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# Aspen Managing Agency Limited

# Syndicate 4711

# Report and accounts

# For the year ended
# 31 December 2022

# Contents

# Directors and Advisors

**Managing Agent**
Aspen Managing Agency Limited

**Directors**
T Froehlich (Chair)
S Liddell
P Shaw
N Waller
M Duffy
R Milner
C Jones
R Moorehead-Lane
S Stanford

**Company secretary**
N Burdett

**Managing Agent's registered office**
30 Fenchurch Street,
London, EC3M 3BD
United Kingdom

**Managing Agent's registered number**
06459521

***Syndicate:***
4711

**Active underwriter**
S Stanford

**Bankers**
Citibank N.A.
RBC Dexia
Deutsche Bank

**Investment managers**
BlackRock Incorporated

**Registered Auditor**
Ernst & Young LLP
25 Churchill Place
Canary Wharf
London
E14 5EY

# Report of the Directors of the Managing Agent

The Directors of the Managing Agent present their report in respect of Syndicate 4711 ("the Syndicate") for the year ended 31 December 2022.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103').

**Strategic Report**

The result for the year ended 31 December 2022 is a profit of £35.1m (31 December 2021: loss £34.3m) with a total recognised gain of £28.7m (31 December 2021: loss of £35.0m) and is set out in the Profit and Loss account and Statement of Other Comprehensive Income on pages 18 and 19 respectively. An overview of the 2022 performance is shown on page 6.

The Managing Agent is a subsidiary of Aspen Insurance Holdings Limited ("AIHL") a company registered in Bermuda. AIHL is the parent company of the Aspen Group. Copies of the consolidated financial statements may be obtained from the registered office at 141 Front Street, Hamilton, Bermuda HM19.

**Overview of the business**

The principal activity of the Syndicate is the transaction of general insurance and reinsurance business at Lloyd’s. In 2022 there was an increase in the premium written by the syndicate due to a transfer of business from another Group subsidiary, Aspen Insurance UK Ltd ("AIUK"), as the syndicate became Aspen Group’s primary platform for insurance and reinsurance business in the UK. This transfer of business for policies in AIUK incepting between 1 January and 30 June followed a similar transfer in 2021 for policies incepting 1 July to 31 December. A description of the Syndicate’s business is as follows:

**Insurance**

<u>Specialty</u>:

- Crisis Management: the portfolio is comprised of five main product lines Terrorism & Political Violence, Kidnap & Ransom, Piracy, Active Assailant and Marine War. These lines are non-correlating, which gives the added benefit of enabling the team to scale up or down individual component parts without increasing the combined accumulation risk.

- Credit & Political Risks: the team offers three main products Credit, Contract Frustration and Political Risk. Business is predominantly direct insurance, new business, with a small proportion of facultative reinsurance. 90% of this business is non-renewing and therefore, written new each year.

- International Energy & Construction: the account is comprised of three product sectors: Heavy Industries (includes mining and mineral processing; pulp and paper manufacturing; and metal making), Power Generation, and Construction. A diverse variety of companies are insured ranging from small, medium, large, and mega large accounts.

- Upstream Energy: the account provides coverage to companies involved in the identification, exploration and exploitation of hydrocarbon reserves or other exploration and production activities for energy production around the world. Coverage is provided for Physical Damage, Control of Well/ Operator’s Extra Expense, Third Party Liabilities and Loss of Production income.

- Specie: the account consists of four products: Fine Art, General Specie, Cash in Transit (CT) and Jewellers’ Block. Our main focus is on Fine Art and General Specie but we consider the other products opportunistically and to provide a full range of services to our partners and clients.

<u>Financial and Professional Lines Insurance:</u>

- Management Liability: the account is made up of three core areas, Commercial Directors’ & Officers’ Liability (“Commercial D&O” on an open market basis, Transactional Liability (“TL”) and Commercial Directors' & Officers' Liability programme business. Ancillary coverages are also offered within

Commercial D&O such as: Individual Directors' Liability, Pension Trustee Liability, Prospectus Liability ("POSI"), Trustee Liability and Employment Practice Liability ("EPL").

- Financial Institutions: the account is made up of three core products, Financial Institution Crime ("Crime"), Financial Institution Professional Indemnity ("PI") and Financial Institution Directors and Officers Liability ("D&O"). Ancillary products such as Pension Trustees Liability ("PTL") / Fiduciary Liability ("FL") and Employment Practices Liability ("EPL") are also provided, however these are not written as stand-alone policies.

- Professional Indemnity: the account focuses on Errors & Omissions and Professional Indemnity coverage for predominately regulated professional services companies, including Accountants & Actuarial Consultants, Architects & Engineers, Insurance Brokers, Law firms, Surveying / Real Estate firms and Miscellaneous Consulting firms.

- Cyber: the account provides Cyber-specific, and Technology Errors and Omissions covers, which can be written on a blended or stand-alone basis. Cyber-specific covers include first party costs (network-based extortion, network-based business interruption and data recovery expenses) and third-party liabilities related to the breach of contractual or statutory data protection obligations.

- Cross Class Binders: the account is comprised of our multi-class relationships for CFC Underwriting Limited and CFC Europe S.A. ("CFC") and Ryan Specialty Group Underwriting Managers ("RSGUM").

<u>Casualty:</u>

- International Casualty Delegated Underwriting Authority: the account focuses on Employers' Liability ("EL") and General Liability ("GL") / Public & Products Liability ("PL") binding authorities written via Lloyd's approved coverholders. Underlying policyholders/insureds are generally SMEs and micro-enterprises with a small number of medium-large risks. No consumer business is written. Trade sectors targeted include manufacturing, wholesale, retail, hospitality and construction.

- Excess Casualty: the account is an Excess Liability portfolio, with the majority of accounts being US domiciled and written via the open market and comprised predominantly of Global Fortune 1,000 accounts.

- Environmental: the account is predominantly annually renewable Environmental Legal Liability ("ELL") and Contractors' Pollution Liability ("CPL") project business with year-on-year growth and a focus on long-term profitability.

- UK Casualty:The portfolio focuses on Employers' Liability ("EL") and General Liability ("GL") / Public & Products Liability ("PL") business in Ireland for target accounts of Mid-Corporate and Larger SME insureds.

**Reinsurance**

- Casualty Re: the account consists of a diversified, global portfolio of Casualty classes which avoids over reliance on any one sector. The underwriting focus is to provide risk-exposed excess of loss support to specialist insurers on a lead basis. The team also provides Clash and Cat coverages to larger, more generalist insurers.

- Property Re: the account consists of Catastrophe Excess of Loss ("XoL"), Risk XoL and Pro Rata. The portfolio is mainly from Canada, Caribbean, Southern Europe, Sub Saharan Africa and includes some London and Lloyd's market accounts.

- Property Facultative: the account consists of carefully underwritten individual risk accounts and automatics sourced directly and through brokers. Risks are mainly mid /high attachment point fire driven business, targeting lower hazard occupancies.

- Specialty Re: the account consists of a wide range of products that don't naturally fit into Casualty or Property portfolios, including but not limited to Agriculture, Cyber, Engineering, Marine, Energy, Aviation, Space, Bloodstock, Terror and Special Risks. We exited Cyber, Aviation, Space and Bloodstock during 2022.

**2022 Performance**

Overall gross premium for the year has increased to £838.6m (2021: £494.2m), with a profit for the financial year of £35.1m (2021: £34.3m loss), a result which partly benefitted from the Loss Portfolio Transfer (LPT) arrangement which closed in the first half year (see page 7 for further details of this arrangement) and some prior year reserve releases but impacted by investment losses resulting from increasing interest rates. Premium came in slightly under plan expectations as a result of conscious decisions not to follow down changing market conditions in our Financial and Professional Lines classes and our continued efforts to reduce exposure to Cyber systemic risk. The overall result reflects the continued improvement of the underlying account and the pro-active portfolio management, despite events during 2022 such as Russia and Ukraine and the numerous global natural catastrophes.

Specialty Insurance

Gross written premium increased to £146.3m from £103.0m in 2021. This is mostly due to growth in our Crisis Management and Credit and Political Risk classes, driven by market conditions and new and strategical opportunities. Overall, this portfolio is profit making despite Russia and Ukraine, and reflective of active portfolio management across all classes of business.

Financial and Professional Lines Insurance

Gross written premiums have increased in the year to £257.5m from £209.5m in 2021. Albeit growing in 2022, this growth was less than planned due to market conditions deteriorating in the second half of the year and our continued efforts to reduce exposure to systemic risk in the Cyber and Cross Class Binders product line. This portfolio made a profit for the financial year, which demonstrates the benefits of the previous remediation work and ongoing active portfolio management.

Casualty Insurance

Gross written premiums have increased in the year to £94.4m from £71.2m in 2021. This is mostly due to rate being greater than planned and construction opportunities in our Excess Casualty class of business.

Reinsurance

Overall premium for the year has increased to £340.4m from £110.5m in 2021. Premium growth was driven by the strategic group restructuring which brought more business into the Syndicate during the first half of 2022. This segment made a profit for the year.

Reserving

Following the annual independent actuarial review, the Syndicate net reserve margins above management's best estimate for the prior years were reduced in 2022 by $28m (2021:$41m increase). The reduction largely relates to reducing uncertainty on the financial and professional lines of business as views on the claims development patterns and the impact of remediation work done to date, including potential for future development and the impact of rate change, become more aligned. In the current year an additional net margin of $12m is held for increased inflation above the impacts included in the management best estimate for the inflation we are seeing. Any inflationary impact on 2019 and prior accident years would be covered by the LPT within the limit of the contract.

The LPT arrangement the company entered into as part of the Group arrangement also strengthens the balance sheet position through providing additional adverse development reinsurance protection against the 2019 and prior accident year reserves.

**Key performance indicators**

The key financial performance indicators during the year were:

| | **(£ in millions)** |
|---|---|
| Capacity | £900.0 |
| Gross written premium | £838.6 |
| Gross earned premium | £711.0 |
| Net earned premium | £318.2 |
| Investment return | -£33.7 |
| Profit for the financial year | £35.1 |
| | |
| Expense ratio (see note 22) | 31.6 % |
| Claims ratio (see note 22) | 43.8 % |
| Combined ratio (see note 22) | 75.4 % |

**Outwards reinsurance arrangements**

We purchase reinsurance and retrocession to mitigate and diversify our risk exposure to a level consistent with our risk appetite and to increase our insurance and reinsurance underwriting capacity. These agreements provide for recovery of a portion of our losses and loss adjustment expenses from our reinsurers. The amount and type of reinsurance that we purchase varies from year to year and is dependent on a variety of factors including, but not limited to, the cost of a particular reinsurance contract and the nature of our gross exposures assumed, with the aim of securing cost-effective protection.

We have reinsurance covers in place for the majority of our classes of business with unrelated reinsurers. In 2022, our outwards reinsurance structure remained substantially the same with a mixture of proportional and non-proportional treaties. The proportional coverage on Cyber insurance business was increased to reduce exposure to systemic risk. Furthermore, in FinPro and Casualty lines we experienced favourable terms and ceding commissions.

The Syndicate also has a 35% whole account quota share for the 2021 and post years of account, this was previously a 20% quota share, to protect the net retained account. This reinsurance is placed with ABL, a subsidiary within the Aspen Group.

For the 2015 to 2021 underwriting years of account, all MEC business written by the Aspen Group was agreed to be written by the Syndicate and an additional 50% quota share was purchased to reduce volatility. This quota share was purchased with AIUK, another subsidiary within the Aspen Group whose ultimate holding company is AIHL.

