Accounts disclaimer

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Tokio Marine Kiln Syndicate 1880

Report and Accounts
For the year ended 31 December 2023

Contents

Directors and advisers

Managing agent

Tokio Marine Kiln Syndicates Limited (TMKS) is the managing agent of Tokio Marine Kiln Syndicate 1880 (Syndicate 1880), Tokio Marine Combined Syndicate 510 (Syndicate 510), Tokio Marine Kiln Catastrophe Syndicate 557 (Syndicate 557) and Tokio Marine Kiln Life Syndicate 308 (Syndicate 308). TMKS is a wholly-owned subsidiary of Tokio Marine Kiln Group Limited (TMKGL). TMKGL and its subsidiaries are referred to as Tokio Marine Kiln (TMK). TMKGL's ultimate parent is Tokio Marine Holdings, Inc., Japan (Tokio Marine).

TMKS is authorised by the Prudential Regulation Authority (PRA) and regulated by the Financial Conduct Authority (FCA), the PRA and the Society of Lloyd's.

Directors

S Batori
C Fuhrmann (appointed 1 January 2023)
V M Gordon-Walker
N I Hutton-Penman
B T Irick
A McNamara
C J G Moulder
R Patel
A M W Shaw
V Syal
D A Torrance (Chair)
M H Trussell
C J B Williams

Company secretary

A Gordon

Active underwriter

M A Mortlock

Registered office

20 Fenchurch Street
London EC3M 3BY

Registered numbers

TMKS company number	00729671
FCA reference number	204909
Lloyd's agent number	1041K

Bankers

Barclays Bank plc
Citibank, N.A.
Royal Bank of Canada

Investment managers

BlackRock Investment Management (UK) Limited
12 Throgmorton Avenue
London EC2N 2DL

New England Asset Management Limited
The Oval-Block 3, Ballsbridge, D04 T8F2,
Dublin 4, Ireland

Independent auditors

PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
7 More London Riverside
London SE1 2RT

Report of the Directors of the managing agent

The Directors of the managing agent (the Board) present their report and audited accounts for the year ended 31 December 2023 under UK Generally Accepted Accounting Practice (GAAP). This report covers Syndicate 1880 (the Syndicate), managed by TMKS. The managing agent's ultimate parent is Tokio Marine Holdings, Inc., the head office of which is in Japan.

The annual report for the Syndicate 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.

Syndicate underwriting year accounts have not been prepared for the closed 2021 year of account in accordance with the exemption available under Regulation 6(1) of the 2008 Regulations.

Principal activity

The principal activity of the Syndicate remains the transaction of general insurance and reinsurance business on a worldwide basis in the Lloyd's market.

The Syndicate's business attaching to the 2021 and post years of account are written on a split stamp basis with Syndicate 510, split 20% to the Syndicate and 80% to Syndicate 510. Business attaching to the 2020 & prior years of account did not form part of the split stamp arrangement.

The Syndicate is managed by TMKS, with capital provided on an aligned basis by Tokio Marine Underwriting Limited, a wholly owned subsidiary of Tokio Marine & Nichido Fire Insurance Co., Ltd.

Results

The result for the 2023 calendar year was a profit of £58.6 million (2022: profit of £11.5 million). The Syndicate's key financial performance indicators during the year were as follows:

	2023 £m	2022 £m
Gross written premium	**444.1**	404.5
Net earned premium	**280.7**	244.7
Profit for the financial year	**58.6**	11.5
Investment return	**14.9**	(7.7)
Claims ratio[1]	**44.8%**	47.9%
Combined ratio[2]	**85.5%**	91.8%

[1]Claims ratio - Total of net incurred claims as a percentage of net earned premium

[2]Combined ratio - Total of net incurred claims, net acquisition costs and operating expenses as a percentage of net earned premium

Review of the business

The Syndicate is focussed on maintaining a market leading business that is profitable, well diversified and with manageable volatility.

During 2023, the Syndicate continued its diversification strategy by restructuring its underwriting divisions into seven product-based departments, comprising Property & Motor, Cyber & Enterprise Risk, Special Risks, Liability, Aviation, Marine & Energy and Portfolio Solutions.

Performance

Gross written premium for the year of £444.1 million (2022: £404.5 million) generated a profit of £58.6 million (2022: £11.5 million) and a combined ratio of 85.5% (2022: 91.8%). At constant rates of exchange, gross written premium increased by 10.6% compared to prior year, primarily driven by growth in the Property & Motor, Portfolio Solutions, Liability and Aviation divisions.

The net claims ratio of 44.8% compares favourably to prior year (47.9%), driven by a catastrophe claims ratio of 4.7% (2022: 21.9%). The prior year was significantly impacted by provisions for potential exposures arising from the Ukraine War and weather-related losses from Hurricane Ian and Winter Storm Elliot. Together, these events resulted in higher losses to the Syndicate compared to the catastrophes reported in 2023, which included losses arising from the Hawaii Wildfires, the Sudan Conflict, Cyclone Gabrielle and Hurricane Otis.

The Syndicate also benefitted from benign attritional claims experience across almost all divisions, most notably within Property & Motor, Marine & Energy and Cyber & Enterprise Risk that resulted in a claims ratio, excluding catastrophe losses and reserve releases on closed years, of 39.4% (2022: 38.6%).

Reserve deteriorations on prior year losses contributed 0.7% (2022: 12.6% reserve release) to the net claims ratio driven by an increase in provisions held for potential exposures arising from the Ukraine War.

2024 Outlook

The rating environment across the Property portfolio gained momentum in 2023 and is expected to continue into 2024. Ongoing geopolitical uncertainty is expected to result in increased demand for the Special Risks division, while targeted growth is also forecast across the Liability and Cyber & Enterprise Risk divisions as the Syndicate continues to diversify the underwriting portfolio.

The Syndicate remains focussed on its aim of building a market leading business that is profitable, well diversified, and responsive to its clients' changing risk profiles.

Syndicate Merger

On 5 February 2024, TMKS submitted a notice of intention to Lloyd's proposing to merge the Syndicate with Syndicate 510 for the 2025 year of account. The merger process will be run in accordance with the Lloyd's Major Syndicate Transactions bylaw and final approval rests with the Council of Lloyd's following a ballot of the members of both syndicates.

Capital management

TMK's business model remains consistent: the Syndicate consists of specialist underwriters, providing a wide variety of products tailored to their clients' changing risk profiles. This is supported by a comprehensive, enterprise-wide framework for the management of risk across the whole of TMK. The Syndicate focusses on specialist lines of insurance and reinsurance business where the occurrence of a loss is known relatively quickly, and so it is able to make more immediate reliable estimates regarding the extent of the losses expected. The Syndicate is substantially exposed to catastrophe related business and the underwriters have detailed knowledge of the risks underwritten.

It is the Syndicate's policy to confine risk exposure primarily to core areas of expertise: the underwriting of specialist insurance and reinsurance risks. This approach results in prudent financial risk management, such as investment management and reserving. This allows the Syndicate to protect capital and focus its risk appetite on underwriting.

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the PRA under the Financial Services and Markets Act 2000, and in accordance with Solvency II and the Insurance and Reinsurance Undertakings (Prudential Requirements) (Risk Margin) Regulations 2023.

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, Lloyd's capital requirements apply at member level only, not at a syndicate level. Accordingly, the capital requirement at syndicate level is not disclosed in these report and accounts.

Lloyd's capital setting process

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

A syndicate may be supported by one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's set for each member operate on a similar basis. Each member's total capital requirement is therefore determined by the share of each syndicate's SCR 'to ultimate' on which they participate. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200-year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the members' capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a requirement set by Lloyd's rather than Solvency II, is to meet Lloyd's financial strength, licence and ratings objectives.

Provision of capital by members
Each member may provide capital to meet its ECA either through assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's) or as the member's share of the member's balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the respective balance sheets, represent resources available to meet the member's and Lloyd's capital requirements. The Lloyd's market-wide capital uplift applied for 2023 to derive the ECA is 35.0% (2022: 35.0%) of the member's SCR 'to ultimate'.

Capital allocation
The Syndicate has an approved internal model which is used to calculate capital requirements, allocate capital to business lines and risk categories and assess the value of different business and reinsurance strategies. The calculations are based upon sophisticated mathematical models that reflect the key risks in the business, allowing for the probability of occurrence, the potential impact should losses occur and the interactions between the different risk types.

The results of the modelling confirm that the majority of capital is required to support insurance risk.

Risk management and risk appetite
There is a comprehensive, enterprise-wide Risk Management Framework (RMF) in place for the management of risk across the whole of TMK. A key element of this is the Risk Appetite Framework (RAF) which is approved by the Board each year and lays out the agreed appetite for each area of risk the Syndicate is exposed to.

TMK is exposed to a variety of risks and the Board has developed a strategy for categorising, managing and reporting these different risks. This high-level categorisation is called the TMK Risk Universe. The Risk Universe is defined as 'the complete view of all possible types of risk that the firm may face, reflecting the risk profile of the business'. The universe includes risks that could positively or negatively impact the business and underpins the RAF, which sets out the parameters for risk taking.

