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MUNICH RE SYNDICATE 1840

ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Managed by Munich Re Syndicate Limited

CONTENTS

MANAGING AGENT

Managing Agent
Munich Re Syndicate Limited ('MRSL') is the Managing Agent for Munich Re Syndicate 1840 (the 'Syndicate') and is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the Society of Lloyd's ('Lloyd's').

Directors

T E Artmann	Chief Executive Officer
T Coskun	Director of Risk and Compliance
S H Herrmann	Non-Executive Director
M C Hewett	Non-Executive Director
G K Hill	Chief Financial Officer
D J R Hoare	Group Chief Underwriting Officer
K A Morris	Non-Executive Director
R I White	Non-Executive Chair

Company Secretary
C M Zaremba

Registered Office
St. Helens, 1 Undershaft, London EC3A 8EE
Telephone: 020 7886 3900
E-mail: MRSL-central@munichre.com
Website: www.munichre.com

Registered Number
01328742

SYNDICATE

Run-Off Manager
Dominick Hoare

Bankers
Citibank N.A.
NatWest Group plc
Royal Bank of Canada

Registered Auditor
Ernst & Young LLP, London, E14 5EY

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 ('the 2008 Regulations').

RESULTS

The profit for calendar year 2023 is £0.2m (2022: Loss £0.5m). Losses will be cash called by reference to the results of the individual underwriting year.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

Munich Re Innovation Syndicate 1840 was established from the 1st January 2020 as the first Syndicate in a Box ('SiaB') at Lloyd's dedicated to the design, launch and incubation of innovative insurance products. The Syndicate wrote no standard lines of business which could easily be sourced, underwritten or distributed through existing channels. It focuses on emerging risks, products associated with supporting the development of green energy solutions, and mitigating the financial impact of extreme weather events.

The Syndicate's key financial indicators are as follows:

	2023	2022
Gross Written Premium	£1.3m	£3.7m
Profit/(Loss) for the financial year	£0.2m	£(0.5)m
Combined Ratio	88.4%	127.8%

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

Syndicate 1840 was placed in runoff on 31 December 2022 in line with the MRSL board decision taken in Q1 of that year.

The focus on innovative insurance products and distribution methods remained in 2022 and renewals of key accounts were written on the main Munich Re Syndicate 457 from the 2023 underwriting year.

The gross written premium is accounted 89% in Property, 7% in Pecuniary Loss and 4% in Third Party Liability for 2023 (2022: 92% in Property and 8% in Third Party Liability).

PRINCIPAL RISKS AND UNCERTAINTIES

The Board sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Adherence to risk appetite is reviewed by the Board on a periodic basis.

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities. The Board manages insurance risk by agreeing its appetite for those risks annually through the business plan which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board monitors performance against the business plan on a regular basis. The Managing Agent uses catastrophe modelling software to model maximum probable losses from catastrophe exposed business. The Group Actuary monitors reserve adequacy. Detailed independent reviews of underwriting areas are conducted on a quarterly basis.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its financial obligations or fails to perform them in a timely fashion. Key counter-parties include reinsurers, brokers, insureds, reinsureds, coverholders and investment counter-parties. The Board's policy is that the Syndicate will only reinsure with businesses that have been approved for that purpose. An additional policy of the Board is that all brokers and coverholders have to be approved in advance of being permitted to produce business for the Syndicate. Certain Executive Directors of the Board assess and approve all new reinsurers before business is placed with them and are also responsible for approval and monitoring of the financial strength of brokers who remain on a risk transfer basis. The Syndicate's investments are all held in cash and overseas deposits.

Group Risk

Group risk is the potential of risk events, of any nature, arising in or from membership of a corporate group.

Within Munich Re Specialty Group ('MRSG'), MRSL operates as a standalone legal entity regulated by Lloyd's, the PRA and the FCA. MRSL operates and maintains its own Board and governance structure, with defined terms of reference and clear lines of authority and accountability. Independent effectiveness reviews of governance are performed on a periodic basis with results reviewed by the MRSL Board.

Munich Re, Germany is both the owner of the Managing Agent and the provider of underwriting capacity to the Syndicate. Munich Re provides reinsurance capacity for a number of classes and whole account protections. Close dialogue exists with the Integrated Risk Management ('IRM') division of Munich Re to discuss any necessary risk matters.

Liquidity Risk

Liquidity risk is the risk that sufficient financial resources are not maintained to meet liabilities as they fall due under normal or stressed operating conditions. The Finance Sub-Committee monitors liquidity on a regular basis and has an agreed minimum limit of readily realisable assets. The majority of the Syndicate's assets are presently held in cash.

Market Risk

Market risk is the risk that arises from fluctuations in values of or income from assets, in interest rates or in exchange rates. The Syndicate settles 12% (2022: 25%) of its insurance business in United States dollars which gives rise to a potential exposure to currency risk while a substantial proportion of administrative and personal expenses are incurred in Sterling. The Syndicate mitigates this by adopting a policy of controlled matching of assets and liabilities.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Syndicate's objective is to manage operational risks to balance financial losses and damage to the Syndicate's reputation with processes that are cost effective and efficient. Risks are managed through policies and procedures, regular oversight and monitoring, and a structured programme of independent reviews by second and third line of defence functions.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Environmental Risk

Geopolitical situation

Geopolitical uncertainty has continued to dominate the risk landscape. We are cognisant and mindful of ongoing and upcoming events which could add a further layer of de-stabilisation to supply chains, financial markets, security dynamics and political tensions.

While this global landscape develops, MRSL continues to closely monitor its exposures, particularly in respect of lines of business which may be further impacted by conflicts or market known complexities around coverage. Aggregation of potential or residual exposures are assessed periodically by the Exposure Management team using a combination of Lloyd's Realistic Disaster Scenarios and in-house scenarios, formulated via emerging risk workshops with cross function representation. The Syndicate's underwriting performance and financial position are constantly monitored by the Board and through established reserving processes. Support continues to be provided by the Compliance Advisory team with respect to sanctions. Operational disruption from potential cyber warfare continues to be monitored by the Munich Re Global Cyber Defence Centre.