In Q2 2022 the Aspen Group closed on a ground-up Loss Portfolio Transfer (LPT) with a wholly-owned subsidiary of Enstar. Although closing in 2022, the LPT has an effective date of 1 October 2021. The previous adverse development also entered into with Enstar in 2020 was assumed under the LPT. The LPT covers all business on the 2019 and prior accident years, which means some development on the 2019 Underwriting Year is not reinsured. The LPT provides the Aspen Group with $450m adverse development cover on Group reserves of $3.12bn at the effective date. The Syndicate participates in this reinsurance arrangement following approval of the LPT from the boards of subsidiaries within the Aspen Group and the relevant regulators. This contract ensures that the Syndicate is substantially covered against deterioration on the 2019 and prior accident years effective from 1 October 2021 for losses up to a Group deterioration of $450m. Subject to this Group limit any deterioration on 2019 and prior accident year reserves in the Syndicate due to inflation or other reasons are fully recoverable.

The LPT operates on a cash withheld basis for four years with the Group, and therefore the Syndicate, paying an interest charge on the withheld funds through this 4 year period. In addition, the responsibility and expense of handling the 2019 and prior claims was transferred to the wholly-owned subsidiary of Enstar.

**Investment performance**

The investment policy of the Syndicate is set by the Board of Aspen Managing Agency Limited ("AMAL") and managed with support from the Aspen Group Investment function. The Board monitors investment performance, with BlackRock Incorporated managing the Syndicate's investments. Furthermore, investments are also required to be made in line with the restrictions put in place by Lloyd's.

As at 31 December 2022, the Syndicate held £237.0m in fixed income investments, which were located in various countries; being UK, France, Australia, Canada, Japan and USA. Investment risk is analysed in note 4 to these accounts.

The portfolio has a duration of 1.42 years at 31st December 2022 versus 1.22 at 31st December 2021. Yields increased during 2022 with the market yield of the investments at 3.69%. The portfolio's book yield increased 106 basis points in the year to 2%. The portfolio remains positioned up in quality with a weighted average rating of AA. Approximately 29% of the investments are in AAA rated Corporate or Government securities and a further 33% in money market funds (including deposits at Lloyd's). The option adjusted spread on the corporate holdings (approximately 32% of the overall portfolio) widened from 37bps as of 31 December 2021 to 76bps as of 31st December 2022.

The Syndicate maintains investment funds in US dollars and Canadian dollars as well as holding assets in other currencies within Lloyd's overseas deposits, as required by the Syndicate's underwriting activities.

As at 31 December 2022 the total value of cash and investments was £419.9m (2021: £395.5m). Of the total value, 59.8% was held in US dollars, 18.0% (83% held in USD, 17% CAD) was invested in money market funds and 21% was invested in Canadian and US government bonds. Overall the investment return for the year was (2.3%) (2021:(1.7%)) on an annualised basis.

Further analysis of the Syndicate's investments can be found in the notes 10 and 11 to these accounts.

**Financial Position**

The balance sheet of the Syndicate shows total assets of £2,264.1m (2021: £1,647.3m) and a member's balances surplus of £6.7m (2021: £104.8m deficit). Of the total assets, £419.9m is represented by cash and financial investments, of which £83.1m (2021: £74.7m) is held as Overseas Deposits.

The Syndicate maintains all its investments in fixed income bonds and money market funds.

Insurance reserves include a net provision for claims outstanding of £364.5m (2021: £397.8m) and a provision for unearned premium of £202.7m (2021: £142.7m) net of reinsurance.

During quarter two 2022 the Syndicate made a cash call for the losses on the closed 2019 Year of Account, equal to the £72.3m loss, less the £16.7m early cash call which took place in quarter one 2021. During quarter four 2022, the Syndicate also made an early cash call for 2021 Year of Account of £27.6m, based on losses at quarter three.

**Principal Risks and Uncertainties**

Risk management has been embedded in the management and culture of the Aspen Group since its formation in 2002. AMAL and the Syndicate, as operating entities within the Aspen Group, operate within the Group's established risk management practices.

A Risk Universe has been agreed for Syndicate 4711, which defines the different types of risk that Syndicate 4711 faces and how they are monitored and measured. This framework is updated at least annually and applied throughout the year. The risks are defined at 3 levels:

- Risk Classification (Core and Non-Core)
- Risk category
- Risk sub category

The risks faced by Syndicate 4711 are defined as follows:

Core risks - these are risks which we explicitly accept onto the balance sheet as part of running Syndicate 4711's business and are listed below:

1) Insurance risk: the variation of actual technical results from their expected values other than as a result of execution, operational or counterparty risks, relating both to exposures from business written in the period (underwriting risk) and exposures from business written in prior periods (reserving risk).

2) Market risk: The risk of variation in the market value of the Syndicate's assets as a result of changes in the market prices of securities or foreign currencies.

Non-core risks are all risks other than core risks. These are quantified as far as possible and, wherever practical, minimised or avoided. These are listed below:

1) Credit risk: The risk of payment default by a third party or group reinsurer as well as diminution in the value of (re)insurance receivables as a result of counter-party default.

2) Liquidity Risk: The risk that Syndicate 4711 is unable to make payments or provide collateral when required.

3) Operational Risk: The risk of loss arising from inadequate or failed internal processes, personnel or systems, outsourced activities or from external events.

4) Strategic Risk: The risk of adverse impact on shareholder value or income and capital of adverse business decisions, poor execution or failure to respond to market changes.

5) Emerging Risk: The risk that events not previously identified emerge and impact the profitability and/or balance sheet of Syndicate 4711.

6) Regulatory Risk: The risk of non-compliance with regulatory requirements or risk that changes in regulation impact our ability to operate profitably in some jurisdictions or lines of business.

7) Taxation Risk: The risk that we do not understand, plan for and manage our tax obligations as well as the risk that changes in taxation impact our ability to operate profitably in some jurisdictions or lines of business.

Operational risk is the most complex of the risk classifications due to its diverse nature and difficulty in applying quantitative methods to the calculation of risk. A risk register of the key operational risks faced by the business is maintained within the risk function and reported to the Board of the Managing Agency on a quarterly basis.

As part of the business planning process the management and AMAL Board approve the Risk Appetites and subsequent risk limits which are used to determine the level of risk taken by the syndicate throughout the year. The Risk Appetite is monitored through the risk profile dashboard while the risk limits are more granular and are measured within the business on a continual basis.

The current view of the most significant risks to the plan are:

- Underwriting: The economic environment shifted quite significantly during 2022 and this has had a number of impacts on the insurance industry and the outlook for 2023. This includes a number of changes in the accepted size, nature and coverages offered across the market. AMAL's specific focus on a number of specialist lines of business has allowed it to clearly understand the impacts of the market changes and adapt accordingly. However, the potential for further economic volatility will continue to present challenging conditions over the coming period.

- Reserving: As stated the economic environment has provided a number of challenges over the past 36 months with a global epidemic, international conflict and market volatility. AMAL has thoroughly reviewed and quantified the impacts of the first two items, the impact of the pandemic is now well understood and is not expected to impact the firm going forward. The impact of the Russia and Ukraine conflict has been extensively reviewed throughout 2022. Although the conflict unfortunately continues into 2023, the actions taken by Aspen have identified all impacted policy holders, mitigated those policies where possible, identified potential claims, examined received claims and been factored into future pricing as well as policy terms and conditions. We are confident that although further claims resulting from the conflict are possible, actions have been taken to minimize the impact of future direct and indirect claims. The third item in the list, market volatility, is also an ongoing situation, however, the economic environment appears to be stabilising and it is generally accepted that the next 12 months, while difficult, will be much more predictable. This situation will be constantly monitored by a number of functions across the firm and appropriate actions will be taken as required. As with the rest of the industry, AMAL is doing significant work to assess the impacts of inflation and market movements on the reserve adequacy of its liabilities. Following this review we have determined that we will be placing $12 million into the reserves to provide additional prudence in relation to potential inflationary impacts.

The execution of a loss portfolio transfer with Enstar during 2022 has provided additional protection in terms of the reserves for all 2019 and prior accident years of claims. This will provide protection against significant deterioration of the Group's prior year reserves up to $450 million above the Group's reserves held at the effective date of the transaction. The syndicate can recover it’s share of losses so long as the Group reserve deterioration does not exceed $450m. Should surpluses develop on 2019 and prior accident years then these surpluses are also ceded under the loss portfolio transfer.

- Market Risk: The volatile economic environment of 2022 was challenging for the investment portfolios of much of the insurance industry. Aspen Group had certain challenges due to the rapid change in monetary policy across a number of geographic regions. The market consensus for the 2023 outlook is that the central banks efforts to manage economic volatility and inflation have been generally successful and that inflation is peaking and is expected to reduce during 2023. We do not therefore expect the sharp interest rate rises experienced in 2022 which caused challenges in the mark to market value of the assets of AMAL, to continue with that momentum in 2023. While Market Risk will be very closely monitored across the coming 12 months, it is not expected to create a major risk to the achievement of the AMAL plan.

- Operational Risk: The Aspen group has been through a transformative programme of change over the past 3 years and, this process has brought numerous improvements across the operations of the organization as a whole. AMAL has benefited from this programme of change and will continue to do so. Given this work is not yet complete, this process will bring additional operational risk as systems, internal and outsourced processes and controls continue to be updated. Major data improvement work is scheduled to be undertaken during 2023 which will improve various processes and decision making capabilities. This will require clear testing and diligence across all functions to manage the risks of size of change programme.

  The regulatory relationship has been an area of focus for the management of AMAL and this has led to an improvement in the oversight feedback received from the regulatory bodies. In 2023 the impacts of work done to improve governance and risk management will be embedded into the business activities. While the regulatory review process within Lloyd’s has changed with the introduction of the “principles for doing business”, it is expected that the regulatory risk to AMAL will continue to diminish over the course of 2023 as AMAL completes a number of ongoing improvement programmes across governance, risk and controls.

  Another area of operational risk which has been a challenge across the industry and will potentially continue into 2023 has been retention of staff and timely recruitment. Following the disruption caused by the pandemic, 2022 saw an uplift in turnover due to a significant amount of recruitment finally being released as well as employees moving who had not wanted to move during the pandemic. This created turnover across the market as experienced employees were approached for alternative roles and moved companies. Aspen was not immune to this phenomenon. We expect a similar, although smaller, impact to be felt into 2023 as well. Aspen undertakes regular employee surveys and these have shown an increasing engagement and satisfaction among the staff. While this is helpful in mitigating resourcing risk the market is still difficult and hiring to maintain Aspen’s growth plans is still considered a risk to the achievement of the strategic objectives.

**Climate Change**

Over the course of the last decade a number of initiatives and global agreements have been implemented in order to bring together significant communities in order to tackle the potential impacts of significant climate change. A number of international agreements have been proposed and nation states are progressing their various programs to meet the various proposed actions.

As part of the commitment to tackling this challenge Aspen Group publishes regular ESG reports. The latest report will highlight the steps Aspen is taking across our communities in tackling the major issues we face as a society. This report will include how Aspen will look to reduce and neutralise its impact on the environment as well as the positive steps being taken through partnerships and products Aspen is developing to enable other climate related projects to become reality.

Aspen has worked on an ESG investment policy which has been approved by the Group Board and will drive all investment processes and decisions going forward. The ESG investment policy has been presented for review by the UK Boards and will be approved as part of the investment guidelines approved by the AMAL Board on an annual basis.

Aspen is also currently testing a process for assessing all of its underwriting and will continue to test and refine the process for calibrating the outputs of this tool to ensure the firm is able to adequately assess and rate its underwriting decisions on a policy basis against a set of climate change related variables.

**Future developments**

The Syndicate’s capacity for 2023 has increased to £1,115 million (2022: £900 million).

The Syndicate continues to transact in the classes of general insurance and reinsurance business that it has transacted in historically.