The RAF ensures that risk taking is aligned to the business strategy by including a set of risk preferences. These are strategic choices taken by the business to deliver the best result to its stakeholders. These preferences change over time as the strategy develops, ensuring the Syndicate remains relevant to its clients, whilst adapting to market conditions. Risk appetites are regularly monitored with risk metrics supported by qualitative and quantitative data collated by the Risk Management Team (RMT) from first-line teams and are reported quarterly as part of the Own Risk and Solvency Assessment (ORSA) process to the Risk, Capital & Compliance Committee (RCCC).

Key risks facing TMK are included in the risk register and form part of the regular risk assessment process, facilitated by the RMT. Risks are reported on a quarterly basis as part of the ORSA to the RCCC.

The principal risks, known as Tier 1 risks, are Solvency, Liquidity, Earnings Volatility and Reputational. The Syndicate also has exposure to the following Tier 2 risks: Insurance, Market, Credit, Operational, Regulatory and Conduct. Additionally, the Syndicate faces Climate and Emerging risks.

Tier 1 risks:

Solvency risk
This is the risk of non-compliance with solvency capital requirements as set out in the previous section, 'Capital Management'. These requirements are set out to ensure that the Syndicate has enough capital to meet demands as they fall due.

Solvency risk is driven by exposure to several other risks such as Insurance, Market, Credit and Operational. These risks and their mitigants are described later in this section.

Liquidity risk
This is the risk of the Syndicate being unable to meet liabilities in a timely manner due to the lack of liquid resources.

To mitigate liquidity risk, the treasury team reviews syndicate cash flow projections quarterly, and also stress tests them against Realistic Disaster Scenarios. In the event of a catastrophe loss of a significant size, the Syndicate has the ability to take advantage of outstanding claims advances from its major reinsurers. The Syndicate also has the ability to make cash calls on its member in order to manage liquidity.

Earnings volatility risk
This is the risk that there is excessive fluctuation in profits.

Exposure to this risk is calculated annually as part of the Syndicate's business plan submission and reviewed by the RMT through the business plan review.

This risk is managed on an ongoing basis through checks which ensure the Syndicate underwrites business in accordance with the Syndicate's business plan.

Reputational risk
This is the risk that negative publicity regarding an institution's business practices will lead to adverse effects such as loss of revenue, brand damage or litigation.

In the modern digital era, reputational risk and the subsequent threat to TMK's strong brand is becoming more significant. Loss of confidence from customers, regulators or capital providers could cause long-term harm to the business.

In light of this, all staff are made aware of their responsibilities to clients and other stakeholders.

Tier 2 risks:

Insurance risk
This is the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Due to the cyclical nature of insurance business, there is a risk that future earnings are lower or more volatile than expected with fluctuations in capacity, competition and the frequency and severity of losses, as a result of both man-made and natural disasters.

In 2023, macroeconomic uncertainty remained a consideration by the Board in relation to insurance risk. In 2022, an Inflation Working Group (IWG) was created to reflect the ongoing uncertainty surrounding inflation. The impact of inflation was considered in quarterly ORSA reporting produced by the RMT as well as the ongoing oversight, review and management of the impact of inflation at the Reserving Committee. In 2023, the IWG concluded that expected inflation is adequately allowed for in the capital model input parameters and assumptions are consistent across the Syndicate.

Insurance risk is sub-divided into several categories which include underwriting risk, reinsurance risk and reserving risk.

Underwriting risk
This is the risk arising from fluctuations in the frequency and severity of financial losses incurred as a result of the acceptance of the insurance portfolio of business.

Underwriting risk is managed by agreeing the Syndicate's appetite annually through the RAF and the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. Volume and price performance is monitored against the Syndicate's business plan monthly, and all of the components of the insurance result and risk appetite quarterly. The RMT conduct an annual review of the business plan.

Catastrophe modelling software is used to model maximum probable losses from catastrophe-exposed business and as part of the Realistic Disaster Scenario process. The Syndicate has adopted a cyber aggregate monitoring tool to manage the growing exposures in this area.

A significant proportion of the Syndicate's business is written through delegated authorities. A dedicated Delegated Authority team provides operational and regulatory oversight of the Syndicate's coverholders and third-party administrators, carrying out annual due diligence, an ongoing schedule of audits and management of regulatory requirements.

As an underwriter of complex and specialist insurance business, ensuring compliance with licensing and other regulatory requirements is a priority for the Board. This is overseen by the Product and Underwriting Governance Committee (PUGC). The PUGC also oversees adherence to internal standards for delegated authority arrangements.

Reinsurance risk
This is the risk that reinsurance purchased to protect the gross account does not respond as intended due to, inter alia, mismatch with gross losses; poorly worded contracts; reinsurer counterparty risk; or exhaustion of reinsurance limits. The risk is heightened if there is a lack of reinsurance or retrocession availability in the market.

Reinsurance is used to protect capital against underwriting risk volatility, either as a result of large catastrophes or from the severity of losses on individual policies.

To mitigate this risk, there is a process in place to monitor early warning of exposures outside of tolerance thresholds, with post-placement reviews undertaken and reported to the Underwriting Committee.

Reserving risk

This is the risk that reserves held on the balance sheet will be inadequate to meet the net amount payable when insurance liabilities crystallise and is exacerbated due to the inherent uncertainty of knowing the ultimate timing and quantum of liabilities incurred.

Claims provisions represent estimates, based on both the underwriters' and claim managers' informed knowledge and judgement and on the Internal Reserving Actuary's statistical projections, of the expectation of the ultimate settlement and administration costs of claims incurred. A variety of estimation techniques are used, generally based upon statistical analyses of historical loss development patterns, to assist in the establishment of appropriate claims reserves.

In addition, the estimates are subject to independent review by external actuaries, who sign an annual Statement of Actuarial Opinion on the sufficiency of the reserves for the Syndicate. The Syndicate's policy is to reserve on a consistent basis with a reasonable margin for prudence. Claims run-off tables are used to monitor the history of reserve adequacy, and these show a trend of predominantly positive run-off since they were first prepared in 2001.

Market risk

This is the risk that arises from fluctuations in values of, or income from assets, interest rates or exchange rates.

Assets are held as a result of underwriting activities either in premium trust funds or as capital support. On-going investment strategy, investment objectives and the management of risks arising from investments are agreed by the Investment Committee in line with the Prudent Person Principle, as outlined in the Solvency II Directive.

The Syndicate monitors its cash-flow on a daily basis and reviews its cash-flow forecasts, foreign currency exposures and asset-liability matching regularly.

Counterparty credit risk

This is the risk of loss if another party fails to meet its financial obligations, including failure to meet them in a timely manner.

The Syndicate is exposed to three types of credit risk: reinsurer credit risk; broker/coverholder credit risk; and investment credit risk. Credit exposure and aggregate exposure to reinsurers are managed by the Outwards Reinsurance team. The team assesses all new reinsurers before business is placed with them, and monitors the credit ratings of all reinsurers used. The performance of premium debtors, from brokers and coverholders, is monitored regularly. The Investment Committee regularly tracks and reviews the Syndicate's investment portfolio, the management of which is outsourced to investment managers who manage the portfolios within permitted counterparty limits.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate.

The Board seeks to manage this risk by the recruitment of high calibre staff and providing them with ongoing, high-quality training. Operational risks are reviewed on a regular basis with departmental heads responsible for identifying, assessing and controlling operational risks effectively, as well as attesting to the effectiveness of these controls on a regular basis. This forms the Risk and Control Self-Assessment (RCSA) process which is supported by the RMT who independently assess key risks and controls on a regular basis.

There is a strong risk reporting and risk governance system in place to ensure effective risk management of operational risk. This is underpinned by the RMF and the RAF. The RCCC reviews the most material elements of the operational risk profile quarterly, in line with the RMF. Attention is paid to how the risks from cyber security threats are managed by the Information Security Group.

The Board is aware of its fiduciary responsibilities to capital providers across each of its four managed syndicates and is careful to ensure equity between them. Potential conflicts of interest between capital providers are managed through the Conflicts Committee, which reports to the Board.

Regulatory risk
This is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

The Board is required to comply with the requirements of the FCA, PRA and Lloyd's, including those imposed on the Lloyd's market by overseas regulators, particularly in respect of US and Canadian regulated business. The Compliance function is responsible for monitoring compliance with regulation and monitoring of regulatory change. The Compliance framework outlines the broad regulatory and compliance structure that applies to all staff.

The nature of the Syndicate's business exposes the managing agent to controls and sanctions which regulate international trade. Processes and controls are in place to screen and monitor transactions against relevant requirements to ensure compliance with them.

Strategic risk
Strategic risk refers to the risk associated with the achievement of the business' strategic objectives. A key element of strategic risk is the risk of making poor business decisions in the context of the internal and external market environment in which the Syndicate operates.

Strategic risk is managed via the Board which is ultimately responsible for setting and monitoring the Syndicate's strategic direction. Below the Board, various sub-committees discuss and challenge business strategy.

Conduct risk
This is the risk of financial and/or service detriment which adversely affects the Syndicate's customers due to failings in the customer value chain.

The new Consumer Duty rules relating to new and existing products, or services that are open to sale or renewal, came into force on 31 July 2023. These rules will be extended to closed products or services with effect from 31 July 2024.

The Board's conduct objective is to build, maintain and enjoy long-term relationships with customers, whether they be held directly or indirectly via a third party. This culture of partnership is fundamental to the Syndicate's dealings with its customers, and comes regardless of the complexity of the risk, the sophistication of the buyer, or the length of the supply chain to the end customer.