Inflation

During Q1 2023, the UK recorded its highest level of inflation in thirty years (Bank of England, Monetary Policy Summary, May 2023) following major events such as the Covid-19 pandemic, Brexit and the Ukraine war causing significant disruption to global supply chains, labour shortages and a surge in energy prices. While inflation rates have peaked and have since fallen (Bank of England, December 2023), there remain elevated concerns around the impact of inflation rates (PRA Dear CEO Letter, January 2024), as inflation dynamics are different across regions and influenced by various factors such as labour and energy prices. Global economic volatility driven by geopolitical tensions also provides further fuel for inflation uncertainty. Though notably, during 2023, while European inflation generally followed a similar trend to UK, US inflation has seen a quicker reversion to target levels.

Over a 2-3 year medium term horizon, the Bank of England expects its target 2% inflation rate to be met with current inflation rates (October 2023: 5.7%) expected to further decrease through tightening of monetary policy. After a series of increases, interest rates have been maintained (December 2023: 5.25%) as the UK economy remains vulnerable to further deterioration and weakening.

Rising inflation has an impact on insurers' claims costs, reserving, price adequacy, investment returns and capital modelling with the following notable types of inflation:

- Excess inflation refers to all ways in which insurers' claims costs rise over and above general economic inflation. It captures, for example, the growth in costs associated with new materials, labour, energy prices, technologies, changes in the legal environment, evolving social attitudes towards claiming and political developments.
- Lloyd's considers social inflation as a subset of excess inflation. This is driven by legislative and litigation developments and impact on insurer legal liabilities and costs. Examples include higher jury awards, increasing number of litigated claims, shifts in juror's sentiment towards claimants, and perceptions of fairness, which places a particular burden for long-tail classes of business (i.e., Liability/Casualty) and is more difficult to forecast and calculate projected ultimate claims estimates.

Given the Syndicate is in run-off, the primary consideration for inflation is around reserves:

- Reserving: At 2023 year end, MRSL adopted a cautious approach to reserving in recognition of the inherent uncertainty of forecasting inflationary impacts. This was informed through guidance provided by MR Central Reserving, and through regulatory guidance on claims inflation trends relative to economic inflation.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Climate change related risk

The Managing Agent and the Syndicate maintains abreast of climate change developments in its regulatory environment.

Following its November 2023 roadmap consultation for Insuring the Transition and its Fundamental Principles for Underwriting Profitability regarding sustainability, environmental and social risks, Lloyd's maintains its expectations of managing agents for implementing a guiding framework to support the sustainable transition to net zero. With respect to climate change, the Syndicate will be expected to provide its own assessment of the impact of that change from a strategic financial, reputational, business development and governance perspective.

In addition, the PRA Dear CEO letter (11 January 2024) recounted as an insurance supervisory priority for 2024, its expectations for firms to manage financial risks from climate change. In the most recent letter, the PRA reiterated the need for firms, on a risk based proportionate basis, to embed scenario analysis, embed climate change into risk appetite statements, and consider sources of climate change across both sides of the balance sheet. The PRA is expected to update the Supervisory Statement 'SS' 03/2019 on Managing Financial Risks in relation to Climate Change.

A cross functional team including Risk Management and Exposure Management continue to progress the embedding of activities to address the PRA's expectations. This includes embedding the stress testing of physical risks and of the Syndicate's investment portfolio.

Being part of the Munich Re Group, the Managing Agent and the Syndicate benefits from Munich Re Group policies and initiatives to meet its corporate responsibilities for Environmental Social and Governance ('ESG') topics across its insurance business, investment activities and business operations. Specifically, Munich Re Group is committed towards supporting environmental initiatives and have voluntarily signed the Principles of Sustainable Insurance ('PSI') and Principles for Responsible Investment ('PRI') as established by the United Nations Environment Programme ('UNEP'). In March 2023, Munich Re Group reiterated its voluntary climate targets for its core insurance business, investment and business operations. In addition, Munich Re Group continues to progress developments in climate change by developing new products and services, investing in sustainable sectors and projects, and minimising its own CO_2 footprint (see also MR Group Sustainability Report, 2022 [published April 2023]).

Culture including Diversity, Equity & Inclusion (DEI)

As a specific element of ESG, Culture including Diversity, Equity and Inclusion, or 'DEI', continues to feature high on the agenda of boards and the regulators.

MRSL, as part of MRSG and a wider network of Munich Re entities in the UK, has been active in its response to the challenges of Culture related topics. Culture is sponsored by the MRSL Board and remains a standing agenda item on the MRSL Board and Executive Committee.

In December 2023, Lloyd's reconfirmed its assessment for the Syndicate to meet the 'Foundational' level of maturity for the Culture Fundamental Principles (introduced 2022). This recognised the launch of a Munich Re UK wide DEI strategy (2022) demonstrating leadership on DEI as a strategic priority. The Culture Committee, established by MRSG UK Services Limited ('MRSGUKS') in 2019, supports the MRSL Executive Committee by providing a voice for all employees and supporting culture initiatives across DEI themes. Notably, Lloyd's assessed the Syndicate as being in the top quartile with 46% women in leadership roles (2022: 38%) with 52% of new hires being women. There is recognised on-going action to improve ethnicity diversity through inclusive hiring practices, along with participation in market wide programmes, e.g. early careers, work experience.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

In September 2023, following a 2021 discussion paper (DP21/2) to gauge the industry's views on DEI, the PRA and FCA released a consultation paper which proposes to introduce new regulation and changes to existing regulation across a range of areas. The consultation ended in December 2023 with requirements expected to be published in 2024 and expected to become into force in 2025. Proposals include requirements to embed non-financial misconduct into regulatory frameworks, publication of a DEI strategy, and establishing governance and accountability for DEI on boards. There is on-going monitoring of updates by HR and Compliance, as well as collaboration with the Munich Re UK & Ireland DEI Hub, to ensure a coordinated approach to compliance.

