 15 to 19 were approved by the Board of Directors on 6 March 2023 and were signed on its behalf by:

Richard Hextall
Finance Director

6 March 2023

Statement of cash flows

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Profit for the financial year		**14,442**	819
(Decrease)/increase in gross technical provisions		**(117,584)**	39,839
Increase/(decrease) in reinsurers' share of gross technical provisions		**11,893**	(9,163)
Decrease/(increase) in debtors		**26,737**	(3,817)
Decrease in creditors		**(5,222)**	(2,817)
Movement in other assets/liabilities		**11,141**	(2,041)
Changes to market value and currency		**8,406**	(6,100)
Investment return		**(716)**	(122)
Net cash inflow from operating activities		**(50,903)**	16,598
Investment income received		**897**	122
Increase/(decrease) in deposits with ceding undertakings		**13**	(19)
Other	16	**15**	-
Net cash inflow from investing activities		**925**	103
Cash flows from financing activities			
Loss collection		**4,748**	11,357
Members' expenses		**-**	(617)
Net cash inflow from financing activities		**4,748**	10,740
Net (decrease)/increase in cash and cash equivalents		**(45,230)**	**27,441**
Cash and cash equivalents at beginning of year		**84,691**	**56,745**
Exchange differences on opening cash		**10,591**	**505**
Cash and cash equivalents at end of year *		**50,052**	**84,691**

* Cash and cash equivalents includes cash at bank and in hand of £4,226k (2021: £8,020k) and money market funds of £45,826k (2021: £76,671k)

Notes to the financial statements

For the year ended 31 December 2022

General information

IQUW Syndicate Management Limited ("IQUW SML" or the "Managing Agent") is the managing agent of Syndicate 3268 (the "Syndicate"). The principal activity of the Syndicate is the transaction of general insurance and reinsurance business at Lloyd's and through the Lloyd's Brussels platform.

1. Statement of compliance and basis of preparation

This Annual Report has been prepared using the annual basis of accounting as required by regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" or "FRS 102") and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103") where applicable.

These annual accounts are presented in GBP.

These financial statements are prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value. The Syndicate ceased underwriting new business as at 31 December 2021 and its business was renewed into Syndicate 1856. The intention at the end of 2023 is for the Syndicate to Reinsure to Close into Syndicate 1856, effective as of 1 January 2024. As such, the Syndicate is no longer considered to be a Going Concern and the financial statements have been prepared on a basis other than going concern. Claims and expense provisions have been made, based on information available at this date, to allow that Reinsurance to Close at 31 December 2023. No further adjustments are necessary to the amounts at which the net assets are included in these financial statements and the business is expected to run-off in a solvent manner. FRS 102 and 103 have been consistently applied to all years presented. There have been no material changes in accounting policies compared to the 2021 financial statements.

2. Summary of 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.

i) Gross premium

Gross written premium comprise the total premium 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 premium receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premium is stated gross of brokerage payable and excludes taxes and duties levied on it.

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premium. These estimates, primarily relating to binder business, are judgemental and could result in significant adjustment 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.

ii) Outward reinsurance premium

Outward reinsurance premium comprise the total premium payable for the reinsurance contracts entered into during the period, including portfolio premium payable, and are recognised on the date on which the policy incepts. Premium 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.

iii) Unearned premium

Unearned premium are those proportions of premium written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premium 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 premium.

Unearned reinsurance premium are those proportions of premium written in a year that relate to periods of risk after the reporting date. Unearned outward reinsurance premium 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.

iv) 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 reporting 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. 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. Given its nature, it is not possible to project COVID claims development based on past experience, IBNR has therefore been estimated using an assessment of exposed limits and potential damage factors for those contracts with exposure to COVID losses.

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

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

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

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

v) 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 premium and premium 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.

As at 31 December 2022 the Syndicate had nil gross unexpired risk provision and nil net unexpired risk provision (2021 £nil).

vi) 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 premium are earned.

vii) Reinsurance assets

Amounts due to and from reinsurers are accounted for in a manner consistent with the insured policies and in accordance with the relevant reinsurance contract. Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, because of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. Objective factors that are considered when determining whether a reinsurance asset or group of reinsurance assets may be impaired include, but are not limited to the following:

- Negative rating agency announcements of reinsurers;
- Significant reported financial difficulties of reinsurers;
- Actual breaches of credit terms such as persistent late payment or actual default; and
- Adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability.