The conduct objective is central to the delivery of good outcomes for customers including alignment to the FCA Consumer Duty cross-cutting rules and the four outcomes.

The management of conduct risk applies to all business, regardless of product lines and customer types, across both open market and delegated underwriting and is achieved through the application of the conduct risk framework. The framework is applied in a proportionate, risk-based way which takes account of the different inherent conduct risk across products, distribution and customer types. Conduct risk and the treatment of customers is monitored by the PUGC.

Other risks:

Climate risk
Climate risks are recognised by the Board as manifesting through a range of physical, transitional, reputational, strategic and litigation risks as a result of climate change.

The Board considers climate risk to be a transverse risk, with each risk category affected by varied risks from climate change. For example, physical risks of climate change such as increased severity of weather-related perils will have effects across insurance risk, market risk and operational risk. Likewise, the global transition to low carbon will have effects across the business.

The Board recognises the severity of the risks posed by climate change, and the need for a robust risk management response. The risks are identified, managed and reported both internally and externally.

The RMT has worked closely with the Board to develop TMK's climate related risk appetites. These are integrated within TMK's overarching RMF and support delivery of the Sustainability Strategy.

The RMT has performed scenario analysis to better understand the range and materiality of climate risks affecting TMK, in collaboration with the business. This includes physical, transitional, reputational and litigation risks.

Emerging risk
The Board defines an emerging risk as relating to a new or evolving area that is perceived to be potentially significant in terms of its impact on society and the insurance industry. These risks are characterised by significant uncertainty, with limited relevant historical information.

The Board is committed to the continual research and identification of emerging risks and actively undertakes research independently, and via market working groups. Emerging risk analysis is included in the ORSA process with annual and where relevant, quarterly updates. Through the effective management of emerging risks, the Board is able to identify external trends and threats and improve risk selection and knowledge of future risk exposures. Emerging risks may present both threats and opportunities to the business and, as the Syndicate has done in the past, it will readily capitalise on identified opportunities in this area.

Directors
The Directors of the managing agent who served during the year ended 31 December 2023, as well as any subsequent changes, are listed under the section 'Directors and advisers'.

Post balance sheet events
These are discussed in note 21 of the annual accounts.

Disclosure of information to the auditors
As far as each person who was a Director of the managing agent at the date of approving this report is aware, there is no relevant audit information, which is information needed by the auditors in connection with its report, of which the auditors are unaware. Having made enquiries of fellow Directors of the managing agent and the Syndicate's auditors, each Director has taken all the steps that they are obliged to take as a Director in order to make themselves aware of any relevant audit information and to establish that the auditors are aware of that information.

Reappointment of auditors
The Board approved the reappointment of PricewaterhouseCoopers LLP as auditors for the current year and on an ongoing basis for the managed syndicates, managing agent and other Tokio Marine Kiln Group entities.

Syndicate annual general meeting
In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the managing agent does not propose holding a syndicate annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by the Syndicate member in writing to the Company Secretary within 21 days of this notice.

Approved by the Board of Directors

B T Irick
Chief Executive Officer
Tokio Marine Kiln Syndicates Limited
26 February 2024

Statement of managing agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('2008 Regulations') requires the managing agent to prepare syndicate annual accounts for each syndicate 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 Syndicate's 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 United Kingdom accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- prepare the annual accounts on the going concern basis for each syndicate unless it is intended for the Syndicate to cease operations, or it has no realistic alternative but to do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of each syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of each 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 its website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

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

Independent auditors' report to the member of Syndicate 1880

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, 1880's syndicate annual accounts:

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

We have audited the syndicate annual accounts included within the Report and Accounts (the "Annual Report"), which comprise: the Balance sheet: assets and the Balance sheet: liabilities as at 31 December 2023; Profit and loss: technical account – general business, the Profit and loss: non-technical account, the Statement of cash flows and the Statement of changes in member's balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 4, we have provided no non-audit services to the syndicate in the period under audit.

Conclusions relating to going concern

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

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

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

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

Reporting on other information

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

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

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

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

Managing Agent's Report

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

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

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts

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

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

Auditors' responsibilities for the audit of the syndicate annual accounts

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.
Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journals and management bias in accounting estimates. Audit procedures performed by the engagement team included:

- Discussions with management, internal audit and the risk and compliance functions, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of the IBNR component of claims outstanding and pipeline premium income;

- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations impacting revenue, journals posted by senior management and/or those posted late in the year end close process; and
- Reviewing relevant meeting minutes including those of the Conflicts Committee, Risk, Capital & Compliance Committee and Audit Committee and correspondence with regulatory authorities, including Lloyd's of London and the Prudential Regulation Authority.

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

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

Use of this report

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

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

Matthew Nichols (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2024

Profit and loss: technical account – general business for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Earned premiums, net of reinsurance			
Gross premiums written	3	**444.1**	404.5
Outward reinsurance premiums		**(136.7)**	(132.8)
Net premiums written		**307.4**	271.7
Change in the gross provision for unearned premiums		**(33.0)**	(30.4)
Change in the provision for unearned premiums, reinsurers' share		**6.3**	3.4
Earned premiums, net of reinsurance		**280.7**	244.7
Allocated investment return transferred from the non-technical account		**14.9**	(7.7)
Total technical income		**295.6**	237.0
Claims incurred, net of reinsurance			
Claims paid:			
- Gross amount		**(187.1)**	(127.7)
- Reinsurers' share		**47.4**	32.4
Net claims paid		**(139.7)**	(95.3)
Change in the provision for claims:			
- Gross amount		**(3.5)**	(84.2)
- Reinsurers' share		**17.4**	62.3
Change in the net provision for claims		**13.9**	(21.9)
Claims incurred, net of reinsurance		**(125.8)**	(117.2)
Member's standard personal expenses		**(10.1)**	(9.7)
Net operating expenses	4,5,6	**(104.0)**	(97.8)
Total technical charges		**(239.9)**	(224.7)
Balance on the technical account for general business		**55.7**	12.3

All operations are continuing.

The notes to the annual accounts and significant accounting policies form part of these annual accounts.

Profit and loss: non-technical account for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Balance on the technical account for general business		**55.7**	12.3
Investment income	7	**10.5**	4.5
Unrealised gains on investments		**5.0**	0.1
Investment expenses and charges	7	**(0.4)**	(1.8)
Unrealised losses on investments		**(0.2)**	(10.5)
Allocated investment return transferred to the general business technical account		**(14.9)**	7.7
Other income/(charges)		**4.2**	(1.8)
Non-technical foreign exchange (loss)/gain		**(1.3)**	1.0
Profit for the financial year		**58.6**	11.5

There is no other comprehensive income. Accordingly, a separate statement of other comprehensive income has not been provided.

The notes to the annual accounts and significant accounting policies form part of these annual accounts.

Balance sheet: assets
as at 31 December 2023

	Note	2023 £m	2022 £m
Investments			
Other financial investments	20	**249.7**	250.8
Deposits with ceding undertakings	20	**0.4**	0.3
		250.1	251.1
Reinsurers' share of technical provisions			
Provision for unearned premiums	9	**53.1**	49.1
Claims outstanding	9,10	**146.2**	135.9
		199.3	185.0
Debtors			
Debtors arising out of direct insurance operations	11	**178.8**	162.5
Debtors arising out of reinsurance operations	12	**276.2**	294.4
Other debtors	13	**4.3**	0.4
		459.3	457.3
Other assets			
Cash at bank and in hand		**3.6**	2.0
Overseas deposits		**36.4**	32.5
		40.0	34.5
Prepayments and accrued income			
Deferred acquisition costs	14	**57.7**	52.3
		57.7	52.3
Total assets		**1,006.4**	980.2

The notes to the annual accounts and significant accounting policies form part of these annual accounts.

Balance sheet: liabilities
as at 31 December 2023

	Note	2023 £m	2022 £m
Capital and reserves			
Member's balances		**30.4**	2.1
Technical provisions			
Provision for unearned premiums	9	**219.7**	195.6
Claims outstanding	9,10	**480.7**	500.0
		700.4	695.6
Deposits received from reinsurers		**0.3**	0.4
Creditors			
Creditors arising out of direct insurance operations	15	**25.5**	20.5
Creditors arising out of reinsurance operations	16	**229.2**	239.8
Other creditors including taxation and social security	17	**0.5**	0.8
		255.2	261.1
Accruals and deferred income			
Reinsurers' share of deferred acquisition costs	14	**14.0**	13.2
Other accruals and deferred income		**6.1**	7.8
		20.1	21.0
Total liabilities		**1,006.4**	980.2

The annual accounts, which comprises the Profit and loss: technical account – general business, Profit and loss: non-technical account, Balance sheet: assets, Balance sheet: liabilities, Statement of changes in member's balances, Statement of cash flows and Notes to the annual accounts and significant accounting policies, were approved by the Board of Tokio Marine Kiln Syndicates Limited on 26 February 2024 and were signed on its behalf by:

R Patel
Chief Financial Officer
Tokio Marine Kiln Syndicates Limited
26 February 2024

The notes to the annual accounts and significant accounting policies form part of these annual accounts.

Statement of changes in member's balances for the year ended 31 December 2023

	2023 £m	2022 £m
Member's balances brought forward at 1 January	**2.1**	(12.2)
Profit for the financial year	**58.6**	11.5
Transfer (to)/from member in respect of underwriting participations	**(30.3)**	2.8
Member's balances carried forward at 31 December	**30.4**	2.1

The member participates on the Syndicate by reference to years of account and ultimate results, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of its membership of a particular year.