Aspen’s outwards reinsurance programme is spread throughout the year with a significant number of placements outside of the 1st January renewal season. We have two significant quota shares which had already been negotiated and/or extended at the time of 2023 business planning. A large proportion of our outwards reinsurance spend relates to quota shares which whilst impacted by a number of factors including inflation, we are confident will continue to be beneficial due to the underlying business ceded to the quota shares.

For our 1st January renewals, overall, costs have increased by ~ USD 2.5m on the XOL programmes, the majority of quota shares renewing at this time have been renewed on the existing basis with adjustments to cede commissions, mentioned below.

We continue to review our operating model and cost structure in light of the overall strategy of the Aspen Group and to ensure we are well positioned for any further favourable developments in market conditions.

**Directors**

The directors of AMAL at the date of this report are set out on page 3 and below. Changes in Directors during 2022 and up to the date of this report are as follows:

| | | Date of Appointment | Date of Resignation |
|---|---|---|---|
| P Cooper | Non-executive Director | | 6 May 2022 |
| T Froehlich | Chair | | |
| C Jones | CFO | | |
| S Liddell | Non-executive Director | | |
| R Milner | CEO | | |
| R Moorehead-Lane | CRO | | |
| H Purves | Non-executive Director | | 31 October 2022 |
| P Shaw | Non-executive Director | 18 May 2022 | |
| S Stanford | Active Underwriter | | |
| N Waller | Non-executive Director | | |
| M Duffy | Non-executive Director | 1 February 2023 | |

**Directors' and Officers' liability insurance**

The Aspen Group has continued to maintain a Directors and Officers insurance policy, which was in place throughout the year ended 31 December 2022, and provides cover for its directors and officers of the Syndicate. During the year and up to and including the date of approval of this report, the Syndicate's Articles provided a qualifying third party indemnity to the Company's Directors and Officers.

**Research and development**

The Syndicate has not undertaken any research and development activities during the year.

**Disclosure of information to the Auditors**

The directors each confirm that:

- So far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware, and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

**Charitable and Political contributions**

The Syndicate made no political or charitable donations during 2022 (2021: Nil).

**Auditors**

EY were appointed for financial periods on or after 1 January 2022 and re-appointed for financial periods on or after 1 January 2023.

By order of the Board

Sarah Stanford
Director
2 March 2023

## Statement of Managing Agent's Responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the Directors of the Managing Agent to prepare their Syndicate's annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the Directors of the Managing Agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these annual accounts, the Directors of the Managing Agent are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The Directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are 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, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Syndicate and to prevent and detect fraud and other irregularities.

The Directors of the Managing Agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of Syndicate annual accounts may differ from legislation in other jurisdictions.

Richard Milner
Director
2 March 2023

# Independent Auditors' Report to the Members of Syndicate 4711

## Opinion

We have audited the syndicate annual accounts of Syndicate 4711 ('the Syndicate') for the year ended 31 December 2022, which comprise the Profit and Loss Account, the Statement of Other Comprehensive Income, the Balance Sheet, The Statement of Changes in Members' Balances, the Cash Flow Statement and the related notes 1 to 22, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the Syndicate's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

## Basis for opinion

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

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

## Conclusions relating to going concern

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

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

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

## Other information

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

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

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

We have nothing to report in this regard.

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

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

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

**Matters on which we are required to report by exception**

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

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

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

**Responsibilities of the managing agent**

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 14, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Syndicate and determined that the most significant are direct laws and regulations related to elements of

Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the Syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the Syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the Syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and obtained an understanding of the managing agent's approach to governance.

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

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

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

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

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

**Use of our report**

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

Benjamin Gregory (Senior statutory auditor)
For and on behalf of Ernst & Young LLP, Statutory Auditor
London
2 March 2023

## Profit and Loss Account: Technical and Non-Technical Account - General Business
**for the year ended 31 December 2022**

| | Notes | 2022 £000 | 2021 £000 |
|---|---|---|---|
| Gross premiums written | 5 | **838,599** | 494,153 |
| Outward reinsurance premiums | | **(474,254)** | (273,993) |
| Net premiums written | | **364,345** | 220,160 |
| Change in the provision for unearned premiums | | | |
| Gross amount | 13 | **(127,584)** | (98,989) |
| Reinsurers' share | 13 | **81,426** | 77,798 |
| Net change in provision for unearned premiums | | **(46,158)** | (21,191) |
| **Earned premiums, net of reinsurance** | | **318,187** | 198,969 |
| **Allocated investment return transferred from the non-technical account** | 10 | **(33,748)** | (6,733) |
| **Claims incurred, net of reinsurance** | | | |
| Claims paid | | | |
| Gross amount | | **(336,238)** | (236,356) |
| Reinsurers' share | | **241,850** | 109,615 |
| Net claims paid | | **(94,388)** | (126,741) |
| Change in the provision for claims | | | |
| Gross amount | 13 | **(121,959)** | (118,221) |
| Reinsurers' share | 13 | **77,038** | 84,123 |
| Net change in the provision for claims | | **(44,921)** | (34,098) |
| Claims incurred, net of reinsurance | | **(139,309)** | (160,839) |
| Net operating expenses | 6 | **(100,644)** | (72,659) |
| **Balance on the technical account - for general business** | | **44,486** | (41,262) |
| | | | |
| **Non-Technical Account** | | | |
| Investment income | 10 | **4,050** | 3,533 |
| Realised (losses) on investments | 10 | **(25,763)** | (6,975) |
| Unrealised (losses) on investments | 10 | **(10,041)** | (2,995) |
| Investment management charges | 10 | **(1,994)** | (296) |
| Allocated investment return transferred to general business technical account | 10 | **33,748** | 6,733 |
| Other (charges)/income | 7 | **(9,417)** | 6,954 |
| **Profit/(loss) for the financial year** | | **35,069** | (34,308) |

All operations are continuing.

# Statement of Other Comprehensive Income
**for the year ended 31 December 2022**

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Profit for the financial year | **35,069** | (34,308) |
| Foreign currency translation (losses) | **(6,329)** | (671) |
| **Total recognised gains/(losses) in the financial year** | **28,740** | (34,979) |

The notes on pages 24 to 58 form an integral part of these annual accounts.

# Balance Sheet - Assets
**at 31 December 2022**

| | Notes | 2022 £000 | 2021 *Restated** £000 |
|---|---|---|---|
| **Investments** | | | |
| Financial investments | 11 | **323,286** | 303,454 |
| **Deposits with Ceding undertakings** | | **2,865** | 1,738 |
| **Reinsurers' share of technical provisions** | | | |
| Provision for unearned premiums | 13 | **271,375** | 167,149 |
| Claims outstanding | 13 | **902,626** | 643,231 |
| | | **1,174,001** | 810,380 |
| **Debtors - due within one year** | | | |
| Debtors arising out of direct insurance operations - intermediaries | | **198,334** | 145,339 |
| Debtors arising out of reinsurance operations | | **354,985** | 217,509 |
| Other Debtors | | **—** | 1,702 |
| | | **553,319** | 364,550 |
| **Debtors - due after one year** | | | |
| Debtors arising out of direct insurance operations - intermediaries | | **9,197** | 2,875 |
| Debtors arising out of reinsurance operations | | **643** | 2,906 |
| | | **9,840** | 5,781 |
| **Other assets** | | | |
| Cash at bank and in hand | 14 | **13,470** | 17,367 |
| Overseas Deposits | | **83,103** | 74,672 |
| | | **96,573** | 92,039 |
| **Prepayments and accrued income** | | | |
| Deferred acquisition costs | 12 | **102,704** | 68,501 |
| Other prepayments and accrued income | | **1,506** | 883 |
| | | **104,210** | 69,384 |
| **TOTAL ASSETS** | | **2,264,094** | 1,647,326 |

*The restatement is detailed in note 21

# Balance Sheet - Liabilities
**at 31 December 2022**

| | Notes | **2022** £000 | 2021 *Restated** £000 |
|---|---|---|---|
| **Capital and reserves** | | | |
| Member's balance | | **6,680** | (104,843) |
| **Technical provisions** | | | |
| Provision for unearned premiums | 13 | **474,079** | 309,842 |
| Claims outstanding | 13 | **1,267,117** | 1,041,014 |
| | | **1,741,196** | 1,350,856 |
| **Creditors - due within one year** | | | |
| Creditors arising out of direct insurance operations - intermediaries | | **65,643** | 30,276 |
| Creditors arising out of reinsurance operations | | **101,180** | 230,136 |
| Other creditors | 15 | **110,369** | 67,944 |
| | | **277,192** | 328,356 |
| **Creditors - due after one year** | | | |
| Creditors arising out of reinsurance operations | | **141,542** | — |
| **Accruals and deferred income** | 16 | **97,484** | 72,957 |
| **TOTAL LIABILITIES** | | **2,264,094** | 1,647,326 |

*The restatement is detailed in note 21

The financial statements on pages 18 to 58 were approved by the Board of Aspen Managing Agency Limited on 24 February 2023 and were signed on its behalf by:

Richard Milner
Director

2 March 2023

# Statement of Changes in Members' Balances
**at 31 December 2022**

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Members' balances at 1 January | **(104,843)** | (104,523) |
| Profit/(loss) for the financial year | **35,069** | (34,308) |
| Other recognised gains and losses relating to the financial year | **(6,329)** | (671) |
| Contribution from member | **55,646** | 33,018 |
| Open year cash calls | **27,586** | — |
| Member's FIT | **(449)** | 1,641 |
| Members' balance carried forward at 31 December | **6,680** | (104,843) |

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

Member's FIT is in relation to United States Federal Income Tax, for which payments are made by the Syndicate on behalf of its Member.

# Cash Flow Statement
**for the year ended 31 December 2022**

| | Notes | 2022 £000 | 2021 *Restated** £000 |
|---|---|---|---|
| **Cash flows from operating activities** | | | |
| Operating result | | **35,069** | (34,308) |
| Increase/(decrease) in gross technical provisions | | **390,340** | 214,371 |
| (Increase)/decrease reinsurers' share of gross technical provisions | | **(363,622)** | (167,188) |
| (Increase)/decrease in debtors | | **(227,654)** | (133,183) |
| Increase/(decrease) in creditors | | **114,905** | 159,100 |
| Movement in other assets/liabilities | | **(8,431)** | (4,949) |
| Investment return | | **33,749** | 6,733 |
| Other | | **(1,530)** | 972 |
| **Net cash flows from operating activities** | | **(27,176)** | 41,548 |
| **Cash flows from investing activities** | | | |
| Purchase of equity and debt instruments | | **(341,262)** | (132,258) |
| Sale of equity and debt instruments | | **345,498** | 62,608 |
| Purchase of derivatives | | **(41,795)** | (5,150) |
| Sale of derivatives | | **21,106** | 1,824 |
| Investment income received | | **4,050** | (115) |
| Other | | **(5,697)** | (1,738) |
| **Net cash flows from investing activities** | | **(18,100)** | (74,829) |
| Cash flows from financing activities | | | |
| Contribution from member | | **55,646** | 33,018 |
| Open year cash calls | | **27,586** | — |
| **Net cash flows from financing activities** | | **83,232** | 33,018 |
| **Net increase/(decrease) in cash and cash equivalents** | | **37,956** | (263) |
| Cash and cash equivalents at 1 January | | **56,115** | 56,378 |
| Foreign exchange on cash equivalents at year end | | **(5,247)** | — |
| Cash and cash equivalents at 31 December | | **88,824** | 56,115 |
| Cash at bank and in hand | 14 | **13,470** | 17,367 |
| Short term deposits with credit institutions | 14 | **75,354** | 38,748 |
| **Cash and cash equivalents at 31 December** | | **88,824** | 56,115 |

*The restatement is detailed in note 21

# Notes to the Accounts
**At 31 December 2022**

## 1. Basis of preparation

Syndicate 4711 ('The Syndicate') comprises of a member of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the syndicate's managing agent is 30 Fenchurch Street, London, EC3M 3BD.