Impairment losses on reinsurance assets are recognised in the profit and loss account.

viii) Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognised when due, and measured on initial recognition at the fair value of the consideration 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.

ix) 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.

x) Foreign currency

The Syndicate's functional currency is US Dollars (USD) and presentational currency is Great British Pound Sterling (GBP).

Transactions in foreign currencies are translated into US Dollars which is the functional currency of the syndicate. Transactions in foreign currencies are translated using the exchange rates at the date of the transactions. The syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. All assets and liabilities arising from insurance contracts are treated as monetary items. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as monetary items.

Foreign exchange differences arising from transactions in foreign currency are included in the non-technical account.

The foreign currency translation differences arising on conversion to the presentation currency of Pound Sterling from the US dollar functional currency are recognised in the Statement of Other Comprehensive Income. The balance sheet is converted at the closing exchange rate and the profit and loss account is translated at average exchange rates.

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

	2022 Year End	2021 Year End
GBP	**1.00**	1.00
USD	**1.20**	1.35
EUR	**1.13**	1.19
CAD	**1.63**	1.71

xi) 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.

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.

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, in the case of a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

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.

xii) 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.

Other financial investments and units in unit trusts are investments in nature but are treated as cash and cash equivalents for cash flow purposes. The Syndicate is in run-off and is likely to call on the funds held in unit trusts on a regular basis and are seen to be cash and cash equivalent in nature.

xiii) Investments

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.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

- Level 3 investments consist of loans made to the Lloyd's Central Fund to which a fair value adjustment has been applied based on the Lloyd's RT1 valuation model. The fund has been classed as equity as it is non-tradeable and the repayment of the loan, and payment of interest thereon is at the discretion of the Corporation of Lloyd's.

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. 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.

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.

xiv) 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'.

xv) 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.

xvi) Reinsurance to close "RITC"

Each Syndicate's underwriting year of account is normally closed after the end of the third year by means of reinsurance into the following underwriting year of account, which reinsures all liabilities for the closed year in return for a premium determined by the Syndicate's managing agent.

xvii) 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.

3. Particulars of business written

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

2022	**Gross written premium**	**Gross premium earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Total**
Direct Insurance:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property	**(1,409)**	**38,390**	**(19,200)**	**(8,092)**	**(2,684)**	**8,414**
Property Reinsurance	**3,208**	**22,894**	**(10,367)**	**(4,138)**	**(1,870)**	**6,519**
Total	**1,799**	**61,284**	**(29,567)**	**(12,230)**	**(4,554)**	**14,933**

2021	**Gross written premium**	**Gross premium earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Total**
Direct Insurance:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Property	79,355	76,243	(61,192)	(21,628)	5,853	(724)
Property Reinsurance	63,452	60,935	(45,220)	(13,098)	(2,381)	236
Total	142,807	137,178	(106,412)	(34,726)	3,472	(488)

All premium were concluded in the UK.

Commissions on direct insurance gross written premium during 2022 were £7.8m (2021: £15.9m).

The Syndicate stopped underwriting at the end of 2021. Gross written premium are adjustments processed through in 2022 and no new policies have been underwritten in the year.

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 for 2022 and 2021.