The notes to the annual accounts and significant accounting policies form part of these annual accounts.

Statement of cash flows
for the year ended 31 December 2023

	2023 £m	2022 Restated* £m
Cash flows from operating activities:		
Profit for the financial year	**58.6**	11.5
Increase in gross technical provisions	**4.8**	169.4
Increase in reinsurers' share of technical provisions	**(14.3)**	(78.7)
Increase in debtors	**(2.0)**	(70.8)
(Decrease)/increase in creditors	**(5.9)**	39.4
Movement in other assets/liabilities	**(10.3)**	(12.2)
Movement in other trust funds	**(0.1)**	-
Investment return	**(14.9)**	7.7
Foreign exchange	**11.2**	(20.5)
Net cash inflow from operating activities	**27.1**	45.8
Cash flows from investing activities:		
Purchase of equity and debt instruments	**(162.3)**	(139.2)
Sale of equity and debt instruments	**157.0**	71.6
Investment income received	**10.1**	2.7
Net cash inflow/(outflow) from investing activities	**4.8**	(64.9)
Cash flows from financing activities:		
Transfer (to) from member in respect of underwriting participations	**(30.3)**	2.8
Net cash (outflow)/inflow from financing activities	**(30.3)**	2.8
Net increase/(decrease) in cash and cash equivalents	**1.6**	(16.3)
Cash and cash equivalents at beginning of year	**2.0**	17.1
Foreign exchange gains on cash and cash equivalents	**-**	1.2
Cash and cash equivalents at end of year	**3.6**	2.0

*The Statement of cash flows has been restated to reflect an adjustment reallocating foreign exchange gains/losses from the purchase/sale of equity and debt instruments lines to the foreign exchange line in operating activities.

The notes to the annual accounts and significant accounting policies form part of these annual accounts.

Notes to the annual accounts and significant accounting policies

1. Accounting policies

1.1 Statement of compliance

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

These annual accounts are prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

The preparation of annual accounts requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual accounts, are disclosed in note 2.

These annual accounts are presented in pounds sterling, which is the functional currency of the Syndicate. All amounts have been rounded to the nearest hundred thousand pounds, unless otherwise stated.

1.2 New standards and amendments

The Syndicate has applied FRS 102 and FRS 103 as issued in January 2022, which reflect the amendments made since the previous editions were issued in 2018.

FRS 102 is subject to a periodic review at least every five years. In December 2022, the Financial Reporting Council published its periodic review of amendments to FRS 102 (FRED 82). The proposed effective date for these amendments is accounting periods beginning on or after 1 January 2026, with early application permitted (provided all amendments are applied at the same time).

The proposed amendments within FRED 82 are focussed on updating accounting requirements to reflect changes in International Financial Reporting Standards (IFRS), particularly with respect to the following:

- The proposed basis for revenue accounting will align to IFRS 15 Revenue from Contracts with Customers, and a five-step model for revenue recognition, with appropriate simplifications.
- The proposed basis for lease accounting will align to IFRS 16 Leases, and an on-balance-sheet model, with appropriate simplifications.

The Syndicate has not applied any amendments from FRED 82 for the year ended 31 December 2023 and will assess the impact of the publication in future accounting periods.

1.3 Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and is known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating member's 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 annual accounts by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

1.4 Going concern

The Directors consider it appropriate to adopt the going concern basis of accounting in preparing the annual accounts. The following are key factors that the Directors have considered in adopting the going concern basis of accounting:

- Member level solvency: Lloyd's applies capital requirements centrally at member level to ensure that Lloyd's complies with Solvency II requirements, and beyond to meet its own financial strength, licence and ratings objectives.
- A single market rating has been applied to Lloyd's by Standards and Poor's (AA- Very Strong), Fitch (AA- Very Strong), AM Best (A Excellent) and Kroll Bond (AA- Stable).

- Cash flow forecasting and monitoring: Cash flow forecasts for the next 12 months are prepared on a regular basis and reported to Lloyd's on a quarterly basis.
- Syndicate business forecast: The Syndicate business forecast for the 2024 year of account was approved by Lloyd's.
- Reinsurance purchasing: The Syndicate has purchased reinsurance to manage insurance risk and reinsurer credit ratings are assessed at placement, and where credit ratings are not sufficient, collateral is requested to mitigate liquidity risk.

1.5 Summary of accounting policies

The significant accounting policies adopted in the preparation of the annual accounts are set out below. They have been applied consistently to all periods presented in these annual accounts.

a. Product classification

Insurance contracts are defined as those containing significant insurance risk at the inception of the contract, or those where at the inception of the contract there is a scenario with commercial substance where the level of insurance risk may be significant. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

b. Premiums written

Inwards premiums written comprise premiums on contracts incepting during the financial year as well as adjustments made in the year to premiums on contracts incepting in prior accounting periods. Premiums in respect of insurance contracts underwritten under facilities such as binding authorities, lineslips or consortia arrangements are estimated based on information provided by the broker, past underwriting experience and prevailing market conditions. The estimates are updated on a regular basis. It is assumed that the majority of risks incept evenly across the period of the facility; however bespoke writing patterns are used for a small number of facilities. Therefore, only the proportion of risks incepted at the year-end date are reported as written. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums on a risk-by-risk basis, representing the difference between written and signed (premium processed for future settlement) premium, which is held on the balance sheet as an asset.

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

c. Earned premiums

Inwards and outwards earned premium represents the amount of written premium deemed to have been exposed to loss according to defined earnings patterns. The earning patterns are based primarily on time apportionment, with an adjustment for the risk profile of certain classes of business, particularly those exposed to seasonal weather-related events. The provision for unearned premium comprises the proportion of gross premiums written which is estimated to be earned after the balance sheet date.

Reinstatement premiums arise on both inwards and outwards policies when a loss has been incurred on a policy and there is a clause which requires the reinstatement of the policy with the payment of a further premium by the policyholder. They are recognised as written and earned in full at the date of the event giving rise to the reinstatement premium. Outwards reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

d. Claims paid and incurred

Paid claims represent all claims paid during the year and include claims handling expenses.

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

e. Claims provisions and related recoveries

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

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the balance sheet date, including outstanding claims estimated on a case-by-case basis and also the cost of claims IBNR. The estimated cost of claims includes expenses to be incurred in settling claims. All reasonable steps are taken to ensure that appropriate information regarding claims exposures is obtained. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. All claims provisions are reported on an undiscounted basis.

Reinsurance recoveries are accounted for in the same period as the incurred claims for the related business. The reinsurers' share of provisions for claims is based on estimated amounts for gross claims incurred, net of estimated irrecoverable amounts.

f. Provision for unexpired risks

Provision is made for any deficiencies arising when unearned premiums, net of associated acquisition costs, are insufficient to meet expected claims and expenses after taking into account future investment return on the investments supporting the unearned premiums provision. The expected claims are calculated having regard only to events that have occurred prior to the balance sheet date. The need for an unexpired risks provision is assessed on a 'managed together' basis. Unexpired risks surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. The unexpired risks provision is included within other technical provisions.

All reasonable steps are taken to ensure that the appropriate information regarding claims exposures is obtained. The calculation is based upon statistical analyses of historical experience, which assumes that the development pattern of premiums and claims will be similar to past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims. Therefore, given the uncertainty in establishing a provision for unexpired risks, it is likely that the final outcome will prove to be different from the original liability established.

g. Net operating expenses and personal expenses

Net operating expenses comprise the cost of acquiring business including commission, profit commission and reinsurance commission income as well as the staff costs and other expenses attributable to underwriting operations.

Personal expenses comprise managing agent's fee, profit commission, Lloyd's central fund contributions and Lloyd's subscriptions.

Net operating expenses and personal expenses are recognised on the accruals basis and represent the expenses incurred on underwriting operations.

h. Finance costs

Finance costs comprise interest paid and bank charges together with facility fees on letters of credit and are recorded in the period in which they are incurred.

i. Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. Where inwards business is ceded to an outwards proportional reinsurance treaty, an estimate of the relevant proportion of the inwards acquisition costs is calculated and deferred in line with the outwards unearned premium at the balance sheet date.

Deferred acquisition costs, representing the proportion of commission and other acquisition costs that relate to unearned premium on policies in force at the year-end, are charged over the period in which related premiums are earned. Deferred acquisition costs are reviewed by category of business at the end of each reporting period and are written off where they are no longer considered to be recoverable.

j. Foreign currencies

Functional and presentation currency

Items included in the annual accounts are measured using the currency of the primary economic environment in which the Syndicate operates (the functional currency). The annual accounts are presented in pounds sterling which is also the functional currency of the Syndicate.

Transactions and balances

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the dates of the transactions or an appropriate average rate of exchange. At each period end, foreign currency monetary items are translated using the closing rate. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

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

Exchange rates used are as follows:

	2023	2022
Average rate		
US dollar	**1.24**	1.24
Canadian dollar	**1.68**	1.61
Year-end rate		
US dollar	**1.27**	1.20
Canadian dollar	**1.68**	1.63

The distributable result on closing a year of account, usually at 36 months, is calculated using the exchange rates prevailing at the date of closure.

k. Financial investments
The Syndicate has chosen to adopt Sections 11 and 12 of FRS 102 "Basic Financial Instruments" and "Other Financial Instruments Issues", respectively.