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

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

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

### Going concern

Management has conducted a full going concern assessment for the Syndicate taking into consideration sources of capital, liquidity and stress testing. The Syndicate is expected to remain a key platform for the Aspen Group. The corporate member has already formed and provided capital for the 2023 underwriting year. On the basis of this and an improvement in performance as a result of planned rate increases and remediation activities Aspen also expect to have the ability and intention to form a 2024 underwriting year. Therefore, Aspen continue to adopt the going concern basis of accounting for Syndicate 4711.

## 2. Judgments and key sources of estimation uncertainty

In preparing these financial statements, the Directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements. The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgment is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported ("IBNR") to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

# Notes to the Accounts
**At 31 December 2022**

Written premiums from proportional treaty inward business and binder contracts are estimated at inception of the contract. The estimates are trued up as the contract matures and further information becomes available. Written premiums from all contracts are earned over the coverage period of each contract. Additional judgement is exercised when determining non-standard earnings patterns that apply to certain contracts in the portfolio.

## 3. Significant accounting policies

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

### Gross Premiums

Gross written premiums comprise total premiums receivable for the whole period of cover for contracts entered into in the reporting period plus any adjustments to such premiums receivable in respect of business written in prior reporting periods. All premiums are shown gross of commissions payable to intermediaries and exclusive of taxes and levies. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified. Revisions to estimates are recognised as they arise.

### Reinsurance premiums

Reinsurance premiums relating to reinsurance placed by the Syndicate are accounted for using the same accounting methodology as used for inwards premiums.

### Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date.

### Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the conclusion of insurance and reinsurance contracts.

### Deposits with ceding undertakings

Deposits with ceding undertakings are measured at cost less allowance for impairment.

### Retroactive reinsurance

Retroactive reinsurance agreements are reinsurance agreements under which a reinsurer agrees to reimburse the Company as a result of past insurable events. On initial recognition the reinsurance premiums payable for coverage are offset by an adjustment to reinsurance recoveries – with any profit or losses arising as a result of a shortfall or excess respectively in the premium payable compared to the reinsured reserves being recognised in the income statement. At each reporting date thereafter, any movement in the reinsured reserves will be offset by an equal and opposite adjustment to reinsurance recoveries up to the policy limit (if applicable). Remeasurement gains and losses are recognised within net incurred claims.

If required by the contract a funds withheld liability is established on inception which is equal to the ceded premium based on the fair value of the assets retained on the balance sheet. At each reporting date thereafter, the funds withheld liability is accounted for on an amortised cost basis and re-measured based on the quantum of the reinsured paid claims (with periodic settlement of the liability by the Company).

# Notes to the Accounts

**At 31 December 2022**

### Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.
Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

### Technical Provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums, provisions for unexpired risk.

### Claims provision

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposure. 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. The liability is not discounted for the time value of money.

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported to the Syndicate, at the reporting date. The estimation of 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. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claims has happened. Classes of business where the IBNR proportion of the total reserve is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility. In calculating the estimated cost of unpaid claims the Syndicate uses a variety of estimation techniques, generally based upon statistical 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.

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

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

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

- Initial expected loss ratio (“IELR”) method: This method calculates an estimate of ultimate losses by applying an estimated loss ratio to an estimate of ultimate earned premium for each accident year.

# Notes to the Accounts

**At 31 December 2022**

- Bornhuetter-Ferguson ("BF") method: The BF method uses as a starting point an assumed IELR and blends in the loss ratio implied by the claims experience to date by using benchmark loss development patterns on paid claims data ("Paid BF") or reported claims data ("Reported BF").
- Loss development ("Chain Ladder"): This method uses actual loss data and the historical development profiles on older accident years to project more recent, less developed years to their ultimate position.
- Exposure-based method: This method is used for specific large typically catastrophic events such as a major hurricane. All exposure is identified and we work with known market information and information from our cedants to determine a percentage of the exposure to be taken as the ultimate loss.

In addition to these methodologies, our actuaries may use other approaches depending upon the characteristics of the line of business and available data.

**Provisions for unearned premiums**

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

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

Unearned premiums are deemed monetary items and are valued using the closing rate.

**Unexpired risks**

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs, and premiums receivable.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together.

**Deferred acquisition costs**

Acquisition costs, arising from the conclusion of insurance contracts are deferred commensurate with the unearned premium provision. Deferred acquisition costs are deemed to be monetary items and are valued using the closing rate.

**Reinsurance assets**

The Syndicate cedes insurance risk in the normal course of business for all of its businesses. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the statement of profit or loss.

# Notes to the Accounts
**At 31 December 2022**

### Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

### Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

### Financial Instruments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 Financial Instruments to account for all of its financial instruments.

The Syndicate classifies its financial assets into the following categories: Shares and other variable-yield securities and units in unit trusts - at fair value through profit or loss; Debt securities and other fixed income securities - at fair value through profit or loss; and Deposits with credit institutions - loans and receivables. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

### Collateral

The Syndicate receives and pledges collateral in the form of cash or non-cash assets in respect of reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Syndicate receives collateral depends on an assessment of the credit risk of the counterparty.

All collateral received and held in trust by third parties is not recognised in the statement of consolidated financial position, unless the counterparty defaults on its obligations under the relevant agreement. All collateral pledged by the Syndicate is retained in the statement of financial position, unless the Syndicate defaults on its obligations under the relevant agreement.

### Financial assets at fair value through profit or loss

A financial asset is classified into this category at inception if:

- They are acquired principally for the purpose of selling in the short term; or
- If they form part of a portfolio of financial assets in which there is evidence of short term profit-taking; or
- If so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to the Syndicate's key management personnel. The Syndicate's investment strategy is to invest in listed and unlisted fixed interest rate debt securities, and derivatives designated upon initial recognition at fair value through profit or loss.

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

# Notes to the Accounts
**At 31 December 2022**

The fair values of financial instruments that are not traded in an active market (for example over-the-counter derivatives), are established by the directors using valuation techniques which seek to arrive at the price at which an orderly transaction would take between market participants.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the profit and loss account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise.

**Impairment**

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

**Investment return**

Investment return comprises all investment income (which includes the interest income for financial assets carried at amortised cost, using the effective interest method), realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest payable on financial liabilities carried at amortised cost, using the effective interest method.

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

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated equity is made from the non-technical account to the technical account.

**Offsetting of financial instruments**

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

**Foreign currencies**

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Foreign exchange differences arising on translation are recognised in the Profit and Loss Account. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

The functional currency is translated into the presentational currency of GBP as follows:

- assets and liabilities are translated at the closing exchange rate at the balance sheet date
- income and expenses are translated at the average rate of exchange during the year; and

# Notes to the Accounts

**At 31 December 2022**

- all resulting exchange differences are recognised in the Statement of Other Comprehensive income and accumulated in Members' Balances.

**Cash and cash equivalents**

Cash and cash equivalents comprise cash balances and short-term and highly liquid investments which are readily convertible into known amounts of cash and are subject to an insignificant risk of changes in value, and are used by the Syndicate in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

Bank overdrafts that are repayable on demand and form an integral part of the Syndicate's cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows.

**Taxation**

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

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

The Syndicate will make payments on account of United States FIT due on underwriting results and investment income on behalf of its Member. These payments are recorded under the heading 'other debtors' and are recovered by the Syndicate from its Member.

**Member's expenses**

Member's expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

Managing agent's fees are recognised in full in the calendar year in which they are paid.

Lloyd's subscriptions and central fund contributions are earned in line with the gross premiums written to the same year of account.

## 4. Risk and capital management

**Introduction and overview**

The Syndicate is exposed to a range of financial risks through its financial assets, financial liabilities, reinsurance assets and policyholder 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 as they fall due. The most important components of this financial risk are insurance risk, market risk (including interest rate risk and currency risk) credit risk, and liquidity risk.

The key risks for the Syndicate are largely unchanged during the last year. The ongoing change in market conditions and its impact on the achievability of both top line and bottom line performance remain a key focus.

# Notes to the Accounts
**At 31 December 2022**

### Risk Governance and Risk Management Strategy

The Board of Directors of AMAL (“the Board”) considers effective identification, measurement, monitoring, management and reporting of the risks facing our business to be key elements of its responsibilities. The Board ensures that the Syndicate operates an effective risk management and control framework which includes risk management, compliance and internal control systems. The Syndicate, as an operating entity within the Aspen Group, benefits from the Group's established risk management practices. The Group's risk management policies are established to identify and analyse the risks faced by the Group and the Managing Agency, to set appropriate risk limits and controls and to monitor risks and adherence to limits. Risk management policies and systems are reviewed regularly to reflect changes in market conditions and the Syndicate and managing agency's activities. Further details on the Group wide risk management strategy can be found in the consolidated financial statements of Aspen Insurance Holdings Limited ("AIHL") which are available to the public.

### Capital framework at Lloyd’s

The Society of Lloyd’s ("Lloyd’s") is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority ("PRA") under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

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

Although, as described below, Lloyd’s capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd’s capital requirements apply at overall and member level respectively, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 4711 is not disclosed in these financial statements.

### Lloyd’s capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd’s. Each member is liable for its own share of underwriting liabilities on the syndicates on which it is participating but not other members’ shares. Accordingly, the capital requirements that Lloyd’s sets for each member operates on a similar basis. Each member’s SCR shall thus be determined by the sum of the member’s share of the syndicate SCR ‘to ultimate’. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss ‘to ultimate’ for that member. Over and above this, Lloyd’s applies a capital uplift to the member’s capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd’s not a Solvency II requirement, is to meet Lloyd’s financial strength, licence and ratings objectives. The capital uplift applied for 2022 was 35% of the member’s SCR ‘to ultimate’.

# Notes to the Accounts
**At 31 December 2022**

**Provision of capital by members**

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member ("funds at Lloyd's"), in the form of Letters of Credit ("LOC's"), assets held and managed within a syndicate (funds in syndicate), or as the member's share of the members' balances on each syndicate on which it participates. Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet on page 22, represent resources available to meet members' and Lloyd's capital requirements. As the Syndicate has a members' balances deficit this increases the amount of assets required to be held in trust as funds at Lloyd's.

**Insurance Risk**

Insurance risk is defined as the risk that underwriting results vary from their expected amounts, including the risk that reserves established in respect of prior periods are understated.

Insurance risk includes the following:

i. Underwriting risk: The variation of accident year technical result from its expected value. Underwriting risk can be further split into sub-categories including:
- Catastrophe accumulation risk: The risk that losses from natural catastrophes exceed expected levels.
- Pricing calibration risk: The risk that actual technical results differ from expected values as a result of invalid assumptions, methodology or parameters used in the pricing process.
- Large claims risk: The risk that losses from a single man-made event, or group of related events, exceed the expected levels.
- Attritional risk: The risk that the total of all losses other than catastrophe and large losses exceeds the expected level.
- Reinsurance mitigation risk: The risk that gross losses are not reduced by reinsurance recoveries to the extent expected.

ii. Reserving risk: The variation in policyholder reserves for prior accident years.

**Processes for addressing risk**

We model our exposure to underwriting and reserving risks using the Internal Model to measure the associated capital requirements on both the one year SCR measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd's to set capital requirements. Our Internal Model has been assessed by Lloyd's as meeting the tests and standards for Solvency II approval. Lloyd's internal model of which our model is a part has been approved by the PRA. Modelling of insurance risk exposures is the key process for monitoring and managing insurance risk.

The Reserving policy and Aspen Group Underwriting Risk Policy evidence how Aspen manages the risk of loss or of adverse change in the values of insurance and reinsurance liabilities, resulting from inadequate pricing and provisioning assumptions.

The risk of adverse change in the values of insurance and reinsurance liabilities on accident years 2019 and prior is mitigated by the LPT within the limits of the contract.