4. Technical provisions

	2022 Gross provisions £'000	2022 Reinsurance assets £'000	2022 Net £'000
Claims outstanding			
Balance at 1 January	**144,098**	**(46,669)**	**97,429**
Change in claims outstanding	**(43,876)**	**6,326**	**(37,550)**
Effect of movements in exchange rates	**12,198**	**(4,687)**	**7,511**
Balance at 31 December	**112,420**	**(45,030)**	**67,390**
Claims notified	**72,705**	**(24,310)**	**48,395**
Claims incurred but not reported	**39,715**	**(20,720)**	**18,995**
Balance at 31 December	**112,420**	**(45,030)**	**67,390**
Unearned premium			
Balance at 1 January	**64,305**	**(3,930)**	**60,375**
Change in unearned premium	**(59,485)**	**4,366**	**(55,119)**
Effect of movements in exchange rates	**(371)**	**(436)**	**(807)**
Balance at 31 December	**4,449**	**-**	**4,449**
Deferred acquisition costs			
Balance at 1 January	**12,042**	**-**	**12,042**
Change in deferred acquisition costs	**(10,826)**	**-**	**(10,826)**
Effect of movements in exchange rates	**(2)**	**-**	**(2)**
Balance at 31 December	**1,214**	**-**	**1,214**

	2021 Gross provisions £'000	2021 Reinsurance assets £'000	2021 Net £'000
Claims outstanding			
Balance at 1 January	114,556	(38,248)	76,308
Change in claims outstanding	27,156	(7,931)	19,225
Effect of movements in exchange rates	2,386	(490)	1,896
Balance at 31 December	144,098	(46,669)	97,429
Claims notified	84,450	(25,081)	59,369
Claims incurred but not reported	59,648	(21,588)	38,060
Balance at 31 December	144,098	(46,669)	97,429
Unearned premium			
Balance at 1 January	54,008	(3,188)	50,820
Change in unearned premium	5,629	(506)	5,123
Effect of movements in exchange rates	4,668	(236)	4,432
Balance at 31 December	64,305	(3,930)	60,375
Deferred acquisition costs			
Balance at 1 January	10,079	-	10,079
Change in deferred acquisition costs	1,086	-	1,086
Effect of movements in exchange rates	877	-	877
Balance at 31 December	12,042	-	12,042

5. Risk management

Governance framework

The Syndicate's overall appetite for accepting and managing varying classes of risk is defined by the IQUW SML Board. The Board has developed a governance framework and has set risk management policies and procedures which include risk identification, risk measurement, risk management and mitigation, and risk reporting. The objective of these policies and procedures is to protect the Syndicate's members, policyholders and other stakeholders from negative events that could hinder the Syndicate's delivery of its contractual obligations and its achievement of sustainable profitable performance.

The Board exercises oversight of the development and operational implementation of its risk management policies and procedures through the Risk and Compliance Committee ("RCC"). Ongoing compliance is monitored through the Internal Audit function, which is shared with other IQUW entities, and which has operational independence, a charter and clear upwards reporting structures back into the Audit Committee ("AC") and Board. The Risk Management Function ("RMF") coordinates the risk management policies and procedures and supports the Board and the RCC.

Capital framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly, the capital requirement in respect of 3268 is not disclosed in these financial statements.

Lloyd's capital setting process

The Syndicate's Solvency Capital Requirement (SCR) is assessed using Lloyd's Syndicate Model (LSM). The LSM is a spreadsheet model, run by Managing Agents, which calculates the capital requirement. The LSM's volatility parameters and dependencies are set by Lloyd's. Exposure data are populated by Managing Agents. Lloyd's then apply a 35% uplift to the SCR to assess the Economic Capital Assessment (ECA).

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.

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.

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.

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. This includes consideration of the potential impact of COVID assumptions. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

Sensitivities

The claim liabilities are sensitive to these key assumptions. It has not been possible to quantify the sensitivity of certain assumptions, such as legislative changes, uncertainty in the estimation process or reliability of the reserving information provided.

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.

	2022	2021
Gross	**£’000**	**£’000**
Five percent increase in claim liabilities	(5,621)	(7,205)
Five percent decrease in claim liabilities	5,621	7,205
Net		
Five percent increase in claim liabilities	(3,370)	(4,871)
Five percent decrease in claim liabilities	3,370	4,871

Concentration risk

The Syndicate writes worldwide property insurance and reinsurance through the UK Lloyd’s platform. The key concentration risk arises through insurance risk, which is predominantly US property classes of business, albeit this is now materially fully earned. The loss reserves are therefore inherently denominated in US dollars with investments assets held in currencies to match these liabilities. These investments are held in low-risk short-term US situs money market fund.