Notable culture-related topics and activities during 2023 (which will continue into future years) across Munich Re UK entities include:

- On-going promotion of a DEI training course which was rolled out to all UK Munich Re entities from 1 January 2023.
- 'Innocent Bystander' training that empowers colleagues to both address and prevent inappropriate behaviour.
- All our work is driven with efforts to reduce our gender pay gap at the forefront of our minds. MRSL remains impatient for progress on this figure;
- An integrated development programme for our leaders to encourage the right mindset to achieve DEI (e.g. a 'servant leadership' approach and being intellectually curious)
- On-going promotion of notable culture events such as awareness weeks around, for e.g. Disability, Mental Health, Neurodiversity, Black History Month and the Lloyd's Dive In Festival.
- An on-going initiative to collate basic DEI data for MRSL employees to gauge current level of diversity;
- Development and launch of the Culture Cornerstones (#BePresent, #BeBold, #BeCurious) to unite the workforce across MRSG including MRSL. The Culture Cornerstones will serve as the foundation for future culture activities.

Cyber Risk

Cyber threats and, consequentially, cyber risk, continues to trend upwards as cyber-criminals seek to exploit potential vulnerabilities of businesses. Munich Re remains resilient in extending and maintaining a secure platform in recognising the continuing threat of phishing attacks, ransomware and fraud on its business. Security controls are based on Munich Re Group defined standards and are continuously improved to keep pace with the evolving cyber threat, including information security risk assessments of information technology third party vendors, regular security and social engineering awareness communications, additional security training and phishing reporting tools.

In 2023, whist there has been an increase in phishing attempts on both the MRSL network and third party vendors, these have not been successful with no impact on MRSL's systems, data or important business services. In the event of a breach there are established security incident response protocols and processes to ensure the incident is contained, resolved and reported appropriately. With such incidents, response and monitoring is provided by senior members of MRSL's Executive Team, the Munich Re Security Incident Response Team ('SIRT') and information security risk specialists from the Risk Management and Information Technology Shared Services Organisation ('IT SSO').

In addition, cyber threats are constantly monitored by the MR Global Cyber Defence Centre and threat intelligence is shared with MRSL via quarterly IT SSO service review meetings. Munich Re undertakes a regular programme of patching, Vulnerability and Penetration Testing of IT systems and appropriate actions are taken to address any vulnerabilities identified. Security controls are regularly assessed for control design and performance effectiveness as coordinated by the Munich Re Group IT & Risk Security team, with the results reported to Munich Re Integrated Risk Management. During 2023, these were subject to independent review and challenge by the MRSL Information Security Officer with results reported to MRSL Executive.

DIRECTORS

The Directors of the Managing Agent who held office during the year ended 31 December 2023 were as follows:

T E Artmann
T Coskun
S H Herrmann (Non-executive)
M C Hewett (Non-executive)
G K Hill (Appointed on 14th July 2023)
D J R Hoare
K A Morris (Non-executive) (Appointed on 7th December 2023)
R I White (Non-executive Chair) (Appointed on 10th July 2023)
L F Allen (Non-executive) (Resigned 31st August 2023)
E J Andrewartha (Non-executive Chair) (Resigned 31st August 2023)
R J Attwood (Resigned 14th July 2023)
T J Carroll (Non-executive) (Resigned 31st July 2023)
D P Croom-Johnson (Non-executive) (Appointed on 19th September 2023 & Resigned on 7th December 2023)
H Jowitt (Non-executive) (Appointed 24th April 2023 & Resigned on 31st July 2023)

COMPANY SECRETARY

The Company Secretary of the Managing Agent who held office during the year ended 31 December 2023 was as follows:

C M Zaremba (Appointed 27th July 2023)
T Coskun (Resigned 27th July 2023)

INVESTMENTS

Investment Policy and Managers

The Syndicate presently has all its assets in cash and overseas deposits.

FUTURE DEVELOPMENTS

Following the decision made in 2022 to not seek approval from Munich Re and Lloyd's to extend the Syndicate's operations for a further three years, Syndicate 1840 was put in run-off with 2022 year of account being the last year of underwriting for the Syndicate.

The 2021 year of account of Syndicate 1840 has been closed into the 2022 year of account via a reinsurance to close arrangement in the normal course of business as at 1 January 2024. It is the current intention of the Board to close the 2022 year of account into Syndicate 457's 2023 year of account a year later thus concluding the business of Syndicate 1840.

SYNDICATE ALLOCATED CAPACITY AND MEMBERSHIP OF THE SYNDICATE

The capacity of the Syndicate is based on Gross Net premiums and for the 2023 account is £nil (2022: £18.5m). All of the capacity of the Syndicate is provided by Munich Re Capital Limited ('MRCL'), an indirect subsidiary of Munich Re.

GOING CONCERN

As of the date of approval of the annual accounts, the 2021 year of account of Syndicate 1840 has been closed into the 2022 year of account as at 1 January 2024. In respect of the 2022 year of account, it is currently the Board's intention that Syndicate 1840 will enter a reinsurance to close arrangement with Syndicate 457's 2023 year of account as at 1 January 2025. Syndicate 1840 will cease to operate and will have no successor years of account thus concluding its business. On this basis the syndicate is no longer a going concern. This does not affect the balance sheet valuations in the annual accounts. The annual accounts have been prepared on the basis of other than going concern.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The Directors of the Managing Agent who held office at the date of approval of this Managing Agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

AUDITORS

In accordance with section 14(2) of Schedule 1 of the Lloyd's Regulations 2008, the auditors, Ernst & Young LLP, will be deemed to be reappointed and therefore continue in office.

Approved by a resolution of the Board of Directors of Munich Re Syndicate Limited and signed on its behalf.

R I White
Non-Executive Chair

26th February 2024

D J R Hoare
Group Chief Underwriting Officer

26th February 2024

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

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

In preparing the Syndicate annual accounts, the Managing Agent is required to:

- Select suitable accounting policies and then apply them consistently;
- 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 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.
- For the reasons stated in the Directors' Report and Note 1, the financial statements have not been prepared on a going concern basis.