The Underwriting Risk Policy requires and defines the use of Aspen Underwriting Principles ("AUPs") and/or Underwriting Guidelines for each underwriting team, and similarly the Group Pricing Standard establishes the requirements that must be addressed by the Pricing Policy Document ("PPD") for each portfolio. AUPs set out a series of key principles translated into specific guidelines, requirements, processes and management controls, the compliance of which is mandatory for all Underwriters. The PPDs set out a series of standards and principles to apply to all business underwritten.

The Group Claims risk policy sets out the core risk management requirements for the Claims process. The Syndicate Claims Procedures apply to claims handling in respect of Syndicate claims. It covers the full claims cycle and is supported by a range of detailed procedures. It includes specific considerations in respect of the handling of Syndicate claims.

# Notes to the Accounts
**At 31 December 2022**

The Reinsurance Mitigation Policy defines Aspen's approach to managing the risk that gross losses are not reduced by reinsurance recoveries to the extent expected. The Insurance Accumulation Risk policy defines Aspen's approach to categorise, set tolerances and limit, measure, monitor, report and escalate Natural Catastrophe and Non Natural Catastrophe accumulations.

The Key Risk limits are monitored and reported in the Chief Risk Officer's ("CRO's") report to the AMAL Board.

**Concentration of insurance risk**

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its premiums by class of business:

| **Year 2022** | **Accident and Health** | **Marine, aviation and transport** | **Fire and other damage to property** | **Third party liability** | **Miscellaneous** | **Reinsurance** | **Total** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **UK** | **804** | **9,530** | **26,140** | **110,293** | **12,887** | **107,886** | **267,540** |
| **Asia** | **138** | **1,635** | **4,485** | **18,925** | **2,211** | **18,512** | **45,906** |
| **Europe** | **188** | **2,232** | **6,123** | **25,836** | **3,019** | **25,272** | **62,670** |
| **US** | **967** | **11,467** | **31,453** | **132,708** | **15,506** | **129,813** | **321,914** |
| **Other** | **422** | **5,007** | **13,734** | **57,949** | **6,771** | **56,685** | **140,568** |
| **Total** | **2,519** | **29,871** | **81,935** | **345,711** | **40,394** | **338,168** | **838,598** |

| Year 2021 | Accident and Health | Marine, aviation and transport | Fire and other damage to property | Third party liability | Miscellaneous | Reinsurance | Total |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| UK | (74) | 2,527 | 8,314 | 58,612 | 6,163 | 53,714 | 129,256 |
| Asia | (13) | 450 | 1,479 | 10,429 | 1,097 | 9,557 | 22,999 |
| Europe | (53) | 1,836 | 6,040 | 42,576 | 4,477 | 39,018 | 93,894 |
| US | (93) | 3,181 | 10,461 | 73,749 | 7,753 | 67,586 | 162,637 |
| Other | (48) | 1,669 | 5,492 | 38,710 | 4,070 | 35,474 | 85,367 |
| Total | (281) | 9,663 | 31,786 | 224,076 | 23,560 | 205,349 | 494,153 |

# Notes to the Accounts

**At 31 December 2022**

**Sensitivity of insurance risk**

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being written and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of IBNR.

A five percent increase or decrease in total net claims liabilities would have the following effect on profit or loss:

| **2022** | | 2021 | |
|---|---|---|---|
| **5 per cent increase** | **5 per cent decrease** | 5 per cent increase | 5 per cent decrease |
| **£000** | **£000** | £000 | £000 |
| **(17,524)** | **17,524** | (18,948) | 18,948 |

Net claims liability is excluding ULAE.

**Claims Development**

Reserves are required owing to the time between the occurrences, reporting and eventual settlement of a loss, which, for some lines of business, can be several years. Since reserves are an estimate of the likely outcome of these future events, they are subject to a degree of volatility. That is, the actual emergence of ultimate losses can be expected to differ, perhaps materially, from any estimate of such losses.

The users should be aware that loss payment and loss reporting patterns are not the only considerations in establishing loss reserves.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an accident year is greatest when the accident year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. Due to the nature of the type of business written certain classes have a higher level of uncertainty than others and therefore an increased potential for volatility. The ME Liability class of business in particular has historically shown higher levels of reserve volatility and as such there is significant uncertainty around reserve projections for this business line.

Due to the uniqueness of the COVID-19 pandemic event and the lack of historical data, traditional actuarial techniques do not apply. Our loss estimates for COVID-19 have been based on an assessment of potential exposures and are therefore subject to considerable uncertainty.

The table below shows the breakdown of the COVID-19 impact by class of business and by Insurance and Reinsurance:

| **Class of Business** | **Gross Ultimate Claims** | **Ultimate Reinsurance Recoveries** | **Net Ultimate Claims** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **Accident & Health** | **(25,013)** | **(13,816)** | **(11,197)** |
| **Property** | **(4,605)** | **(922)** | **(3,683)** |
| **Other** | **(275)** | **(83)** | **(192)** |
| **Total** | **(29,893)** | **(14,821)** | **(15,072)** |

# Notes to the Accounts

**At 31 December 2022**

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2022 in all cases.

Aspen has cedants/insureds that have assets in Ukraine, and the syndicate has run several scenarios to assess its potential exposure and it will continue to monitor these exposures closely. The exposures arise from aviation reinsurance exposures and credit and political risks and international crisis management insurance exposures. Significant uncertainty exists on the final outcome given legal and jurisdiction related complexities with few notifications received to date. The loss estimate recognised has been based by applying probabilities to the exposed limits for each exposure.

# Notes to the Accounts
**At 31 December 2022**

### Gross

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Pure underwriting year** | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| **Estimate of gross claims at end of underwriting year** | 104,620 | 88,416 | 116,863 | 108,391 | 128,399 | 111,437 | 103,788 | 128,665 | 124,874 | 231,690 | |
| **One year later** | 197,402 | 219,490 | 273,592 | 282,261 | 276,965 | 282,694 | 319,300 | 231,161 | 294,047 | — | |
| **Two years later** | 204,657 | 234,541 | 265,933 | 317,761 | 354,392 | 317,303 | 352,109 | 223,078 | — | — | |
| **Three years later** | 177,036 | 228,843 | 269,175 | 316,337 | 353,233 | 346,138 | 409,107 | — | — | — | |
| **Four years later** | 186,146 | 249,217 | 274,171 | 308,581 | 380,762 | 352,551 | — | — | — | — | |
| **Five years later** | 183,323 | 247,475 | 270,585 | 345,079 | 399,043 | — | — | — | — | — | |
| **Six years later** | 185,013 | 251,581 | 284,916 | 319,249 | — | — | — | — | — | — | |
| **Seven years later** | 186,734 | 264,280 | 290,567 | — | — | — | — | — | — | — | |
| **Eight years later** | 188,430 | 256,842 | — | — | — | — | — | — | — | — | |
| **Nine years later** | 175,050 | — | — | — | — | — | — | — | — | — | |
| **Less gross claims paid** | 159,045 | 221,349 | 244,366 | 252,979 | 267,752 | 204,031 | 225,208 | 70,046 | 49,451 | 9,146 | |
| **Gross reserve** | 16,005 | 35,493 | 46,201 | 66,270 | 131,291 | 148,520 | 183,899 | 153,032 | 244,596 | 222,544 | 1,247,851 |
| **2012 and prior years** | | | | | | | | | | | 19,266 |
| **Gross claims reserves** | | | | | | | | | | | 1,267,117 |

# Notes to the Accounts

**At 31 December 2022**

### Net

| | 2013 | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 | 2020 | 2021 | 2022 | Total |
|---|---|---|---|---|---|---|---|---|---|---|---|
| **Pure underwriting year** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Estimate of net claims at end of underwriting year** | 79,369 | 65,091 | 64,633 | 61,432 | 58,663 | 41,679 | 46,690 | 67,736 | 49,901 | 112,529 | |
| **One year later** | 141,861 | 151,583 | 162,874 | 161,873 | 126,991 | 113,451 | 150,674 | 127,109 | 124,638 | — | |
| **Two years later** | 147,553 | 154,881 | 147,801 | 171,933 | 159,943 | 119,391 | 150,615 | 117,455 | — | — | |
| **Three years later** | 127,966 | 151,899 | 149,137 | 168,676 | 166,735 | 129,313 | 69,115 | — | — | — | |
| **Four years later** | 134,319 | 155,788 | 150,568 | 164,319 | 170,945 | 88,804 | — | — | — | — | |
| **Five years later** | 132,113 | 155,336 | 141,675 | 175,203 | 137,444 | — | — | — | — | — | |
| **Six years later** | 132,135 | 164,100 | 151,595 | 133,070 | — | — | — | — | — | — | |
| **Seven years later** | 135,066 | 158,116 | 139,752 | — | — | — | — | — | — | — | |
| **Eight years later** | 135,734 | 155,095 | — | — | — | — | — | — | — | — | |
| **Nine years later** | 122,800 | — | — | — | — | — | — | — | — | — | |
| **Less net claims paid** | 120,441 | 150,677 | 134,175 | 127,839 | 124,638 | 78,180 | 46,955 | 41,572 | 15,555 | 2,114 | |
| **Net reserve** | 2,359 | 4,418 | 5,577 | 5,231 | 12,806 | 10,624 | 22,160 | 75,883 | 109,083 | 110,415 | 358,556 |
| **2012 and prior years** | | | | | | | | | | | 5,935 |
| **Net claims reserves** | | | | | | | | | | | 364,491 |

### Market Risk

Market risk is the risk of variation in the income generated by, and the fair value of, our investment portfolio, cash and cash equivalents and derivative contracts including the effect of changes in foreign currency exchange rates. Within our Risk Universe we define six categories of market risk:

(i) Foreign currency risk;
(ii) Fixed Income Security risk which sub-divides into
- interest rate risk; and
- spread risk

(iii) Equity risk
(iv) Market risk mitigation risk
(v) Asset concentration risk
(vi) Valuation risk

### Processes for addressing risk

As with Insurance risk, we model our exposure to market risks using the Internal Model to measure the associated capital requirements on both the one year Solvency Capital Requirement ("SCR") measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd’s to set capital requirements.

The Investment Risk Policy describes the measurement of market risks, and specifically describes what is permissible with regards to the use of derivatives in order to manage currency positions, portfolio duration and hedge interest rate risk in the investment portfolio.

Use of derivatives is limited to interest rate swaps, forward rate transactions, bond options, interest rate futures, foreign exchange spot and forward transactions and currency options. The Syndicate started to use derivatives to hedge unmatched currency balance sheet positions during 2018.

# Notes to the Accounts
**At 31 December 2022**

The Asset and Liability Management Policy defines Aspen's approach to duration and currency matching. Management monitors the value, currency and duration of cash and investments held by the Syndicate to ensure that the Syndicate is able to meet the insurance and other liabilities as they become due. The following components of both cash matching and duration matching are employed to manage the investment portfolio:

- The average duration of liabilities;
- The outlook for interest rates and the yield curve;
- The need for cash to pay claims;
- Total return.

As with Insurance risks market risk is inherently unpredictable. It is difficult to predict the frequency of events of this nature and to estimate amount of loss that any given occurrence will generate. As with Insurance risks as well as modelling our exposures and the capital required to address potential market risks using our internal model, we define and monitor a number of Key Risk limits to measure and manage our Market risk exposure.

Key Risk limits regarding the shape (in terms of limits on asset type concentrations), overall credit rating and volatility of the Syndicate investment portfolio have been defined by management and approved by the AMAL Board.

The Key Risk limits are monitored and reported in the CRO's report to the AMAL Board.