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	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Estimate of cumulative gross claims incurred:						
At end of first underwriting year	8,880	22,472	52,745	48,855	65,972	73,497
One year later	8,084	20,647	76,812	97,032	113,446	98,140
Two years later	8,952	18,082	82,250	101,418	119,803	-
Three years later	8,947	16,958	80,525	101,876	-	-
Four years later	9,009	16,958	78,405	-	-	-
Five years later	9,009	16,959	-	-	-	-
Six years later	9,009	-	-	-	-	-
Less cumulative gross paid	(7,704)	(13,352)	(71,505)	(83,045)	(82,814)	(53,352)
Liability for gross outstanding claims (prior years)	1,305	3,607	6,900	18,831	36,989	44,788
Total gross outstanding claims (all years)						**112,420**

Underwriting year	2016	2017	2018	2019	2020	2021
	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative net claims incurred:						
At end of first underwriting year	5,004	12,744	40,447	36,287	50,378	60,486
One year later	4,451	10,487	58,362	75,026	77,462	81,491
Two years later	6,087	8,935	64,925	78,022	79,447	-
Three years later	6,229	7,999	63,947	78,261	-	-
Four years later	6,121	7,999	63,162	-	-	-
Five years later	6,121	7,999	-	-	-	-
Six Years Later	6,121	-	-	-	-	-
Less cumulative net paid	(5,033)	(5,124)	(58,432)	(65,505)	(64,177)	(50,820)
Liability for net outstanding claims (prior years)	1,088	2,875	4,730	12,756	15,270	30,671
Total net outstanding claims (all years)						**67,390**

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 to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus. This is particularly so for large catastrophe claims where uncertainty is initially greater. This risk is mitigated by reinsurance.

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.

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, or might in future be, in place to mitigate the exposure to credit risk:

- Investment guidelines are established setting out the quality of investments to be included within the Syndicate's portfolio. The policy is monitored by the Board but is yet to be implemented given that the Syndicate has not yet owned any investments to date.
- 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.

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.

2022		**£'000**		
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	**47,371**	**-**	**-**	**47,371**
Overseas deposits	**5,824**	**-**	**-**	**5,824**
Deposits with ceding undertakings	**6**	**-**	**-**	**6**
Reinsurers share of claims outstanding	**45,030**	**-**	**-**	**45,030**
Debtors arising out of direct insurance operations	**995**	**-**	**-**	**995**
Reinsurance debtors	**19,854**	**-**	**-**	**19,854**
Other debtors	**4,806**	**-**	**-**	**4,806**
Cash at bank in hand	**4,226**	**-**	**-**	**4,226**
Total	**128,132**	**-**	**-**	**128,132**

2021			**£'000**	
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	78,398	-	-	78,398
Overseas deposits	4,476	-	-	4,476
Deposits with ceding undertakings	19	-	-	19
Reinsurers share of claims outstanding	46,669	-	-	46,669
Debtors arising out of direct insurance operations	17,720	-	-	17,720
Reinsurance debtors	7,958	-	-	7,958
Other debtors	35,994	-	-	35,994
Cash at bank in hand	8,020	-	-	8,020
Total	199,254	-	-	199,254

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

2022				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	**-**	**-**	**47,371**	**-**	**-**	**-**	**47,371**
Overseas deposits	**2,959**	**671**	**445**	**390**	**769**	**590**	**5,824**
Deposits with ceding undertakings	**-**	**-**	**6**	**-**	**-**	**-**	**6**
Reinsurers share of claims outstanding	**-**	**10,523**	**26,125**	**-**	**-**	**8,382**	**45,030**
Reinsurance debtors	**-**	**2,855**	**9,009**	**-**	**-**	**8,010**	**19,874**
Cash at bank in hand	**-**	**-**	**4,226**	**-**	**-**	**-**	**4,226**
Total	**2,959**	**14,049**	**87,182**	**390**	**769**	**16,982**	**122,331**

2021				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	78,398	-	-	-	78,398
Overseas deposits	2,586	383	512	342	232	421	4,476
Deposits with ceding undertakings	-	-	19	-	-	-	19
Reinsurers share of claims outstanding	-	-	37,354	502	125	8,688	46,669
Reinsurance debtors	-	-	5,250	-	178	2,531	7,959
Cash at bank in hand	-	-	8,020	-	-	-	8,020
Total	2,586	383	129,553	844	535	11,640	145,541

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.