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

On behalf of the Board
R I White
Non-Executive Chair

26th February 2024

Opinion

We have audited the syndicate annual accounts of syndicate 1840 ('the syndicate') for the year ended 31 December 2023 which comprise the Statement of Profit and Loss, the Balance Sheet, the Statement of Changes in Member's Balances, the Statement of Cash Flows and the related notes 1 to 25, 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 profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

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

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

Emphasis of matter – anticipated closure of the 2022 year of account

We draw attention to the basis of preparation note 1 which explains that the 2022 year of account of Syndicate 1840 is anticipated to close within the next 12 months, transferring all assets and liabilities to Syndicate 457 through a third-party reinsurance to close arrangement. Syndicate 1840 has no successor year of account.

As a result, the Annual Accounts of Syndicate 1840 has been prepared under a basis other than going concern.

Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the Annual Accounts, 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 Accounts.

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 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 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').

- 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 the Audit Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

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

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

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

- 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, including the risk that these judgements may be subject to management bias and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the risk of fraud in the valuation of gross incurred but not reported reserves. These procedures included testing manual journals on a sample basis and were designed to provide reasonable assurance that the 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.

Angus Millar (Senior statutory auditor)

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

London

27th February 2024

STATEMENT OF PROFIT AND LOSS: TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Earned premiums, net of reinsurance			
Gross premiums written	5	1,323	3,676
Outward reinsurance premiums		(643)	(2,010)
Net premiums written		680	1,666
Change in the provision for unearned premiums			
Gross amount	14	1,788	(245)
Reinsurers' share	14	(956)	167
Change in the net provision for unearned premiums	14	832	(78)
Earned premiums, net of reinsurance		**1,512**	**1,588**
Allocated investment return transferred from the non-technical account	9	**18**	**(2)**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(340)	(1,307)
Reinsurers' share		255	989
Net claims paid		(85)	(318)
Change in the provision for claims			
Gross amount	14	(805)	63
Reinsurers' share	14	604	(56)
Change in the net provision for claims	14	(201)	7
Claims incurred, net of reinsurance		**(286)**	**(311)**
Net operating expenses	6	**(1,050)**	**(1,717)**
Balance on the technical account – general business		**194**	**(442)**

All operations relate to continuing activities.

The notes on pages 20 to 42 form an integral part of these annual accounts.

STATEMENT OF PROFIT AND LOSS: NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Balance on the technical account – general business		**194**	**(442)**
Investment income		18	(2)
Allocated investment return transferred to general business technical account	9	(18)	2
Loss on foreign exchange		(17)	(12)
Profit/(Loss) for the financial year		**177**	**(454)**

All operations relate to continuing activities.

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

The notes on pages 20 to 42 form an integral part of these annual accounts.

BALANCE SHEET – ASSETS AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Investments			
Other financial investments	10	141	161
		141	**161**
Reinsurers' share of technical provisions			
Provision for unearned premiums	14	181	1,152
Claims outstanding	14	768	157
		949	**1,309**
Debtors			
Debtors arising out of direct insurance operations	11	1,484	1,715
Debtors arising out of reinsurance operations		137	289
		1,621	**2,004**
Other assets			
Cash at bank and in hand		**14,513**	**14,292**
Prepayments and accrued income			
Deferred acquisition costs	12	**116**	**635**
Total assets		**17,340**	**18,401**

The notes on pages 20 to 42 form an integral part of these annual accounts.

BALANCE SHEET – LIABILITIES AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Capital and reserves			
Members' balances		**7,931**	**6,938**
Technical provisions			
Provision for unearned premiums	14	357	2,171
Claims outstanding	14	1,023	209
		1,380	**2,380**
Creditors			
Creditors arising out of reinsurance operations	16,17	1,112	1,346
Other creditors	16,18	6,903	7,648
		8,015	**8,994**
Accruals and Deferred income		14	89
Total liabilities and equity		**17,340**	**18,401**

The notes on pages 20 to 42 form an integral part of these annual accounts.

The Syndicate annual accounts on pages 14 to 42 were approved by the Board of Munich Re Syndicate Limited on 23rd February 2024 and were signed on its behalf by

R I White
Non-Executive Chair

26th February 2024

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Members' balance at 1 January		6,938	7,392
Profit/(Loss) for the financial year		177	(454)
Cash call from members		816	-
Members' balance carried forward at 31 December		**7,931**	**6,938**

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The notes on pages 20 to 42 form an integral part of these annual accounts.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Cash Flow from operating activities			
Operating result		**177**	**(454)**
Adjustments:			
Increase in gross technical provisions		(983)	182
Increase in reinsurers' share of gross technical provisions		352	(111)
Increase in debtors		1,000	(537)
Increase in creditors		(1,041)	3,232
Investment return		(17)	2
Other		17	12
Net cash flow from operating activities		***(495)***	***2,326***
Cash flow from investing activities			
Other		27	(88)
Net cash flow from investing activities		***27***	***(88)***
Cash flow from financing activities			
Cash call		816	-
Net cash flow from financing activities		***816***	***-***
Net increase/(decrease) in cash and cash equivalents		**348**	**2,238**
Cash and cash equivalents at beginning of the year		14,292	11,820
Foreign exchange on cash and cash equivalents		(127)	234
Cash and cash equivalents at end of year		**14,513**	**14,292**
Cash at bank and in hand		14,513	14,292
Cash and cash equivalents at end of year	20	**14,513**	**14,292**

The notes on pages 20 to 42 form an integral part of these annual accounts.

1. BASIS OF PREPARATION

The Syndicate comprises a single corporate member of Lloyd's, Munich Re Capital Limited, that underwrites insurance business in the London Market.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, 'The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland' ('FRS102') and Financial Reporting Standard 103, 'Insurance Contracts' ('FRS 103'). Furthermore they also comply with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

In respect of the 2022 year of account, it is currently the Board's intention that Syndicate 1840 will enter a reinsurance to close arrangement with Syndicate 457's 2023 year of account as at 1 January 2025. Syndicate 1840 will cease to operate and will have no successor years of account thus concluding its business. On this basis the Syndicate is no longer a going concern. The annual accounts have therefore been prepared on the basis of other than going concern. This does not affect the balance sheet valuations in the annual accounts.