Financial instruments are initially recorded at cost, which equates to fair value, and subsequently carried at fair value through profit or loss.

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

- Level 1: the fair value of financial instruments is derived using unadjusted quoted prices in an active market for identical assets or liabilities at the measurement date. These instruments include government bonds and securities using quoted prices in an active market.
- Level 2: the fair value of financial instruments is derived using inputs other than quoted prices included within level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly. These instruments include regularly traded government agency bonds, supranational bonds, corporate bonds, money market and open-ended funds.
- Level 3: financial instruments are derived from inputs that are not observable. Unobservable inputs are used to measure fair value to the extent that relevant observable inputs are not available and may include internal data or models. Assumptions from market participants may be used to formulate the valuation of certain assets and liabilities.

All regular purchases of financial investments are recognised on the trade date, being the date the Syndicate commits to purchase the asset. All regular sales of financial investments are recognised at the earlier of the trade date and maturity date.

A financial asset is derecognised when the contractual right to receive cash flows expires or where they have been transferred and the Syndicate has also substantially transferred all risks and rewards of ownership. A financial liability is derecognised once the obligation under the liability is discharged, cancelled or expires.

l. Derivative financial instruments
Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value are recognised immediately in the profit and loss account. Fair values are obtained from quoted market prices in active markets, including recent market transactions. All derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The best evidence of the fair value of a derivative at initial recognition is the transaction price (i.e. the fair value of the consideration given or received) unless the fair value of that instrument is evidenced by comparison with other observable current market transactions in the same instrument (i.e. without modification or repackaging) or based on a valuation technique whose variables include only data from observable markets.

m. Debtors and creditors arising out of direct and reinsurance operations
Debtors and creditors arising out of direct and reinsurance operations are initially recognised at transaction price and are subsequently carried at the recoverable amount. The carrying value is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. Debtors arising out of direct insurance and reinsurance operations are stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management.

n. Other debtors and creditors
Any other debtors and creditors are recognised initially at transaction price and subsequently carried at the recoverable amount. The carrying value of other debtors is reviewed for impairment whenever events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the profit and loss account. All other debtors and creditors are due within one year, unless otherwise stated.

o. Cash and cash equivalents
Cash and cash equivalents consist of cash at bank and in hand only.

Cash at bank and in hand include cash in hand, deposits held at call with banks and other short-term highly liquid investments with original maturities of 24 hours or less. Bank overdrafts, when applicable, are shown within borrowings in current liabilities. These are measured at cost less any allowance for impairment.

p. Overseas deposits
Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. These are initially recorded at cost, which equates to fair value, and subsequently carried at fair value through profit or loss.

q. Investment return
Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment management expenses, including interest. Realised gains and losses on investments carried at fair value through profit or loss are calculated as the difference between sale proceeds and the fair value at the previous balance sheet date, or purchase price if acquired during the year. Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and the fair value at the previous balance sheet date, or purchase price if acquired during the year.

Investment return on general business is initially recorded in the profit and loss non-technical account. A transfer is made from the non-technical account to the technical account. Investment return has been wholly allocated to the profit and loss technical account as all investments relate to the technical account.

r. Investment yield
The calendar year investment yield is calculated as the ratio of 'aggregate investment return' to 'average funds available', expressed as a percentage. Aggregate investment return is the total amount of net appreciation/losses, investment income and accrued interest received during the year, after deducting investment management costs but before deducting tax. Average funds available is the average value of all investments (including accrued interest), deposits and surplus cash at the beginning of the year and at each quarter-end revalued at market prices.

s. Taxation
Under Schedule 19 of the Finance Act 1993 the Syndicate does not pay UK taxation, its profits being allocated and assessed to tax on its member in direct proportion to their capacity.

The Syndicate pays various overseas direct and premium based taxes, the majority of which are allocable to its member in direct proportion to their capacity and which can be claimed by the member either as double tax relief or as an expense against tax liabilities.

t. Pension costs
TMK operates a defined contribution scheme. A defined contribution plan is a pension plan under which a fixed contribution is paid into a separate entity. Once the contributions have been paid TMK has no further payment obligations. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses.

u. Profit commission
Profit commission is charged by the managing agent at a rate of 12.5% of profit subject to the operation of a two-year deficit clause. The Syndicate's profit commission is calculated after the deduction of a 5% divisional profit share, again subject to the operation of a divisional two-year deficit clause. Final settlement to the managing agent is made when the year of account closes; normally at 36 months. Divisional profit share does not become payable until after the appropriate year of account closes; normally at 36 months. Profit commission and divisional profit share are both estimated on an ultimate basis for each year of account and accrued by the Syndicate on a straight-line basis to the extent it is probable (more likely than not) that the Syndicate will be required to transfer economic benefits in settlement.

v. Provisions
A provision is recognised when the Syndicate has a present legal or constructive obligation, as a result of a past event, that is expected to result in an outflow of resources. A provision is recognised when a reliable estimate of the amount of the obligation can be made.

w. Current and non-current disclosure
For each asset and liability line item that combines amounts expected to be recovered or settled (a) no more than 12 months after the year-end date and (b) more than 12 months after the year-end date, the relevant note discloses the amount expected to be recovered or settled after more than 12 months.

x. Contingencies
Contingent liabilities arise as a result of past events when either it is not probable that there will be an outflow of resources or that the amount cannot be reliably measured at the reporting date or when the existence will be confirmed by the occurrence or non-occurrence of uncertain future events not wholly within the Syndicate's control. Contingent liabilities are disclosed in the annual accounts unless the probability of an outflow of resources is remote.

y. Offsetting of financial instruments
Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

z. Other income and charges
Other income and other charges include investment return on withheld premium.

2. Use of critical accounting estimates and judgements in applying accounting policies

The preparation of the annual accounts requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the annual accounts are those listed below.

<table>
<tr><td>Incurred but not reported claims (IBNR)</td><td>The estimation of claims IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:
• changes in processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
• changes in the legal environment;
• the effects of inflation;
• changes in the mix of business;
• the impact of large losses; and
• movements in industry benchmarks.

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

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

Where possible, multiple techniques are adopted in order to estimate the required level of provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each accident year. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.</td></tr>
</table>

	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, the 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 report and accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having due regard to collectability. An estimate of the future cost of indirect claims handling is calculated as a percentage of the claims reserves held at the balance sheet date. **Property & Motor, Special Risks, Cyber & Enterprise Risk, Portfolio Solutions and Reinsurance business** These business areas are predominantly 'short tail', as there is not a significant delay between the occurrence of the claim and the claim being reported, with the exception of the liability risks written in the Cyber & Enterprise Risk and Property & Motor divisions. For short tail risks, the costs of claims notified to the Syndicate at the year-end date are estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications. For liability risks, claims may not become apparent for many years after the event giving rise to the claim has happened, and there will typically be greater variation between initial estimates and final outcomes compared with other classes. **Marine & Energy, Liability and Aviation business** These business areas have a mix of hull and cargo risks that are short tail in nature, and liability risks which are longer tail. The methodology uses a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. The assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. This class of business is also potentially subject to the emergence of new types of latent claims but no specific allowance is included for this as at the year-end date. **COVID-19** The Directors are aware of the heightened estimation uncertainty in reserving for estimated losses arising from COVID-19 due to the unique nature of the loss. Management have a robust reserving approach which supports the held reserves at the year-end date. **Russian invasion of Ukraine** The Syndicate has potential losses due to the Russian invasion of Ukraine, stemming from its Political Risks, Political Violence, Contract Frustration, Marine Excess of Loss and Aviation classes. There remains significant uncertainty as to how these events will develop, particularly surrounding Aviation exposures, but management's robust reserving approach supports the held reserves at the year-end date.
Written premium & Pipeline premium	Written premium is reported according to management estimation of when premium will be written. An estimate of premiums written during the year that have not yet been notified by the financial year-end (pipeline premium) is made on a risk-by-risk basis. The pipeline premium is booked as written and an assessment is made of the related unearned premium provision and an estimate of claims incurred but not reported in respect of the earned element. Pipeline premium of £159.4 (2022: £158.8m) was recognised as an asset on the balance sheet at 31 December 2023. For delegated authority business, the underwriters estimate how much business will attach to a facility based on information provided by the broker, using the underwriters' experience with reference to the trading conditions of the market. This estimate is updated on a regular basis. It is assumed that risks attaching to the master facility incept evenly across the period of the facility and therefore only the proportion of risks which have incepted to the master facility by the year-end date are reported within written premium in these report and accounts.

Earned premium	Earned premium is estimated based on assumptions of how each risk is earned according to its method of placement and class of business. Each risk falling within a class of business is earned according to the estimated pattern applying to that class of business, which takes into account the class characteristics including exposure to seasonal weather-related events. This approach is applied consistently year-on-year. The earning of premiums is based primarily on time apportionment, with an adjustment for the risk profile of certain classes of business particularly those exposed to seasonal weather-related events.
Provision for unexpired risks	All reasonable steps are taken to ensure that the appropriate information regarding claims exposures is obtained. The calculation is based upon statistical analyses of historical experience, which assumes that the development pattern of premium and claims will be similar to past experience. However, given the uncertainty in establishing a provision for unexpired risks, it is likely that the final outcome will prove to be different from the original liability established.
Reinsurance recoverable	Reinsurance is deemed to be fully recoverable unless there is reason to doubt to its recoverability. In these circumstances specific provisions are made based on the expected proportional recovery and the credit risk profile of the counterparties.
Financial investments	Financial investments are carried in the balance sheet at fair value. Market valuations of funds are obtained from fund administrators. The fair value of Level 3 financial instruments are those where no active market exists or where quoted prices are not otherwise available is determined by using valuation techniques. To the extent that valuations are based on models or inputs that are unobservable in the market, the determination of fair value requires more judgement and accordingly, those instruments will require a greater degree of judgement to be exercised during valuation.