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

2022			**£'000**	
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Shares and other variable yield securities	**-**	**45,826**	**1,545**	**47,371**
Overseas deposits	**587**	**5,237**	**-**	**5,824**
Total	**587**	**51,063**	**1,545**	**53,195**

2021			**£'000**	
	Level 1	**Level 2**	**Level 3**	**Total Fair Value**
Shares and other variable yield securities	-	76,670	1,727	78,397
Overseas deposits	620	3,856	-	4,476
Total	620	80,526	1,727	82,873

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. Examples are: assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, and financial assets with fair values based on broker quotes 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.

Liquidity risk

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

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

2022	£'000					
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	64,576	35,965	7,838	4,041	112,420
Creditors	-	15,990	-	-	-	15,990
Total	-	80,566	35,965	7,838	4,041	128,410

2021	£'000					
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	**80,980**	**48,957**	**9,762**	**4,399**	**144,098**
Creditors	-	**18,856**	-	-	-	**18,856**
Total	-	**99,836**	**48,957**	**9,762**	**4,399**	**162,954**

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 of 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.

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

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

2022	£'000				
	GBP	EUR	CAD	USD	Total
Total assets	**14,473**	**5,013**	**6,641**	**102,005**	**128,132**
Total liabilities	**(12,038)**	**(7,223)**	**(3,201)**	**(111,563)**	**(134,025)**
Net (liabilities)/assets	**2,435**	**(2,210)**	**3,440**	**(9,558)**	**(5,893)**

2021	£'000				
	GBP	EUR	CAD	USD	Total
Total assets	21,381	5,590	11,992	160,291	199,254
Total liabilities	(22,712)	(10,070)	(8,216)	(187,846)	(228,844)
Net (liabilities)/assets	(1,331)	(4,480)	3,776	(27,555)	(29,590)

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of the Sterling against the value of US Dollar and all other currencies simultaneously. The analysis is based on the information as at 31st December 2022.

	Impact on profit and member's balance	
	2022	**2021**
	£'000	**£'000**
Sterling weakens		
10% against other currencies	**(833)**	(2,826)
20% against other currencies	**(1,666)**	(5,652)
Sterling strengthens		
10% against other currencies	**833**	2,826
20% against other currencies	**1,666**	5,652

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk. Money market funds are deemed to be similar to cash, low yield with minimal exposure to market volatility and there is an inherently low associated interest rate risk.

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

6. Net operating expenses

	2022	**2021**
	£'000	**£'000**
Acquisition costs	**151**	(23,645)
Change in deferred acquisition costs	**(10,826)**	1,086
Administration expenses	**(1,555)**	(12,167)
Net operating expenses	**(12,230)**	(34,726)

There were no members' standard personal expenses included in administrative expenses (2021: £2.3m). Members' standard personal expenses last year include Lloyd's Members subscriptions, Central Fund contributions and Managing Agent's fees.

7. Staff costs

	2022 £'000	2021 £'000
Wages and salaries	**541**	3,043
Social security costs	**49**	373
Other pension costs	**15**	370
	605	3,786

Staff costs for 2021 were incurred by Agora Syndicate Services and recharged to the Syndicate.

For 2022, IQUW Syndicate Management recharged staff costs to the Syndicate and these total costs are included in Claims Handling Costs, this includes £0.3m for non-claims related staff costs, this is deemed appropriate due to the syndicate being in run-off.

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

	2022	2021
Administration and finance	**3**	9
Underwriting	**1**	17
Claims	**2**	3
	6	29

8. Directors' Emoluments

The Directors of IQUW SML received the following aggregate remuneration recharged to the Syndicate and included in net operating expenses:

	2022 £'000	2021 £'000
Director's emoluments	**-**	(164)
Pension Contributions	**-**	(3)
	-	(200)

In 2022 no emoluments of the Directors or staff of IQUW SML were directly charged to the Syndicate.