**Foreign Currency Risk**

The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date:

| | Sterling | Euro | US dollar | Other | Total |
|---|---|---|---|---|---|
| **Year 2022** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Financial investments:** | | | | | |
| **Shares and other variable yield securities and units in unit trusts** | — | — | 62,821 | 12,533 | 75,354 |
| **Debt securities and other fixed income securities** | — | — | 166,455 | 70,573 | 237,028 |
| **Loans with credit institutions** | 6,127 | — | — | — | 6,127 |
| **Derivative financial assets** | — | — | 4,777 | — | 4,777 |
| | 6,127 | — | 234,053 | 83,106 | 323,286 |
| **Reinsurers' share of technical provisions** | 92,337 | 39,583 | 965,240 | 76,841 | 1,174,001 |
| **Debtors** | 9,825 | 40,742 | 356,660 | 155,932 | 563,159 |
| **Cash and cash equivalents** | 26,187 | 831 | 7,580 | 61,975 | 96,573 |
| **Other assets** | 37,101 | 12,803 | 47,791 | 9,380 | 107,075 |
| **Total assets** | 171,577 | 93,959 | 1,611,324 | 387,234 | 2,264,094 |
| **Technical provisions** | (231,051) | (130,075) | (1,174,829) | (205,241) | (1,741,196) |
| **Creditors** | (50,306) | (4,497) | (217,263) | (36,300) | (308,366) |
| **Other creditors and accruals** | (52,270) | 4,505 | (98,667) | (61,420) | (207,852) |
| **Total liabilities** | (333,627) | (130,067) | (1,490,759) | (302,961) | (2,257,414) |
| **Net assets/(liabilities)** | (162,050) | (36,108) | 120,565 | 84,273 | 6,680 |

# Notes to the Accounts
**At 31 December 2022**

The sterling liability balances above include liabilities in other currencies that will be settled in sterling.

| Year 2021 | Sterling £000 | Euro £000 | US dollar £000 | Other £000 | Total £000 |
|---|---|---|---|---|---|
| Financial investments: | | | | | |
| Shares and other variable yield securities and units in unit trusts | — | — | 30,131 | 8,617 | 38,748 |
| Debt securities and other fixed income securities | — | — | 192,407 | 64,110 | 256,517 |
| Loans with credit institutions | 6,127 | — | — | — | 6,127 |
| Derivative asset | — | — | 2,062 | — | 2,062 |
| | 6,127 | — | 224,600 | 72,727 | 303,454 |
| Reinsurers' share of technical provisions | 36,824 | 19,095 | 711,684 | 42,777 | 810,380 |
| Debtors | 1,905 | 24,282 | 266,174 | 123,304 | 415,665 |
| Cash and cash equivalents | 27,718 | 3,219 | 6,538 | 54,564 | 92,039 |
| Other assets | 9,523 | 8,442 | 49,092 | 5,767 | 72,824 |
| Total assets | 82,097 | 55,038 | 1,258,088 | 299,139 | 1,694,362 |
| Technical provisions | (171,321) | (86,430) | (929,084) | (164,021) | (1,350,856) |
| Creditors | 1,506 | 3,088 | (262,256) | 4,315 | (253,347) |
| Other creditors and accruals | (37,892) | 2,012 | (98,180) | (60,941) | (195,001) |
| Total liabilities | (207,707) | (81,330) | (1,289,520) | (220,647) | (1,799,204) |
| Net assets/(liabilities) | (125,610) | (26,292) | (31,432) | 78,492 | (104,842) |

The Syndicate manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the entity's functional currency.

In order that the Syndicate can manage the currency mismatch risks within the regulatory parameters required a limit of unhedged currency mismatches, approved by the AMAL Board, is in force. This limit ensures that the value of assets in each currency is above 85% of the value of insurance liabilities in that currency and less than 115% of the value of insurance liabilities in that currency, net of FX hedging, subject to these assets exceeding 5% of the value of assets in all currencies. This ensures the Syndicate's compliance with Lloyd's regulatory requirements. The Syndicate uses derivatives to hedge unmatched currency balance sheet positions.

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than the U.S. Dollar, the Syndicate's functional currency. Other significant currencies to which the Syndicate is exposed are the Pound Sterling, Australian Dollars, Canadian Dollars and the Euro. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

# Notes to the Accounts
**At 31 December 2022**

The Syndicate's sensitivity to exchange rate risk on the total recognised gains and losses in relation to GBP is shown below:

| | **2022 Profit or loss for the year** | 2021 Profit or loss for the year |
|---|---|---|
| | **£000** | £000 |
| **Currency Risk to 2022 gain (2021 loss)** | | |
| 10 percent increase in GBP/USD exchange rate | **(3,188)** | 3,119 |
| 10 percent decrease in GBP/USD exchange rate | **3,896** | (3,812) |

**Fixed Income Securities - Interest rate risk**

The Syndicate's investment portfolio consists primarily of fixed income securities. Fluctuations in interest rates have a direct impact on the market valuation of these securities. The Syndicate manages interest rate risk by maintaining short to medium duration financial assets to reduce the effect of interest rate changes on fair value, and taking out interest rate swaps where appropriate.

The Syndicate’s sensitivity to interest rate risk is shown below:

| | **2022 Profit or loss for the year** | 2021 Profit or loss for the year |
|---|---|---|
| | **£000** | £000 |
| **Interest rate risk** | | |
| =+ 50 basis points shift in yield curves | **(2,772)** | (2,342) |
| =- 50 basis points shift in yield curves | **2,772** | 2,342 |

**Fixed Income Securities - Spread Risk**

The yield of a non-government fixed income security can be divided into two parts:

- The ‘risk free’ rate, being the yield of the treasury security issued by the country in which the issuer operates which is closest to it in maturity
- The ‘spread’ of the yield over the risk free rate (= total yield - risk free rate)

The spread is normally positive because it represents the extra consideration required by the market to compensate for the greater risk (compared to the Government issuer) of default on interest or redemption. The spread may also be influenced by the actual or perceived liquidity or marketability of the security.

The spread of a bond also adjusts over time to reflect the spread required on similar new issues. This movement up or down in spread therefore also contributes to overall market risk and we call this ‘spread risk’. We also include within spread risk the risk that a security falls in value as a result of being downgraded by a rating agency as this will also cause the spread to increase. We also include the risk of actual default on interest or redemption as a special case of spread risk. This default risk is actually a type of credit risk but it is convenient to deal with it here under market risk because of the way we model it in the Internal Model as an extreme case of downgrade risk.

We manage spread risk by limiting the overall credit quality of our investment portfolio and the concentrations of investments with specific issuers of investments. This risk is mitigated by limiting exposure to any single counterparty.

# Notes to the Accounts
**At 31 December 2022**

### Market risk mitigation risk

We define Market risk mitigation risk as the risk of variation in the value or effectiveness of hedging positions. The Syndicate uses derivatives to hedge against market risk.

### Asset concentration risk

The aggregate value of our investment portfolio may be at greater risk if it is over exposed to the same asset or a group of similar assets with similar risk dynamics.

Concentrations which we seek to manage for this reason include types of asset (e.g. mortgage backed securities), economic sector of issuer and securities of the same issuer.

### Credit Risk

Credit risk is the risk of loss to the Syndicate if a counterparty to a financial instrument or reinsurance agreement fails to meet its contractual obligations. The Syndicate is exposed to credit risk through its investment holdings (cash, debt securities and other fixed income securities), its reinsurers' shares of insurance liabilities and amounts due from reinsurers in respect of claims already paid. As already stated within our Internal Model and our management process we treat credit risk relating to our fixed Income security investments as part of Market risk.

The Syndicate is also exposed to credit risk through the diminution in the value of insurance receivables as a result of counterparty default. This principally comprises default and concentration risks relating to amounts receivable from intermediaries, policyholders and reinsurers. Reinsurance and retrocession does not isolate the Syndicate from its obligations to policyholders. In the event that a reinsurer or retrocessionaire fails to meet its obligation, the Syndicate's obligations remain.

Credit risk from balance receivable from reinsurers is mitigated through the holding of collateral. $351.0m is held off balance sheet. In addition, the LPT is collateralised through the withholding of premiums due under the contract until 30 December 2025. At 31 December 2022 $170.3m is recognised as funds withheld. In September 2025 any remaining balances due from the LPT funds witheld will be settled and the remaining recoverable under the LPT will be covered by collateral held off balance sheet.

### Processes for addressing risk

As with Insurance risk, we model our exposure to credit risks using the Internal Model to measure the associated capital requirements on both the one year SCR measure stipulated by Solvency II and the ultimate SCR basis used by Lloyd's to set capital requirements.

The processes for addressing credit risk in relation to financial Instruments has already been dealt with as part of the explanation of our processes to address Market Risk. The Group Insurance Credit Risk policy defines the processes for assessing, monitoring and managing credit exposure to intermediaries, policyholders and reinsurance counterparties. The Syndicate manages the levels of credit risk by placing limits on its exposure to a single counterparty, or groups of counterparty. Such risks are subject to regular review.

The creditworthiness of reinsurers for which the Syndicate has ongoing contracts is considered on an annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the balance sheet, with analysis by credit ratings of the counterparties issued by Standard and Poor's. AAA is the highest possible rating.

# Notes to the Accounts
**At 31 December 2022**

| Year 2022 | AAA £000 | AA £000 | A £000 | BBB £000 | Not rated £000 | Total £000 |
|---|---|---|---|---|---|---|
| **Financial Investments** | | | | | | |
| **Shares and other variable yield securities and unit trusts** | 75,354 | — | — | — | — | 75,354 |
| **Debt securities** | 12,463 | 87,521 | 90,365 | 9,655 | 37,024 | 237,028 |
| **Loans with credit institutions** | — | — | — | — | 6,127 | 6,127 |
| **Overseas deposits as other assets** | 40,109 | 10,004 | 5,857 | 5,706 | 21,427 | 83,103 |
| **Derivative assets** | — | — | 4,777 | — | — | 4,777 |
| | 127,926 | 97,525 | 100,999 | 15,361 | 64,578 | 406,389 |
| **Deposits with ceding undertakings** | — | — | — | — | 2,865 | 2,865 |
| **Reinsurer' share of claims outstanding** | — | 59,822 | 583,472 | 174,644 | 84,688 | 902,626 |
| **Reinsurance debtors** | — | 13,401 | 144,728 | — | — | 158,129 |
| **Cash at bank and in hand** | — | 12,333 | 1,137 | — | — | 13,470 |
| **Total** | 127,926 | 183,081 | 830,335 | 190,005 | 152,131 | 1,483,478 |

| Year 2021 | AAA £000 | AA £000 | A £000 | BBB £000 | Not rated £000 | Total £000 |
|---|---|---|---|---|---|---|
| Financial Investments | | | | | | |
| Shares and other variable yield securities and unit trusts | — | — | — | — | 38,748 | 38,748 |
| Debt securities | 10,374 | 117,530 | 79,261 | 8,939 | 40,413 | 256,517 |
| Participation in investment pools | — | — | — | — | — | — |
| Loans with credit institutions | — | — | — | — | 6,127 | 6,127 |
| Deposits with credit institutions | — | — | — | — | — | — |
| Overseas deposits as other assets | 31,382 | 6,201 | 6,796 | 9,185 | 21,108 | 74,672 |
| Derivative assets | — | — | 2,062 | — | — | 2,062 |
| Other investments | — | — | — | — | — | — |
| | 41,756 | 123,731 | 88,119 | 18,124 | 106,396 | 378,126 |
| Deposits with ceding undertakings | — | — | — | — | 1,738 | 1,738 |
| Reinsurer' share of claims outstanding | — | 39,002 | 604,229 | — | — | 643,231 |
| Reinsurance debtors | — | 6,839 | 105,951 | — | — | 112,790 |
| Cash at bank and in hand | — | — | — | — | 17,367 | 17,367 |
| Total | 41,756 | 169,572 | 798,299 | 18,124 | 125,501 | 1,153,252 |

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate do not consider these debtors to be impaired on the basis of stage of collection of amount owed to the Syndicate.