3. Segmental analysis

An analysis of the result before investment return and profit or loss on exchange is set out below:

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Result
	£m	£m	£m	£m	£m	£m
2023						
Fire and other damage to property	**234.3**	**217.2**	**(95.5)**	**(71.7)**	**(25.5)**	**24.5**
Third party liability	**83.1**	**74.3**	**(33.9)**	**(30.8)**	**(8.0)**	**1.6**
Marine, aviation and transport	**47.2**	**41.7**	**(39.3)**	**(18.7)**	**4.2**	**(12.1)**
Reinsurance accepted	**38.7**	**36.1**	**(4.1)**	**(4.0)**	**(2.3)**	**25.7**
Credit and suretyship	**21.3**	**21.9**	**(7.2)**	**(12.1)**	**(0.7)**	**1.9**
Motor (Other)	**9.9**	**10.3**	**(5.8)**	**(4.4)**	**0.1**	**0.2**
Accident and health	**9.5**	**9.5**	**(4.8)**	**(4.9)**	**(0.4)**	**(0.6)**
Other	**0.1**	**0.1**	**-**	**(0.4)**	**(0.1)**	**(0.4)**
	444.1	**411.1**	**(190.6)**	**(147.0)**	**(32.7)**	**40.8**
2022						
Fire and other damage to property	202.9	194.8	(87.7)	(68.3)	(13.1)	25.7
Third party liability	68.0	58.4	(29.8)	(25.1)	(4.6)	(1.1)
Marine, aviation and transport	34.2	30.3	(46.5)	(13.9)	12.6	(17.5)
Reinsurance accepted	53.1	50.6	(21.6)	(8.9)	1.0	21.1
Credit and suretyship	26.2	23.0	(16.6)	(12.2)	(0.6)	(6.4)
Motor (Other)	11.0	8.2	(4.5)	(3.9)	-	(0.2)
Accident and health	8.9	8.7	(5.0)	(4.4)	(0.4)	(1.1)
Other	0.2	0.1	(0.1)	(0.5)	-	(0.5)
	404.5	374.1	(211.8)	(137.2)	(5.1)	20.0

The total commission payable on direct business was £110.1 million (2022: £100.4 million). All business was concluded in the UK.

The geographical analysis of gross premium written is below.

	2023 £m	2022 £m
United Kingdom	**50.8**	37.3
European Union	**34.5**	16.4
United States of America	**199.9**	186.1
Canada	**79.9**	72.1
Other	**79.0**	92.6
	444.1	404.5

4. Net operating expenses

	2023 £m	2022 £m
Acquisition costs	**117.6**	109.0
Change in deferred acquisition costs	**(7.6)**	(6.8)
Administrative expenses	**26.9**	25.2
Reinsurance commissions and profit participations	**(32.9)**	(29.6)
	104.0	97.8

Auditors' remuneration

	2023 £m	2022 £m
Fees payable to the Syndicate's auditors for the audit of the Syndicate annual accounts	**0.2**	0.2
Other services pursuant to legislation	**0.1**	0.1
All other services	**0.1**	0.1
	0.4	0.4

The charge incurred for other services pursuant to legislation relates to the audit and review of the Syndicate's regulatory returns. The charge incurred for all other services in 2023 relates to the provision of a statement of actuarial opinion on the reserves.

Audit fees are billed combined for the TMK Group and the Syndicate and are paid by a fellow subsidiary of TMKGL. A recharge of audit fees is made to the Syndicate.

5. Staff costs

The Syndicate and its managing agent have no employees. Staff are employed by Tokio Marine Kiln Insurance Services Limited (TMKIS). The following amounts were recharged to the Syndicate in respect of salary costs and are included within administrative expenses:

	2023 £m	2022 £m
Wages and salaries	**11.8**	11.2
Social security costs and other pension costs	**1.8**	1.7
	13.6	12.9

6. Emoluments of the Directors and active underwriters

The Directors of TMKS received the following aggregate remuneration in relation to their work on the Syndicate:

	2023 £m	2022 £m
Emoluments	**0.6**	0.5

Of the above amount, £0.2 million (2022: £0.2 million) was charged to the Syndicate as an expense, with the remainder borne by other group entities.

The active underwriter received the following remuneration charged as a syndicate expense:

	2023 £m	2022 £m
Emoluments	**0.1**	0.1

7. Investment return

	2023 £m	2022 £m
Investment income:		
Income from other financial investments	**9.4**	4.5
Realised gains on investments	**1.1**	-
	10.5	4.5
Investment expenses and charges:		
Investment management expenses	**(0.1)**	(0.1)
Realised losses on investments	**(0.3)**	(1.7)
	(0.4)	(1.8)

8. Calendar year investment yield

	2023 £m	2022 £m
Average amount of syndicate funds during the year		
Sterling fund	**27.3**	28.8
US dollar fund	**168.9**	163.7
Canadian dollar fund	**81.2**	63.7
Aggregate gross investment return		
Before investment expenses	**15.0**	(7.6)
After investment expenses	**14.9**	(7.7)
Calendar year investment yield	**%**	%
Before investment expenses	**5.4**	(3.0)
After investment expenses	**5.4**	(3.0)
Analysis of calendar year investment yield by fund	**%**	%
Sterling fund	**3.4**	0.3
US dollar fund	**5.7**	(4.3)
Canadian dollar fund	**5.4**	(1.1)

The sterling fund balance includes investments held in all currencies other than US dollars and Canadian dollars.

9. Reconciliation of insurance balances

The reconciliation of the opening and closing provision for unearned premiums is as follows:

	Gross £m	Reinsurance £m	Net £m
2023			
At 1 January	**195.6**	**(49.1)**	**146.5**
Premiums written in the year	**444.1**	**(136.7)**	**307.4**
Premiums earned during the year	**(411.1)**	**130.4**	**(280.7)**
Foreign exchange adjustments	**(8.9)**	**2.3**	**(6.6)**
At 31 December	**219.7**	**(53.1)**	**166.6**
2022			
At 1 January	150.7	(41.6)	109.1
Premiums written in the year	404.5	(132.8)	271.7
Premiums earned during the year	(374.1)	129.4	(244.7)
Foreign exchange adjustments	14.5	(4.1)	10.4
At 31 December	195.6	(49.1)	146.5

Claims outstanding is analysed as follows:

	Gross £m	Reinsurance £m	Net £m
2023			
Notified outstanding claims	**168.4**	**(49.9)**	**118.5**
Provision for claims incurred but not reported	**309.9**	**(96.3)**	**213.6**
Claims handling expenses	**2.4**	**-**	**2.4**
	480.7	**(146.2)**	**334.5**
2022			
Notified outstanding claims	183.6	(40.9)	142.7
Provision for claims incurred but not reported	314.0	(95.0)	219.0
Claims handling expenses	2.4	-	2.4
	500.0	(135.9)	364.1

The reconciliation of the opening and closing provision for claims outstanding is as follows:

	Gross £m	Reinsurance £m	Net £m
2023			
At 1 January	**500.0**	**(135.9)**	**364.1**
Claims incurred during the year	**190.6**	**(64.8)**	**125.8**
Claims paid during the year	**(187.1)**	**47.4**	**(139.7)**
Foreign exchange adjustments	**(22.8)**	**7.1**	**(15.7)**
At 31 December	**480.7**	**(146.2)**	**334.5**
2022			
At 1 January	375.5	(64.7)	310.8
Claims incurred during the year	211.8	(94.7)	117.1
Claims paid during the year	(127.6)	32.3	(95.3)
Foreign exchange adjustments	40.3	(8.8)	31.5
At 31 December	500.0	(135.9)	364.1

10. Claims development

Within the calendar year technical result, a deficit of £2.0 million (2022: surplus of £30.8m) relates to the reassessment of net claims incurred for previous accident years.

The following table shows the development of gross and net claims incurred including IBNR and the claims handling provision over the last ten years. The claims development tables are prepared on an underwriting year of account basis, and therefore reflect the pattern of earned premium and risk exposure over a number of years. All figures are shown converted at current year-end rates.