The financial statements have been prepared on the historical cost basis, except for financial assets categorised as fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling ('GBP'), which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The address of the Syndicate's Managing Agent is St. Helens, 1 Undershaft, London EC3A 8EE.

2. USE OF JUDGEMENTS AND 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. Actual results will differ from these estimates, and estimates along with the underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Claims Reserving

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have a very significant effect on the amounts recognised in the financial statements.

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 (see note 14).

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries. The techniques used generally involve projecting the development of claims over time from past experience, with adjustment for more recent underwriting, having regard to variations in 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 business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

2. USE OF JUDGEMENTS AND ESTIMATES (continued)

(b) Premium Estimates

The amount included in respect of premium is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries.

3. SIGNIFICANT ACCOUNTING POLICIES

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

(a) Gross Premiums Written

Gross Premiums Written comprise premiums on contracts incepted during the 12 months to 31 December, together with any adjustments made in the year to premiums relating to prior accounting periods. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

(b) Unearned Premiums

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

(c) Reinsurance Premium Ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

(d) Claims Provisions and Related Recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. The provision also includes the estimated cost of claims IBNR at the balance sheet date based on statistical methods.

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

(e) Unexpired Risks Provision

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

Unexpired risk surplus and deficits are offset where in the opinion of the Directors the business classes concerned are managed together and in such cases a provision for unexpired risks is made only where there is an aggregate deficit.

At 31 December 2023 the Syndicate did not have an unexpired risks provision (31 December 2022: £nil).

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(f) Acquisition Costs

Acquisition costs, which represent commission and other expenses related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. In addition to third party brokerage, acquisition costs include a proportion of Syndicate costs including all box rent, underwriters' employment costs, an allocation of accommodation and IT costs.

(g) Foreign Currencies

Transactions in foreign currencies are translated to the functional currency 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. 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. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

(h) 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 UK).

Classification
The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the Statement of Profit and Loss. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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.

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

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.

Purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

Measurement
A financial asset or financial liability is measured initially at fair value plus, for 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets and liabilities (continued)

Measurement (continued)
Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. 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.

Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Identification and measurement of impairment
At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not 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. 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.

Off-setting
Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

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

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.

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.

Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(i) 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 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 United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'other debtors'.

No provision has been made for any overseas tax payable by the member on underwriting results.

(j) Pension Costs

The Managing Agent offers a Group Self Invested Pension Scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

(k) Profit Commission

The Managing Agent does not charge any profit commission.

4. RISK AND CAPITAL MANAGEMENT

Framework

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

Munich Re Syndicate Limited's Board ('the Managing Agent') sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Risk appetite is subsequently reviewed by the Managing Agent on a periodic basis. The Managing Agent has a Risk Forum which meets monthly to review and update the risk register and to monitor performance against risk appetite. The Risk & Capital Committee, a sub-committee of the Managing Agent's Board, met throughout the year to review and challenge risk management and the use of the internal model for capital calculation purposes.

The Managing Agent is required to comply with the requirements of the PRA, the FCA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. The Compliance Officer monitors regulatory developments and assesses the impact on Managing Agent policy. The principal risks and uncertainties, in addition to the regulatory and compliance risk facing the Syndicate and consequently Munich Re Capital Limited are monitored in line with the six risk groups, of which Insurance Risk is by far the most significant to the Syndicate.

4. RISK AND CAPITAL MANAGEMENT (continued)

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities.

The annual business plan sets out the classes of business, the territories, average line size and type of assured. These plans are approved by the Board and monitored by the Underwriting and Claims Sub-Committee.

It is the policy of the Managing Agent to purchase appropriate reinsurance to support the business plan taking into consideration the MRSL Board's risk appetite and risk retention as well as a review of risk accumulation. With security being of paramount importance, the Syndicate places as much of the programme as possible with reinsurers of the highest calibre, subject to availability and market conditions. The Syndicate purchased quota share reinsurance as part of its risk management strategy.

The following table provides an analysis of the geographical breakdown of its gross written premium.

2023	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Fire and other damage to property		1,173	4	-	-	1,177
Third party liability	-	-	58	-	-	58
Pecuniary Loss	9	-	-	-	79	88
	9	1,173	62	-	79	1,323
Reinsurance	-	-	-	-	-	-
Total	9	1,173	62	-	79	1,323

2022	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Fire and other damage to property	163	1,334	-	-	1,878	3,375
Third party liability	-	-	301	-	-	301
	163	1,334	301	-	1,878	3,676
Reinsurance	-	-	-	-	-	-
Total	163	1,334	301	-	1,878	3,676

4. RISK AND CAPITAL MANAGEMENT (continued)

Sensitivity to insurance risk
The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	2023 £000		2022 £000	
	5 percent increase	5 percent decrease	5 percent increase	5 percent decrease
Gross claims outstanding	(51)	51	(11)	11
Net claims outstanding	(13)	13	(3)	3

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

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 main components of Financial Risk are Credit, Liquidity and Market risks.

a) Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.

There are counterparty limits in place for each of the cash accounts held with Citibank NA, NatWest Group plc and Royal Bank of Canada. These are monitored daily and reported on a weekly basis. Reinsurance is placed with counterparties that have a good credit rating. There is a limited pool of approved reinsurers and any reinsurance that is placed with reinsurers not within this pool requires the approval of certain Executive Directors. All reinsurance is subject to regular internal review.

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and other debtors and accrued interest that are neither past due, nor impaired.

4. RISK AND CAPITAL MANAGEMENT (continued)

Credit rating relating to financials assets that are neither due nor impaired

2023	**AAA £000**	**AA £000**	**A £000**	**BBB £000**	**<BBB £000**	**Not rated £000**	**Total £000**
Deposits with credit institutions	101	16	12	12	-	-	141
Insurance Debtors	-	-	-	-	-	1,484	1,484
Reinsurer' share of claims outstanding	-	-	768	-	-	-	768
Reinsurance debtors	-	-	-	-	-	137	137
Cash at bank and in hand	-	343	14,170	-	-	-	14,513
Total credit risk	101	359	14,950	12	-	1,621	17,043

Credit rating relating to financials assets that are neither due nor impaired

2022	**AAA £000**	**AA £000**	**A £000**	**BBB £000**	**<BBB £000**	**Not rated £000**	**Total £000**
Deposits with credit institutions	106	27	13	14	-	1	161
Insurance Debtors	-	-	-	-	-	1,715	1,715
Reinsurer' share of claims outstanding	-	-	157	-	-	-	157
Reinsurance debtors	-	-	289	-	-	-	289
Cash at bank and in hand	-	317	13,975	-	-	-	14,292
Total credit risk	106	344	14,434	14	-	1,716	16,614

4. RISK AND CAPITAL MANAGEMENT (continued)

An analysis of the carrying amounts of past due or impaired debtors is presented in the tables below.