The Non Rated financial investments are based on Standard & Poors rating, as used by the Syndicate. However, these investments do hold a rating with other rating agency's.

# Notes to the Accounts

**At 31 December 2022**

An analysis of the carrying amounts of past due debtors is presented in the table below.

| | **Debtors arising from direct insurance operations** |
|---|---|
| **2022** | **£000** |
| **Past Due but not impaired financial assets:** | |
| **Past due by:** | |
| **1 to 30 days** | **52,056** |
| **31 to 90 days** | **16,689** |
| **91 to 180 days** | **53,921** |
| **More than 180 days** | **—** |
| **Past Due but not impaired financial assets:** | **122,666** |
| **Impaired financial assets** | **—** |
| **Gross value of past due and impaired financial assets** | **122,666** |
| **Neither overdue nor impaired financial assets** | **84,865** |
| **Net carrying value** | **207,531** |

No reinsurance debtors are past due and impaired.

| | Debtors arising from direct insurance operations |
|---|---|
| 2021 | £000 |
| Past Due but not impaired financial assets: | |
| Past due by: | |
| 1 to 30 days | 48,194 |
| 31 to 90 days | 12,917 |
| 91 to 180 days | 8,179 |
| More than 180 days | — |
| Past Due but not impaired financial assets: | 69,290 |
| Impaired financial assets | — |
| Gross value of past due and impaired financial assets | 69,290 |
| Neither overdue nor impaired financial assets | 79,377 |
| Net carrying value | 148,667 |

No reinsurance debtors are passed due and impaired.

**Liquidity Risk**

Liquidity risk is defined as the risk of failing to maintain sufficient liquid financial resources to meet liabilities as they fall due or to provide collateral as required for commercial or regulatory purposes.

Liquidity risk includes the following:

(a) Payment default risk: The risk that there is insufficient cash to make payments when due and that no additional cash can be made available by borrowing, sale of assets or capital raising.
(b) Risk of unplanned asset realisation losses: The risk that securities are required to be sold at a loss to meet liquidity requirements.
(c) Risk of failure of credit facility: The risk that advances from the credit facility are unavailable.
(d) Group liquidity risk: The risk that liquidity cannot be secured for a Group company from elsewhere in the Group.

# Notes to the Accounts
**At 31 December 2022**

(e) Collateral risk: The risk that the Syndicate is unable to provide collateral to a third party when contractually required to do so.

**Processes for addressing risk**

Unlike Insurance, Market and Credit Risk we do not model and manage liquidity risk using our internal model. This is because it is not a risk that is mitigated by holding capital against it.

The Managing Agency's annual Stress & Scenario Testing ("SST") process is used to determine the basis of the Key Liquidity risk limit. The Liquidity Risk policy provides further details of how Liquidity risks are identified, monitored, managed and modelled. This includes details of an escalation process for a breach of the minimum free funds limit.

The Liquidity Risk Policy highlights the measures that Aspen have put in place in order to maintain an agreed amount of assets in cash and cash equivalents. These measures include concentration limits to ensure the liquidity of assets, appropriateness of the marketability or realisability of assets and a liquidity contingency funding plan.

Liquidity stress testing is carried out against the Syndicate & Group's risk profile at least annually by the Risk Management function as part of the SST programme. This allows management to identify the potential strains on the Syndicate's liquidity as a result of the scenarios assessed as well as gaining understanding of the Group's ability to support the liquidity needs of entities such as the Syndicate as the need arises.

The table below analyses the Syndicate's monetary assets and liabilities into their relevant maturity groups based on the period remaining at the year end to their contractual maturities or expected settlement dates:

| | | | Undiscounted net cash flows | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Total cash flows | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
| **Year 2022** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Financial investments:** | | | | | | |
| **Shares and other variable yield securities and units in unit trusts** | **75,354** | **75,354** | **75,354** | — | — | — |
| **Debt securities** | **264,845** | **264,845** | **56,343** | **105,153** | **79,656** | **23,693** |
| **Reinsurers share of technical provisions** | **1,174,001** | **1,174,001** | **364,951** | **433,232** | **362,331** | **13,488** |
| **Debtors and accrued interest** | **564,667** | **564,667** | **564,667** | **—** | — | — |
| **Cash at bank and in hand** | **13,470** | **13,470** | **13,470** | — | — | — |
| **Other** | **85,968** | **85,968** | **85,968** | — | — | — |
| **Loans with credit institutions** | **6,127** | **6,127** | **—** | **1,166** | **4,961** | **—** |
| **Derivative assets** | **4,777** | **4,777** | **4,777** | — | — | — |
| **Total assets** | **2,189,209** | **2,189,209** | **1,165,530** | **539,551** | **446,948** | **37,181** |
| | | | | | | |
| **Technical provisions** | **1,741,196** | **1,741,196** | **602,942** | **629,304** | **493,400** | **15,549** |
| **Creditors** | **418,734** | **418,734** | **277,192** | — | **141,542** | — |
| **Total liabilities** | **2,159,930** | **2,159,930** | **880,134** | **629,304** | **634,942** | **15,549** |

# Notes to the Accounts
**At 31 December 2022**

| | | | Undiscounted net cash flows | | | |
|---|---|---|---|---|---|---|
| | Carrying amount | Total cash flows | Less than 1 year | 1-2 years | 2-5 years | More than 5 years |
| Year 2021 | £000 | £000 | £000 | £000 | £000 | £000 |
| Financial investments: | | | | | | |
| Shares and other variable yield securities and units in unit trusts | 38,748 | 38,748 | 38,748 | — | — | — |
| Debt securities | 256,517 | 256,517 | 58,604 | 78,063 | 101,128 | 18,722 |
| Reinsurer's share of technical provisions | 810,380 | 810,380 | 411,787 | 241,438 | 134,050 | 23,105 |
| Debtors and accrued interest | 418,252 | 418,252 | 418,252 | — | — | — |
| Cash at bank and in hand | 17,367 | 17,367 | 17,367 | — | — | — |
| Other | 74,672 | 74,672 | 74,672 | — | — | — |
| Loans with credit institutions | 6,127 | 6,127 | — | — | 6,127 | — |
| Derivative assets | 2,062 | 2,062 | 2,062 | — | — | — |
| Total assets | 1,624,125 | 1,624,125 | 1,021,492 | 319,501 | 241,305 | 41,827 |
| Technical provisions | 1,350,857 | 1,350,857 | 732,845 | 374,899 | 207,302 | 35,811 |
| Creditors | 321,291 | 321,291 | 321,291 | — | — | — |
| Total liabilities | 1,672,148 | 1,672,148 | 1,054,136 | 374,899 | 207,302 | 35,811 |

# Notes to the Accounts
**At 31 December 2022**

## 5. Segmental Information

An analysis of the underwriting result before investment return is presented in the table below:

**2022**

| | Gross premiums written | Gross premiums earned | Gross claims incurred | Gross operating expenses | Reinsurance balance | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| **Direct insurance:** | | | | | | |
| **Marine aviation and transport** | **9,600** | **9,504** | **(226)** | **(2,575)** | **(1,097)** | **5,606** |
| **Energy** | **25,595** | **26,959** | **(44,575)** | **(6,865)** | **29,605** | **5,124** |
| **Fire and other damage to property** | **81,936** | **70,938** | **(33,211)** | **(21,978)** | **(7,486)** | **8,263** |
| **Third party liability** | **345,711** | **315,470** | **(186,463)** | **(92,731)** | **777** | **37,053** |
| **Pecuniary loss** | **35,070** | **30,319** | **(20,202)** | **(9,407)** | **3,440** | **4,150** |
| **Accident & health** | **2,519** | **2,207** | **(4,979)** | **(676)** | **3,079** | **(369)** |
| **Total direct** | **500,431** | **455,397** | **(289,656)** | **(134,232)** | **28,318** | **59,827** |
| **Reinsurance** | **338,168** | **255,618** | **(168,541)** | **(90,708)** | **22,039** | **18,408** |
| **Total** | **838,599** | **711,015** | **(458,197)** | **(224,940)** | **50,357** | **78,235** |

2021

| | Gross premiums written | Gross premiums earned | Gross claims incurred | Gross operating expenses | Reinsurance balance | Total |
|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 |
| Direct insurance: | | | | | | |
| Marine aviation and transport | 9,663 | 8,528 | (2,032) | (2,564) | (1,609) | 2,323 |
| Energy | 7,809 | 7,444 | (35,808) | (2,072) | 16,815 | (13,621) |
| Fire and other damage to property | 31,786 | 19,751 | (3,000) | (8,436) | (2,585) | 5,730 |
| Third party liability | 224,076 | 185,339 | (153,664) | (59,469) | 17,487 | (10,307) |
| Pecuniary loss | 15,751 | 12,650 | (4,368) | (4,180) | (1,819) | 2,283 |
| Accident & health | (281) | 863 | (3,653) | 75 | 1,416 | (1,299) |
| Total direct | 288,804 | 234,575 | (202,525) | (76,646) | 29,705 | (14,891) |
| Reinsurance | 205,349 | 160,587 | (152,054) | (55,473) | 27,301 | (19,639) |
| Total | 494,153 | 395,162 | (354,579) | (132,119) | 57,006 | (34,530) |

The majority of premiums were underwritten in the UK, with a small amount written in Australia and Singapore. For 2022, the amount in Singapore was £1.2m (2021: £3.9m) and Australia was £28.8m (2021: Nil).

# Notes to the Accounts

**At 31 December 2022**

## 6. Net operating expenses

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Brokerage and commissions | **160,041** | 95,204 |
| Other acquisition costs | **29,633** | 15,179 |
| Change in deferred acquisition costs | **(27,089)** | (14,631) |
| Administrative expenses | **62,354** | 36,369 |
| Reinsurer's commissions and profit participations | **(124,295)** | (59,462) |
| | **100,644** | 72,659 |

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| *Administrative expenses include:* | | |
| Auditors' remuneration: | | |
| Fees payable to the Syndicate's auditors for the audit of these financial statements | **375** | 280 |
| Fees payable to the Syndicate's auditors and its associates in respect of other services pursuant to legislation | **125** | 123 |
| Managing agent's fees | **5,880** | 3,870 |

Total commissions for direct insurance business for the year amounted to £106.9m (2021: £58.3m).

The RI commission line includes amounts recognised in the profit and loss of -£147.0m (2021: -£86.5m) and amortisation of £22.7m (2021: 27.0m).

Members' standard personal expenses amounting to £12.3m (2021: £6.7m) are included in other acquisition costs and administrative expenses. Members' standard personal expenses include Lloyd's Members subscriptions, Central Fund contributions, and managing agent's fees.

## 7. Other (charges)/income

Other charges of £9.4m (2021: income £7.0m) consist of foreign exchange gains and losses on monetary assets and liabilities, arising from translation into US Dollars at the exchange rate prevailing at the balance sheet date.

# Notes to the Accounts

**At 31 December 2022**

## 8. Key management personnel compensation

The directors of AMAL received £1,503,000 (2021: £1,471,000) aggregate remuneration which has been charged to the Syndicate and included within net operating expenses.

No other compensation was payable to key management personnel.

The active underwriter received the following aggregate remuneration charged to the Syndicate.

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Emoluments | **560** | 624 |

## 9. Staff numbers and costs

The Syndicate has no employees of its own. All of the personnel employed in the Syndicate's business are employed by Aspen Insurance UK Services Limited ("AIUKS"). AIUKS is a fellow subsidiary of AIHL.

AIUKS encourages its employees to develop their full potential by providing opportunities for training and professional development. Such opportunities, as well as career development and promotion, are equally available to disabled employees, whether newly recruited or existing employees who become disabled whilst in AIUKS's employment.