	End of first year	One year later	Two years later	Three years later	Four years later	Five years later	Six years later	Seven years later	Eight years later	Nine years later	Claims Paid
Year of Account	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
Gross of reinsurance											
2014	58.0	96.0	92.3	95.7	94.0	97.2	95.7	94.9	91.4	91.5	(88.1)
2015	50.2	89.0	93.1	96.3	99.5	93.3	93.3	93.4	102.5		(83.7)
2016	80.4	143.8	151.9	151.9	145.6	142.9	142.5	139.7			(131.9)
2017	113.1	177.7	194.9	196.2	195.3	193.6	190.5				(173.3)
2018	95.9	181.5	195.8	183.3	180.8	185.8					(161.3)
2019	95.7	206.1	196.2	187.4	180.4						(149.9)
2020	93.4	146.6	146.5	144.0							(103.0)
2021	96.7	205.5	224.7								(97.9)
2022	120.4	209.3									(80.1)
2023	81.8										(7.5)
Net of reinsurance											
2014	57.3	94.3	89.1	92.4	88.9	91.9	90.3	89.8	86.4	86.8	(84.9)
2015	48.7	85.8	86.8	88.8	90.0	85.0	85.2	85.7	91.7		(78.5)
2016	73.9	125.0	123.7	123.9	118.9	116.1	114.9	113.3			(108.2)
2017	93.8	156.4	171.8	173.0	170.3	167.3	165.0				(149.3)
2018	80.0	152.8	165.7	152.8	147.6	150.6					(130.1)
2019	92.1	199.0	189.7	179.4	171.5						(144.2)
2020	88.1	131.7	124.5	121.7							(91.9)
2021	59.5	133.6	141.0								(62.6)
2022	74.4	136.3									(53.3)
2023	60.7										(5.4)

	Gross £m	Reinsurance £m	Net £m
Estimated balance to pay	**473.5**	**(143.3)**	**330.2**
2013 and prior	**7.2**	**(2.9)**	**4.3**
Outstanding claims reserve	**480.7**	**(146.2)**	**334.5**

11. Debtors arising out of direct insurance operations

	2023 £m	2022 £m
Amounts due from intermediaries within one year	**173.9**	157.7
Amounts due from intermediaries after one year	**4.9**	4.8
	178.8	162.5

12. Debtors arising out of reinsurance operations

	2023 £m	2022 £m
Amounts due from intermediaries within one year	**236.4**	263.3
Amounts due from intermediaries after one year	**26.2**	20.6
Gross reinsurance recoverable on paid claims within one year	**13.6**	10.5
	276.2	294.4

13. Other debtors

The following balances are included within other debtors:

	2023 £m	2022 £m
Overseas tax	**0.1**	-
Amounts due from group undertakings	**4.2**	0.4
	4.3	0.4

14. Reconciliation of deferred acquisition costs

The reconciliation of the opening and closing deferred acquisition costs is as follows:

	Gross £m	**Reinsurance £m**	**Net £m**
2023			
At 1 January	**52.3**	**(13.2)**	**39.1**
Cost deferred during the year	**117.6**	**(34.2)**	**83.4**
Charge for the year	**(110.0)**	**32.9**	**(77.1)**
Foreign exchange adjustments	**(2.2)**	**0.5**	**(1.7)**
At 31 December	**57.7**	**(14.0)**	**43.7**
2022			
At 1 January	41.7	(11.8)	29.9
Cost deferred during the year	109.0	(29.9)	79.1
Charge for the year	(102.2)	29.6	(72.6)
Foreign exchange adjustments	3.8	(1.1)	2.7
At 31 December	52.3	(13.2)	39.1

15. Creditors arising out of direct insurance operations

	2023 £m	2022 £m
Amounts due to intermediaries within one year	**24.2**	19.3
Amounts due to intermediaries after one year	**1.3**	1.2
	25.5	20.5

16. Creditors arising out of reinsurance operations

	2023 £m	2022 £m
Amounts due to intermediaries within one year	**228.2**	235.5
Amounts due to intermediaries after one year	**1.0**	4.3
	229.2	239.8

17. Other creditors including taxation and social security

The following balances are included within other creditors:

	2023 £m	2022 £m
Amounts owed to group undertakings	**0.4**	0.3
Sundry creditors	**0.1**	0.5
	0.5	0.8

18. Off-balance sheet items

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

19. Related parties

	From/to related parties £m	Service companies £m	TMKS/ TMKIS £m
2023			
Profit and loss			
Gross premiums written	**15.5**	**28.1**	-
Outward reinsurance premiums	**(69.4)**	-	-
Claims paid: gross amount	**(6.2)**	**(55.1)**	-
Claims paid: reinsurer's share	**17.9**	-	-
Member's standard personal expenses (managing agent's fee)	-	-	**(3.1)**
Net operating expenses (profit commission)[1]	-	-	**(5.1)**
Net operating expenses (expenses)	-	-	**(20.4)**
Balance sheet			
Reinsurers' share of technical provisions: claims outstanding[2]	**31.3**	-	-
Technical provisions: claims outstanding[2]	**(3.5)**	**(49.7)**	-
2022			
Profit and loss			
Gross premiums written	17.3	42.4	-
Outward reinsurance premiums	(61.1)	-	-
Claims paid: gross amount	(5.9)	(55.2)	-
Claims paid: reinsurer's share	12.5	-	-
Member's standard personal expenses (managing agent's fee)	-	-	(2.6)
Net operating expenses (profit commission)[1]	-	-	(6.5)
Net operating expenses (expenses)	-	-	(17.0)
Balance sheet			
Reinsurers' share of technical provisions: claims outstanding[2]	28.8	-	-
Technical provisions: claims outstanding[2]	(3.7)	(67.3)	-

[1]Including divisional profit share
[2] Notified claims

From/to related parties
The Syndicate accepted inwards reinsurance business from, and placed outwards reinsurance with, other Tokio Marine Group entities, including Syndicate 510, that are deemed to be related parties of TMKS by virtue of the shareholding in TMKGL, the parent of TMKS, by Tokio Marine Holdings, Inc. All transactions between these entities were conducted at arm's length and on normal commercial terms.

Service companies
The Syndicate received business through Tokio Marine Kiln Singapore Pte Limited (100% owned) whose investment is held ultimately by the managing agent.

The Syndicate also received business through Tokio Marine Highland Insurance Services, Inc. (formerly WNC Insurance Services, Inc), whose parent WNC Holding Company, LP is 100% owned within the TMK Group.

TMKS
Profit commission is estimated on an ultimate basis for each year of account and accrued by the Syndicate on a straight-line basis to the extent it is probable (more likely than not) that the Syndicate will be required to transfer economic benefits, final settlement to the managing agent is paid when the year of account is closed after three years.

Managing agent's fees were paid by the Syndicate to Tokio Marine Kiln Syndicates Limited.

TMKIS
Expenses were paid to TMKIS (a fellow subsidiary of TMKGL) for expenses paid on behalf of the Syndicate.

20. Risk management
Details of the Syndicate's risk management framework are given in the Report of the Directors of the managing agent.

(a) Insurance risk
Earned premium sensitivity analysis
The following table gives an indication of the impact on gross earned premium and member's balances of a one percent increase and decrease in earned premium on each year of account. Impact on member's balance has been calculated by applying the underlying attritional loss ratio.

Increase/(decrease)	**2023 £m**	2022 £m
Impact of 1% increase on gross earned premium	**6.0**	4.4
Impact of 1% increase on member's balances	**1.5**	1.5
Impact of 1% decrease on gross earned premium	**(6.0)**	(4.4)
Impact of 1% decrease on member's balances	**(1.5)**	(1.5)

Claims sensitivity analysis
The following table gives an indication of the impact on member's balances of a one percent increase and decrease in loss ratio.

(Decrease)/increase in member's balances	**2023 £m**	2022 £m
Impact of 1% increase in loss ratio	**(4.0)**	(3.7)
Impact of 1% decrease in loss ratio	**4.0**	3.7

(b) Financial risk
The Syndicate is exposed to a range of financial risks through its financial assets and financial liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are credit risk, liquidity risk and market risk (including interest rate risk and currency risk).

These risks arise from open positions in interest rate and currency products, all of which are exposed to general and specific market movements. The risks that the Syndicate primarily faces due to the nature of its investment and liabilities are interest rate risk and currency risk.

Credit risk
For details of the management of the Syndicate's credit risk please refer to Report of the Directors of the managing agent.

The following table provides information regarding credit risk exposures of the Syndicate by classifying assets according to the Standard & Poor's credit rating of the counterparties. Where a security has no credit rating, the rating of the issuer is used. During the year there were no material breaches in exposure limits.

	AAA	AA	A	BBB and below	Total
	£m	£m	m	£m	£m
2023					
Financial investments:					
-Shares and other variable yield securities	**5.7**	**-**	**5.1**	**13.1**	**23.9**
-Debt securities and other fixed income securities	**53.7**	**82.9**	**68.3**	**20.9**	**225.8**
-Deposits with ceding undertakings	**-**	**-**	**0.4**	**-**	**0.4**
Overseas deposits	**17.4**	**4.2**	**3.0**	**11.8**	**36.4**
Cash at bank and in hand	**-**	**-**	**3.6**	**-**	**3.6**
Reinsurers' share of technical provisions	**6.4**	**36.8**	**90.3**	**12.7**	**146.2**
Reinsurance recoverable on paid claims	**2.5**	**1.7**	**5.7**	**1.4**	**11.3**
	85.7	**125.6**	**176.4**	**59.9**	**447.6**
2022					
Financial investments:					
-Shares and other variable yield securities	27.9	-	5.1	28.3	61.3
-Debt securities and other fixed income securities	29.6	71.7	67.8	20.4	189.5
-Deposits with ceding undertakings	-	-	0.3	-	0.3
Overseas deposits	11.8	4.0	2.8	13.9	32.5
Cash at bank and in hand	-	-	2.0	-	2.0
Reinsurers' share of technical provisions	7.1	37.8	82.9	8.1	135.9
Reinsurance recoverable on paid claims	0.4	1.3	4.9	0.9	7.5
	76.8	114.8	165.8	71.6	429.0

In respect of the reinsurers' share of claims, there are collateralised agreements with reinsurers including insurance-linked securities (ILS) arrangements, which comprise letter of credits and trust accounts totalling US $55.8 million (2022: US $107.9 million).