2023

		Financials assets that are past due but not impaired					
	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Insurance debtors	1,484	-	-	-	-	-	1,484
Reinsurance debtors	137	-	-	-	-	-	137
Total credit risk	1,621	-	-	-	-	-	1,621

2022

		Financials assets that are past due but not impaired					
	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Insurance debtors	1,715	-	-	-	-	-	1,715
Reinsurance debtors	289	-	-	-	-	-	289
Total credit risk	2,004	-	-	-	-	-	2,004

b) Liquidity Risk

Liquidity risk is the risk that the Syndicate will not have sufficient financial resources to meet liabilities as they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries and an associated risk of gross funding of US Situs losses.

A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Risk and Capital Committee.

The table below summarises the maturity profile of the Syndicate's financial assets and liabilities.

4. RISK AND CAPITAL MANAGEMENT (continued)

2023	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Deposits with credit institutions	-	-	71	58	12	141
Insurance debtors	-	1,484	-	-	-	1,484
Reinsurance debtors	-	137	-	-	-	137
Cash at bank and in hand	-	14,513	-	-	-	14,513
Total	**-**	**16,134**	**71**	**58**	**12**	**16,275**
Financial liabilities						
Creditors	-	8,015	-	-	-	8,015
Total	-	8,015	**-**	-	-	8,015

2022	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£000	£000	£000	£000	£000	£000
Financial assets						
Deposits with credit institutions	-	-	79	70	12	161
Insurance debtors	-	1,715	-	-	-	1,715
Reinsurance debtors	-	289	-	-	-	289
Cash at bank and in hand	-	14,292	-	-	-	14,292
Total	-	16,296	79	70	12	16,457
Financial liabilities						
Creditors	-	1,346	7,648	-	-	8,994
Total	-	1,346	7,648	-	-	8,994

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of currency and interest risk.

For assets backing outstanding claims provisions, market risk is managed by matching the duration and profile of the assets to the technical provisions they are backing, referred to as Asset-Liability Matching. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

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.

4. RISK AND CAPITAL MANAGEMENT (continued)

The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in United States 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:

2023	GBP	USD	EUR	CAD	Other	Total
	£000	£000	£000	£000	£000	£000
Total assets	15,029	1,979	8	215	109	**17,340**
Total liabilities	(7,217)	(2,012)	(1)	(179)	-	**(9,409)**
Net assets	**7,812**	**(33)**	**7**	**36**	**109**	**7,931**

2022	GBP	USD	EUR	CAD	Other	Total
	£000	£000	£000	£000	£000	£000
Total assets	15,118	2,671	52	415	145	**18,401**
Total liabilities	(8,461)	(2,545)	(49)	(408)	-	**(11,463)**
Net assets	6,657	126	3	7	145	**6,938**

The table below shows the impact on the Syndicate's net assets of a 5% appreciation or depreciation in each currency relative to Sterling, as at the Balance Sheet date.

2023	GBP £000	USD £000	EUR £000	CAD £000	Other £000	Total £000
5 percent appreciation	-	(2)	-	2	5	5
5 percent depreciation	-	2	-	(2)	(5)	(5)

2022	GBP £000	USD £000	EUR £000	CAD £000	Other £000	Total £000
5 percent appreciation	-	6	-	-	7	13
5 percent depreciation	-	(6)	-	-	(7)	(13)

4. RISK AND CAPITAL MANAGEMENT (continued)

Capital Management

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 and in accordance with the Solvency II Directive.

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

Although, as described below, the Lloyd's capital setting processes use a capital requirement set at the Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at the overall and member level, not at Syndicate level. Accordingly the capital requirement in respect of the Syndicate 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. As of December 2022 Lloyd's advised that we should use an SCR based on our own assessment, with the caveat that it should not be lower than the Minimum Capital Requirement ('MCR') absolute floor of EUR 4.0m. Given the run-off nature of the Syndicate and the size of the technical provisions, the SCR calculated was significantly lower than the MCR absolute floor. Therefore the MCR absolute floor figure of EUR 4.0m was used as the one year SCR for the Syndicate.

Over and above the SCR 'to ultimate', Lloyd's applies an uplift to the 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 2023 was 35% (2022: 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 ('FAL')), held within and managed within a Syndicate (Funds in Syndicate ('FIS')) or as the member's share of the members' balances on each Syndicate on which it participates.

Accordingly all of the assets less liabilities of the Syndicate with the exception of FIS balance held, as represented in the members' balances reported on the Balance Sheet on page 17, represent resources available to meet members' and Lloyd's capital requirements.

5. ANALYSIS OF UNDERWRITING RESULT

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

2023	Gross Written Premiums £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Re-insurance Balance £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	-	6	(11)	-	5	-
Fire and other damage to property	1,177	2,094	(1,037)	(1,044)	(175)	(162)
Third party liability	58	244	(45)	(51)	(106)	42
Pecuniary Loss	88	767	(52)	(78)	(341)	296
	1,323	3,111	(1,145)	(1,173)	(617)	176
Reinsurance	-	-	-	-	-	-
Total	1,323	3,111	(1,145)	(1,173)	(617)	176

2022	Gross Written Premiums £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Re-insurance Balance £000	Total £000
Direct insurance						
Fire and other damage to property	3,375	3,307	(1,170)	(1,711)	(743)	(317)
Third party liability	301	124	(74)	(148)	(25)	(123)
	3,676	3,431	(1,244)	(1,859)	(768)	(440)
Reinsurance	-	-	-	-	-	-
Total	3,676	3,431	(1,244)	(1,859)	(768)	(440)

All premiums are written through Lloyd's platform.