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate cost:

	2022 £'000	2021 £'000
Active Underwriter's emoluments	**(115)**	(200)
	(115)	(200)

No other compensation was payable to key management personnel.

9. Auditor's remuneration

	2022	2021
	£'000	**£'000**
Audit of the Financial Statements	**(111)**	(100)
Other services pursuant to Regulations and Lloyd's Byelaws	**(69)**	(69)
	(180)	(169)

Auditor's remuneration is included as part of the administrative expenses in note 6 to the financial statements.

10. Investment return

	2022 £'000	2021 £'000
Interest on cash at bank	**836**	14
Income on overseas deposits	**-**	43
Interest on Syndicate Loan	**65**	65
Unrealised losses on investments at fair value through profit or loss	**(185)**	-
Net investment return	**716**	122

Average amount of funds available for investing during the year (balances in original currency):		
Sterling	**3,431**	1,681
United States dollars	**68,296**	84,367
Canadian dollars	**16,034**	14,545
Euros	**3,859**	5,088
Australian dollars	**4,489**	2,690
South African rand	**15,994**	8,479
Combined in sterling	**76,915**	78,796

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each quarter during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

11. Investments

	2022	2021
	£'000	**£'000**
Unit investments in money market funds	**45,826**	76,671
Loan to central fund	**1,545**	1,727
Shares and other variable yield securities	**47,371**	78,398

Unit investments in money market funds are treated as cash equivalents with purchase price and carrying value being the same. The loan has been classed as equity as it is not tradeable and the repayment of the loan, and payment of interest thereon is at the discretion of the Corporation of Lloyd's. The purchase price of the loan was £1.73m. The table below sets out a reconciliation of the opening and closing balances for financial instruments classified under level 3 of the fair value hierarchy:

	2022	2021
	£'000	**£'000**
Balance at 1 January	**1,727**	1,727
Unrealised losses in the year	**(182)**	-
Balance at 31 December	**1,545**	1,727

12. Deposits with ceding undertakings

	2022	2021
	£'000	**£'000**
Lloyd's Part VII Accounts	**6**	19
	6	19

13. Debtors arising out of insurance operations

	2022	2021
	£'000	**£'000**
Due from direct intermediaries within one year	**995**	17,720
Due from reinsurance intermediaries within one year	**19,874**	25,069
	20,869	42,789

14. Other assets

	2022	2021
	£'000	**£'000**
Overseas deposits	**5,824**	4,476
	5,824	4,476

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and therefore are restricted assets.

15. Creditors arising out of insurance operations

	2022	2021
	£'000	**£'000**
Due to direct intermediaries within one year	**(514)**	(617)
Due to reinsurance intermediaries within one year	**(15,476)**	(18,239)
	(15,990)	(18,856)

16. Other net cashflow from investing activities

Other net cashflow from investing activities of £15k (2021: nil) comprises of movements arising from settlements within the Lloyd's Control Account relating to the Part VII transfer.

17. Related parties

Agora Syndicate Services Limited ("ASSL") provided services up until its novation on May 13th 2022. As at the year-end there is an outstanding loan payable to ASSL of £0.4m (2021: nil).

Asta provided services and support to Syndicate 3268 in its capacity as Managing Agent until the novation to IQUW SML on 13 May 2022. During this period, Managing Agency fees of £0.6m (2021: £1.3m) were charged to the Syndicate by Asta.

During 2022, IQUW managed syndicates 1856 and 3268 shared occurrence catastrophe reinsurance protections for their respective Direct Property and Treaty classes, a £3.2m reinsurance premium was allocated to syndicate 3268.

IQUW Syndicate Services Limited ("IQUW SSL") is a wholly owned subsidiary of IQUW SML and acts as a service company for the Syndicate.

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

IQUW SSL recharged the following expenses to the Syndicate:

	Closing balance receivable/ (payable)	In-year expense/ (income)
	£'000	**£'000**
2022 calendar year	**676**	**676**

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

The Syndicate has not been party to an arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

20. Post balance sheet events

None to report