The largest potential reinsurer credit exposure to the Syndicate at 31 December 2023 was £40.5 million with Tokio Marine & Nichido Fire Insurance Co., Ltd., an 'A+ Stable' Standard and Poor's (S&P) rated security (2022: £30.0 million with Tokio Marine & Nichido Fire Insurance Co., Ltd.). The Outwards Reinsurance team review the level of this exposure and take appropriate action where necessary, including obtaining a letter of credit from reinsurers, related parties included.

An aged analysis of financial assets past-due is shown below.

	Fully performing £m	Past due but not impaired £m	Impairment £m	Total £m
2023				
Financial investments:				
-Shares and other variable yield securities	**23.9**	**-**	**-**	**23.9**
-Debt securities and other fixed income securities	**225.8**	**-**	**-**	**225.8**
-Deposits with ceding undertakings	**0.4**	**-**	**-**	**0.4**
Overseas deposits	**36.4**	**-**	**-**	**36.4**
Cash at bank and in hand	**3.6**	**-**	**-**	**3.6**
Reinsurers' share of technical provisions	**146.2**	**-**	**-**	**146.2**
Reinsurance recoverable on paid claims	**11.3**	**2.3**	**-**	**13.6**
Insurance debtors	**140.4**	**38.4**	**-**	**178.8**
	588.0	**40.7**	**-**	**628.7**
2022				
Financial investments:				
-Shares and other variable yield securities	61.3	-	-	61.3
-Debt securities and other fixed income securities	189.5	-	-	189.5
-Deposits with ceding undertakings	0.3	-	-	0.3
Overseas deposits	32.5	-	-	32.5
Cash at bank and in hand	2.0	-	-	2.0
Reinsurers' share of technical provisions	135.9	-	-	135.9
Reinsurance recoverable on paid claims	7.6	2.9	-	10.5
Insurance debtors	156.7	5.8	-	162.5
	585.8	8.7	-	594.5

For assets to be classified as past-due the contractual payments are in arrears by more than 30 days. An impairment adjustment is recorded in the Profit and loss: non-technical account for assets impaired. The Syndicate operates mainly on a 'neither past-due nor impaired basis' and when evidence is available, sufficient collateral will be obtained for 'past-due and impaired' assets. An impairment assessment will also be performed if applicable.

Liquidity risk

For details of the management of the Syndicate's liquidity risks please refer to the Report of the Directors of the managing agent.

The Syndicate writes a significant proportion of US Situs and Canadian business which requires the deposit of appropriate monies in specific trust funds. Some of these trust funds are regulated, requiring quarterly assessment of the adequacy of funding. Surplus funds or additional funding requirements are settled each quarter between the regulated and non-regulated trust funds. In exceptional circumstances, and with approval from Lloyd's, inter-fund settlement can take place outside the quarterly process. As at 31 December 2023, the balances held in the regulated US Situs and Canadian trust funds were US $143.1 million (2022: US $149.1 million) and Canadian $130.9 million (2022: Canadian $96.0 million) respectively.

The following table analyses the financial liabilities and claims outstanding into their relevant maturity groups based on the remaining period at the year-end date to their contractual maturities or expected settlement dates. The projected settlement of claims outstanding is modelled using actuarial techniques. These estimates assume that future claims settlement patterns will be broadly similar to those experienced in the past.

	Up to 1 year £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
2023					
Deposits received from reinsurers	**0.3**	-	-	-	**0.3**
Creditors	**252.9**	**2.3**	**-**	**-**	**255.2**
Technical provisions: claims outstanding	**178.8**	**163.6**	**69.2**	**69.1**	**480.7**
Financial liabilities and claims outstanding	**432.0**	**165.9**	**69.2**	**69.1**	**736.2**
2022					
Deposits received from reinsurers	0.4	-	-	-	0.4
Creditors	255.6	5.5	-	-	261.1
Technical provisions: claims outstanding	189.7	169.7	70.0	70.6	500.0
Financial liabilities and claims outstanding	445.7	175.2	70.0	70.6	761.5

Foreign currency market risk

For further details of the management of the Syndicate's market risk please refer to the report of the Directors of the managing agent.

The Syndicate maintains bank accounts, investment portfolios and claims reserves in pounds sterling, US dollars and Canadian dollars (the Lloyd's closing currencies). Additionally, bank accounts are maintained in Euros. Transactions arising in other currencies are translated to the Lloyd's closing currencies as they occur. Certain other currencies are held for regulatory purposes. The majority of the Syndicate's financial assets are denominated in the same currencies as its insurance liabilities and thus the developing profit or loss that remains embedded within the Syndicate gives rise to the main currency exposure. The profit or loss is distributed, or settled, in accordance with Lloyd's rules using a combination of pounds sterling and US dollars after deduction of the member level charges.

Investment strategy is recommended and agreed by the Investment Committee. The Syndicate currency exposure and future cash flows are monitored and shortfalls addressed by foreign currency transactions, hedges or cash calls on the member.

A substantial proportion of the Syndicate's business is written in currencies other than pounds sterling, in particular US dollars. The Syndicate's business is therefore exposed to changes in exchange rates and there is no assurance that foreign currency risk mitigation initiatives undertaken by the Syndicate will be successful in preventing any losses due to such changes.

The use of financial derivatives is governed by the Syndicate's policies approved by the Investment Committee, which provides written principles on the use of financial derivatives.

Exchange rate sensitivity analysis

The analysis below is performed for possible movements in key variables, with all other variables held constant, showing the impact on the result and net assets. The correlation of variables will have a significant effect in determining the ultimate impact. However, to isolate and demonstrate the effect due to changes in variables, each variable has been changed on an individual basis.

The following table gives an indication of the impact on the result and net assets or liabilities of a ten percent change in the relative strength of the pound sterling against the value of the US dollar and Canadian dollar, excluding the effects of hedges.

	2023 £m	2022 £m
Sterling strengthens 10% against US dollar	**(3.0)**	(0.8)
Sterling strengthens 10% against Canadian dollar	**(2.7)**	(1.4)
Sterling weakens 10% against US dollar	**3.0**	0.8
Sterling weakens 10% against Canadian dollar	**2.7**	1.4

Interest rate market risk
For further details of the management of the Syndicate's market risk please refer to the Report of the Directors of the managing agent.

The Syndicate holds investments in its balance sheet and the performance of its investment portfolio may have an effect on the result. The income derived by the Syndicate from its investments, and the capital value of its investments, may fall as well as rise. Therefore, changes in interest rates, credit ratings and other economic variables could substantially affect the Syndicate's profitability.

The use of financial derivatives is governed by the Syndicate's policies approved by the Investment Committee, which provides written principles on the use of financial derivatives. More information is available in part (c) of this note.

Interest rate sensitivity analysis
The analysis below is performed for possible movements in key variables with all other variables held constant, showing the impact on the result. The correlation of variables will have a significant effect in determining the ultimate impact. It should be noted that movements in these variables are linear.

The table below shows the estimated impact on the result and net assets or liabilities of a 50-basis point movement in interest rates on the market value of the Syndicate's investments.

	2023 £m	2022 £m
Impact of 50 basis point increase on result	**(3.0)**	(2.5)
Impact of 50 basis point decrease on result	**3.0**	2.5
Impact of 50 basis point increase on net assets	**(3.0)**	(2.5)
Impact of 50 basis point decrease on net assets	**3.0**	2.5

Capital management
Disclosures on capital management can be found in the Report of the Directors of the managing agent.

(c) Fair value estimation
Financial instruments that are fair valued through profit or loss are classified using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

- Level 1 financial instruments comprise government bonds and securities which have been valued at fair value using quoted prices in an active market.
- Level 2 financial instruments are less regularly traded government agency bonds, supranational bonds, corporate bonds, money market and open-ended funds. These fair values have been derived from market observable inputs.
- The fair value for level 3 financial instruments is derived from inputs that are not observable. Level 3 securities include securitised instruments, the fair value of which are based on broker quotes and a pricing vendor model. Loans to the Lloyd's Central Fund are held at par value of £5.1 million (2022: £5.1 million) as a proxy for fair value.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Historical Cost £m
2023					
Other financial investments:					
-Shares and other variable yield securities	**-**	**18.8**	**5.1**	**23.9**	**24.0**
-Debt securities and other fixed income securities	**41.4**	**184.4**	**-**	**225.8**	**219.0**
Overseas deposits	**25.9**	**10.5**	**-**	**36.4**	**36.4**
	67.3	**213.7**	**5.1**	**286.1**	**279.4**
2022					
Other financial investments:					
-Shares and other variable yield securities	-	56.2	5.1	61.3	61.3
-Debt securities and other fixed income securities	17.6	171.9	-	189.5	198.9
Overseas deposits	22.8	9.7	-	32.5	32.5
	40.4	237.8	5.1	283.3	292.7

The Syndicate manages the foreign exchange risk posed by writing insurance policies in certain regions by using forward currency contracts. The total notional value at 31 December 2023 of these forward currency derivative – liabilities was £3.7m (2022: nil).

21. Post balance sheet events

There are no post balance sheet events to report.