Brokerage and commission on direct business written was £0.5m (2022: £1.0m).

The geographical analysis of premiums by destination is as follows:

	2023 £000	2022 £000
United Kingdom	1,323	3,676
Total	**1,323**	**3,676**

6. NET OPERATING EXPENSES

	2023 £000	2022 £000
Acquisition costs	480	1,301
Change in deferred acquisition costs	513	(22)
Administrative expenses	180	581
Gross Operating Expenses	1,173	1,860
Reinsurance Commission	(123)	(143)
Net Operating Expense	**1,050**	**1,717**

Administrative expenses include:

	2023 £000	2022 £000
Fees payable to the Syndicate auditor for the audit of the Syndicate Annual Accounts	30	57
Fees payable to the Syndicate auditor and its associates for other services		
Other services pursuant to Regulations and Lloyd's Byelaws	15	35
Actuarial valuation services	10	18
Total	**55**	**110**

Members' standard personal expenses are included within administrative expenses.

7. STAFF NUMBERS AND COSTS

All staff are employed by MRSG UK Services Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2023 £000	2022 £000
Wages and salaries	167	399
Social security costs	23	26
Other pension costs	16	21
Total	**206**	**446**

The average number of employees employed by the MRSG UK Services Limited but working for the Syndicate during the year was as follows:

	2023	2022
Underwriting	-	1
Claims	-	-
Other	2	2
Total	**2**	**3**

8. KEY MANAGEMENT PERSONNEL COMPENSATION

Five (2022: Five) directors of Munich Re Syndicate Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2023 £000	2022 £000
Directors' Emoluments	37	46
Contributions to pension scheme	-	-
Total	**37**	**46**

No other compensation was payable to key management personnel. For the purposes of this disclosure, key management personnel are taken to be the Directors of the Managing Agent.

The highest paid director received the following remuneration charged as a Syndicate expense and included within the directors' emoluments above:

	2023 £000	2022 £000
Emoluments	25	34
Contributions to pension scheme	-	-
Total	**25**	**34**

The run-off manager (2022: active underwriting officer) received the following remuneration charged as a Syndicate expense:

	2023 £000	2022 £000
Emoluments	25	205
Contributions to pension scheme	-	11
Total	**25**	**216**

9. INVESTMENT RETURN

	2023 £000	2022 £000
Investment income		
Income from investments	17	5
Gains on the realisation of investments	3	-
Investment expenses and charges		
Losses on the realisation of investments	(2)	(7)
Total investment return	**18**	**(2)**

The investment income above is generated from the overseas deposits in note 13.

10. OTHER FINANCIAL INVESTMENTS

	Fair value		Cost	
	2023 £000	**2022 £000**	**2023 £000**	**2022 £000**
Deposits with credit institutions	141	161	141	161
Total	**141**	**161**	**141**	**161**

Included within Deposits with credit institutions are Overseas deposits of £141k (2022: £161k) held at fair value (see note 13).

Valuation hierarchy

The Syndicate classifies its financial instruments held at fair value in its Balance Sheet using a fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

2023	Fair value hierarchy			
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Deposits with credit institutions	-	141	-	141
Total	**-**	**141**	**-**	**141**

2022	Fair value hierarchy			
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Deposits with credit institutions	-	161	-	161
Total	**-**	**161**	**-**	**161**

11. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2023	2022
	£000	£000
Due from intermediaries		
Due within one year	1,484	1,715
Total	**1,484**	**1,715**

12. DEFERRED ACQUISITION COSTS

	2023	2022
	£000	£000
Balance at 1 January	635	618
Movement in deferred acquisition costs	(513)	22
Effect of movements in exchange rates	(6)	(5)
Balance at 31 December	**116**	**635**

13. OVERSEAS DEPOSITS

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and for local regulatory requirements. Of the total balance below, £141k (2022: £161k) is recognised as Other Financial Investments.

	2023	2022
	£000	£000
Joint Asset Trust Funds	2	1
Australian Trust Fund	109	144
Canadian Margin Fund	30	16
Overseas Deposits	**141**	**161**

The Joint Asset Trust Funds are determined by reference to the Syndicate's US dollar reinsurance and surplus lines premium income and are required to enable the Syndicate to write certain reinsurance and surplus lines business in the USA.

The Australian Trust Fund is required to enable the Syndicate to underwrite business arising in Australia. The Syndicate's contribution to the fund is calculated by reference to the premium income and estimated exposure to outstanding liabilities arising from business written in Australia.

14. TECHNICAL PROVISIONS

	2023			2022		
	Gross Provisions £000	**Reinsurance assets £000**	**Net £000**	**Gross Provisions £000**	**Reinsurance assets £000**	**Net £000**
Claims outstanding						
Balance at 1 January	209	(157)	52	279	(213)	66
Change in claims outstanding	805	(604)	201	(63)	56	(7)
Effect of movements in exchange rates	9	(7)	2	(7)	-	(7)
Balance at 31 December	**1,023**	**(768)**	**255**	**209**	**(157)**	**52**
Claims notified	11	(8)	3	11	(8)	3
Claims incurred but not reported	1,012	(760)	252	198	(149)	51
Balance at 31 December	**1,023**	**(768)**	**255**	**209**	**(157)**	**54**
Unearned premiums						
Balance at 1 January	2,171	(1,152)	1,019	1,968	(1,012)	956
Change in unearned premiums	(1,788)	956	(832)	245	(167)	78
Effect of movements in exchange rates	(26)	15	(11)	(42)	27	(15)
Balance at 31 December	**357**	**(181)**	**176**	**2,171**	**(1,152)**	**1,019**

15. CLAIMS DEVELOPMENT

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2023 in all cases.

Claims development table gross of reinsurance

	2020 £000	2021 £000	2022 £000	Total £000
Estimate of cumulative claims				
At end of underwriting year	19	2,244	188	
One year after	-	3,284	1,247	
Two years after	-	3,379		
Three years after	-			
Less gross claims paid	-	3,362	241	3603
Gross claims reserve	-	17	1,006	1,023
Total gross claims reserve				1,023

Claims development table net of reinsurance

	2020 £000	2021 £000	2022 £000	Total £000
Estimate of cumulative claims				
At end of underwriting year	4	561	47	
One year after	-	821	310	
Two years after	-	845		
Three years after	-			
Less net claims paid	-	841	59	900
Net claims reserve	-	4	251	255
Total net claims reserve				255

16. FINANCIAL LIABILITIES AT AMORTISED COST

	2023 £000	2022 £000
Creditors arising out of reinsurance operations	1,112	1,346
Other creditors	6,903	7,648
Total	**8,015**	**8,994**

17. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2023 £000	2022 £000
Due within one year	1,112	1,346
Total	**1,112**	**1,346**

18. OTHER CREDITORS

	2023 £000	2022 £000
Due within one year		
Amount due to Managing Agent	6,903	7,648
Total	**6,903**	**7,648**

19. GROSS DISTRIBUTION

To come into line with Lloyd's solvency requirements, £9.3m of the Funds in Syndicate were in place from the 1st January 2020. As this has remained as cash throughout 2023 no additional income has been generated.

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

20. CASH AND CASH EQUIVALENTS

	2023 £000	2022 £000
Cash at bank and in hand	14,513	14,292
Total	**14,513**	**14,292**

Only Other Financial Investments comprising of call deposits with maturities of three months from the acquisition date that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

21. RELATED PARTIES

Münchener Rückversicherungs–Gesellschaft Aktiengesellschaft in München ('Munich Re')

Munich Re Syndicate Limited is wholly owned by Munich Re Specialty Group Ltd (MRSGL), which is wholly owned by Munich Re. The Syndicate placed a total of £nil outwards reinsurance premium for the 2023 year of account (2022: £1.7m – with its ultimate parent undertaking under 1 contract for the 2022 year of account). This contract provided the Syndicate with cover within the normal course of business and the transactions were carried out at arm's length. As at year end, there was an outstanding balance of £137k (2022: £289k) due from Munich Re.

Munich Re Capital Limited ('MRCL')

MRCL is the corporate member of the Syndicate. MRCL's immediate parent company is MRSGL. There were no outstanding balances with the Syndicate at the year end.

T E Artmann and D J R Hoare are directors of MRCL.

Munich Re Syndicate Limited ('MRSL')

During the year, the Syndicate has paid fees to MRSL, the Managing Agent of the Syndicate, amounting to £nil (2022: £37k). MRSL's immediate parent company is MRSGL. As at year end, there was an outstanding balance of £6,903k (2022: 7,647k) due from the Syndicate.

The Managing Agent has paid £194k (2022: £609k) in shared service recharges for the ordinary day to day running costs related to the Syndicate.

MRSG UK Services Limited ('MRSGUKS')

MRSGUKS is a wholly owned subsidiary of MRSGL which was set up to become the sole employer within the sub group. There were no outstanding balances with the Syndicate at the year end.

T E Artmann is a director of MRSGUKS.

Munich Re Specialty Insurance (UK) Limited ('MRSI')

MRSI is an international distribution company (IDC), wholly owned by MRSGL and produces predominantly UK provincial Marine business. From 2022 it includes the business from Groves, John & Westrup Limited. There were no outstanding balances with the Syndicate at the year end.

T E Artmann, T Coskun, G K Hill and D J R Hoare are directors of MRSI.

Groves, John & Westrup Limited ('GJW')

GJW's principal activity is to supply office space to MRSI. There were no outstanding balances with the Syndicate at the year end.

T Coskun and G K Hill are directors of GJW.

Munich Re Syndicate Singapore Pte Limited ('MRSS')

MRSS is a non-profit making IDC owned by MRSGL and produces Marine business from S.E. Asia exclusively. There were no outstanding balances with the Syndicate at the year end.

T E Artmann is a director of MRSS.

21. RELATED PARTIES (continued)

Roanoke International Brokers (MENA) Limited ('RIBML')

RIBML is an insurance broker in the Middle East which is wholly owned by MRSGL. There were no outstanding balances with the Syndicate at the year end.

There were no directors in common between the Syndicate and RIBML for 2023.

Munich Re Syndicate Labuan Limited ('MRSLAB')

MRSLAB is a non-profit making IDC owned by MRSGL and produces Marine business from Malaysia. There were no outstanding balances with the Syndicate at the year end.

There were no directors in common between the Syndicate and MRSLAB for 2023.

Munich Re Specialty Group N.A Inc. ('Roanoke US')

Munich Re Specialty Group N.A. Inc. is a directly wholly owned company by MRSGL and produces Marine business from the USA. There were no outstanding balances with the Syndicate at the year end.

T E Artmann is a director of Munich Re Specialty Group N.A.

Roanoke International Brokers Limited ('RIBL')

RIBL is an insurance broker wholly owned by MRSGL. There were no outstanding balances with the Syndicate at the year end.

There were no directors in common between the Syndicate and RIBL for 2023.

Munich Re Risk Solutions Ireland Limited ('MRRSI')

MRRSI is a wholly owned subsidiary of MRSGL. There were no outstanding balances with the Syndicate at the year end.

T Coskun is a director of MRRSI.

22. 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 assets are in the form of letters of credit from Munich Re. 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 is determined by a number of factors including the nature and amount of risk in respect of business that has been 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.

23. FUNDS IN SYNDICATE

MRCL holds cash in the Syndicate used to support the Syndicate's capital requirements of FAL.

24. FOREIGN EXCHANGE RATES

The following foreign currency exchange rates have been used for principal foreign currency transactions:

	2023 Year-end rate	2023 Average rate	2022 Year-end rate	2022 Average rate
Euro	1.15	1.15	1.13	1.17
US dollar	1.27	1.24	1.20	1.24
Canadian dollar	1.68	1.68	1.63	1.61

25. POST BALANCE SHEET EVENTS

A cash call of £790k from members will be proposed in relation to the 2021 year of account (2022: £816k cash call in relation to the 2020 year of accounts).