AIUKS's equal opportunities policy aims to ensure that no potential or existing employee receives less favourable treatment because of his / her sex, actual or perceived sexual orientation, gender (including gender reassignment), marital or family state, age, ethnic origin, disability, race, colour, nationality, national origin, creed, political affirmation, part-time status, or any other condition.

## 10. Investment return

The investment return (comprising total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and liabilities) transferred from the technical account to the non-technical account is as follows:

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Investment income | **4,050** | 3,533 |
| Realised (losses) on investments | **(25,763)** | (6,975) |
| Unrealised (losses) on investments | **(10,041)** | (2,995) |
| Investment management charges including interest | **(1,994)** | (296) |
| | **(33,748)** | (6,733) |

# Notes to the Accounts
**At 31 December 2022**

The table below presents the average amounts of funds in the year per currency and analysis by major currency the average investment yields in the year.

| | 2022 | 2021 |
|---|---|---|
| | £000 | £000 |
| Average amount of syndicate funds available for investment during year: | | |
| Sterling | **30,501** | 26,537 |
| Euro | **830** | 3,094 |
| US dollar | **241,784** | 223,841 |
| Canadian dollar | **99,265** | 72,952 |
| Singapore dollar | **1,162** | 2,156 |
| Australian dollar | **45,892** | 41,195 |
| | **419,434** | 369,775 |

| | | |
|---|---|---|
| Gross calendar year investment yield: | % | % |
| Sterling | **0.02** | 0.74 |
| Euro | **0.21** | 0.79 |
| US dollar | **3.03** | 0.25 |
| Canadian dollar | **2.55** | 0.23 |
| Australian dollar | **3.42** | (0.72) |
| Combined in Sterling | **2.77** | 0.18 |

The investment yields are calculated from investment income

**11. Financial Investments**

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

Level 1 -Quoted prices (unadjusted) in active markets for identical assets or liabilities
Level 2 -Prices based on recent transactions in identical assets (either unadjusted or adjusted)
Level 3 -Prices determined using a valuation technique

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

| | Market value | | Cost | |
|---|---|---|---|---|
| | 2022 | 2021 | 2022 | 2021 |
| | £000 | £000 | £000 | £000 |
| Shares and other variable yield securities and units in unit trusts | **75,354** | 38,748 | **75,354** | 38,748 |
| Debt securities and other fixed income securities | **237,028** | 256,517 | **263,609** | 252,791 |
| Loans with credit institutions | **6,127** | 6,127 | **6,127** | 6,127 |
| Derivative assets | **4,777** | 2,062 | **4,777** | 2,062 |
| Total | **323,286** | 303,454 | **349,867** | 299,728 |
| Derivative liabilities | **(3,032)** | (1,376) | **(3,032)** | (1,376) |

# Notes to the Accounts
**At 31 December 2022**

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

There have been no day 1 profits recognised in respect of financial instruments designated at fair value through profit or loss.

| **2022** | **Level 1 £000** | **Level 2 £000** | **Level 3 £000** | **Total £000** |
|---|---|---|---|---|
| **Shares and other variable yield securities and units in unit trusts** | **75,354** | **—** | **—** | **75,354** |
| **Debt securities and other fixed income securities** | **192,583** | **44,445** | **—** | **237,028** |
| **Deposits with credit institutions (including overseas deposits)** | **83,103** | **—** | **—** | **83,103** |
| **Loans with credit institutions** | **—** | **—** | **6,127** | **6,127** |
| **Derivative assets** | **4,777** | **—** | **—** | **4,777** |
| **Total** | **355,817** | **44,445** | **6,127** | **406,389** |
| **Derivative liabilities** | **(3,032)** | **—** | **—** | **(3,032)** |

| **2021** | Level 1 £000 | Level 2 £000 | Level 3 £000 | Total £000 |
|---|---|---|---|---|
| Shares and other variable yield securities and units in unit trusts | 38,748 | — | — | 38,748 |
| Debt securities and other fixed income securities | 167,515 | 89,002 | — | 256,517 |
| Deposits with credit institutions (including overseas deposits) | 74,672 | — | — | 74,672 |
| Loans with credit institutions | — | — | 6,127 | 6,127 |
| Derivative assets | 2,062 | — | — | 2,062 |
| Total | 244,249 | 127,750 | 6,127 | 378,126 |
| Derivative liabilities | (1,376) | — | — | (1,376) |

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Debt securities are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modeling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

# Notes to the Accounts
**At 31 December 2022**

Corporate bonds, including asset backed securities, that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

## 12. Deferred acquisition costs

The table below shows changes in deferred acquisition costs assets from the beginning of the period to the end of the period.

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Balance at 1 January | **68,501** | 54,659 |
| Acquisition costs incurred | **189,674** | 110,382 |
| P&L movement on deferred acquisition costs during the year | **(162,585)** | (95,751) |
| Effect of movements in exchange rates | **7,114** | (789) |
| Balance at 31 December | **102,704** | 68,501 |

## 13. Technical provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

| | **Gross provisions** | **Reinsurance assets** | **Net** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **Claims outstanding** | | | |
| Balance at 1 January | **1,041,014** | **(643,231)** | **397,783** |
| Change in claims outstanding | **121,959** | **(77,038)** | **44,921** |
| Recognition of retroactive reinsurance | **—** | **(111,146)** | **—** |
| Effect of movements in exchange rates | **104,144** | **(71,211)** | **32,933** |
| Balance at 31 December | **1,267,117** | **(902,626)** | **475,637** |
| Claims notified | **472,503** | **(206,038)** | **266,465** |
| Claims incurred but not reported | **794,614** | **(696,588)** | **98,026** |
| Balance at 31 December | **1,267,117** | **(902,626)** | **364,491** |
| **Unearned premiums** | | | |
| Balance at 1 January | **309,842** | **(167,149)** | **142,693** |
| Change in unearned premiums | **127,584** | **(81,426)** | **46,158** |
| Effect of movements in exchange rate | **36,653** | **(22,800)** | **13,853** |
| Balance at 31 December | **474,079** | **(271,375)** | **202,704** |

# Notes to the Accounts
**At 31 December 2022**

| **2021** | Gross provisions | Reinsurance assets | Net |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Claims outstanding** | | | |
| Balance at 1 January | 922,242 | (555,829) | 366,413 |
| Change in claims outstanding | 118,221 | (84,123) | 34,098 |
| Effect of movements in exchange rates | 551 | (3,279) | (2,727) |
| Balance at 31 December | 1,041,014 | (643,231) | 397,784 |
| Claims notified | 465,014 | (205,483) | 259,531 |
| Claims incurred but not reported | 576,000 | (437,748) | 138,253 |
| Balance at 31 December | 1,041,014 | (643,231) | 397,784 |
| **Unearned premiums** | | | |
| Balance at 1 January | 214,242 | (87,362) | 126,880 |
| Change in unearned premiums | 98,989 | (77,798) | 21,191 |
| Effect of movements in exchange rate | (3,389) | (1,989) | (5,378) |
| Balance at 31 December | 309,842 | (167,149) | 142,693 |

## 14. Cash and Cash Equivalents

| | **2022** | 2021 *restated** |
|---|---|---|
| | **£000** | £000 |
| Cash at bank and in hand | **13,470** | 17,367 |
| Short term deposits with credit institutions | **75,354** | 38,748 |
| **Total cash and cash equivalents** | **88,824** | 56,115 |

*The restatement is detailed in note 21

Only deposits with credit institutions with maturities of three months or less that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

## 15. Other Creditors

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Due to affiliates | **107,337** | 66,569 |
| Derivative liability | **3,032** | 1,376 |
| Total | **110,369** | 67,945 |

# Notes to the Accounts
**At 31 December 2022**

## 16. Accruals and deferred income

| | **2022** | 2021 *Restated* |
|---|---|---|
| | **£000** | £000 |
| Profit commission accrual | **14,258** | 15,426 |
| Other accruals | **2,081** | 6,067 |
| Reinsurers' share of deferred acquisition costs | **81,145** | 51,464 |
| Total accruals and deferred income | **97,484** | 72,957 |

*The restatement is detailed in note 21

## 17. Related parties

AMAL is the managing agency of the Syndicate. The Syndicate has paid the following amounts to AMAL in the year:

| | **2022** | 2021 |
|---|---|---|
| | **£000** | £000 |
| Managing agency fees | **5,880** | 3,870 |
| Year end balance due to Aspen Managing Agency Limited | **9,750** | 3,870 |

The Syndicate is supported by Aspen Underwriting Limited ("AUL"), which provides 100% of its underwriting capacity. At year end the Syndicate had a balance due to AUL of £2,704k (2021: £1,254k due from AUL)

The ultimate holding company and controlling party of AMAL and AUL as at 31 December 2022 is Highlands Bermuda Holdco Ltd a company incorporated in Bermuda.

*Internal brokers and coverholders*

Aspen UK Syndicate Services Limited ("AUKSSL") serves as a Lloyd's broker, Asset Protection Jersey ("APJ"), an insurance company, which reinsures all of its business through a quota share agreement with the Syndicate and Aspen Australia Service Company Pty Limited ("AASCL") serves as a Lloyd's broker, and all are intermediaries which are 100% owned by Aspen.

The Syndicate has written the following premium amounts in the year and the balances due to the Syndicate at the end of the year are:

| **2022** | **AUKSSL** | **APJ** | **AASCPL** |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **Written Premium in year** | **—** | **—** | **28,632** |
| **Year end debtor balance** | **94** | **64** | **4,601** |

| 2021 | AUKSSL | APJ | AASCPL |
|---|---|---|---|
| | £000 | £000 | £000 |
| Written Premium in year | (6) | (56) | — |
| Year end debtor balance | 103 | 661 | — |

# Notes to the Accounts
**At 31 December 2022**

*Service providers to the Syndicate*

AIUKS, ABL, Aspen Reinsurance America ("ARA"), and Aspen Singapore Pte Limited (ASPL) provide services to the Syndicate. The amounts charged to the Syndicate within the year and the balances due from the Syndicate at the end of the year are:

| **2022** | **ABL** | **AIUKS** | **ARA** | **ASPL** | **AASCPL** | **AUKSSL** | **Other*** |
|---|---|---|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** | **£000** |
| **Expenses recharged** | **2,297** | **60,219** | **10,003** | **168** | **568** | **54** | **5,880** |
| **Year end amount due to affiliates** | **8,625** | **81,642** | **3,770** | **223** | **568** | **54** | **12,454** |

| 2021 | ABL | AIUKS | ARA | ASPL | AASCPL | AUKSSL | Other |
|---|---|---|---|---|---|---|---|
| | £000 | £000 | £000 | £000 | £000 | £000 | £000 |
| Expenses recharged | 242 | 27,767 | 3,060 | 723 | — | — | 3,870 |
| Year end amount due to affiliates | 66 | 59,791 | 2,146 | 248 | — | — | 2,616 |

*Other includes amounts due/from AMAL and AUL mentioned above

*Internal reinsurers*

The Syndicate has the following internal reinsurance arrangements:

- 50% Quota Share (QS) with Aspen Insurance (UK) Limited ("AIUK")
- Reciprocal ($10m excess $10m) excess of loss reinsurance with AIUK
- 20% QS Treaty for years of account 2009 to 2020 and 35% on 2021 and 2022 to Aspen Bermuda Ltd (ABL)
- Ceding premium to ABL in relation to the group excess of loss (XOL) cover

The Syndicate has incurred the following amounts in the year and the balances due to/from the syndicate at the end of the year relating to these are:

| **2022** | **ABL QS** | **ABL XOL** | **AIUK QS** | **AIUK XOL** |
|---|---|---|---|---|
| | **£000** | **£000** | **£000** | **£000** |
| **Premiums balances ceded to/(from)** | **162,619** | **2** | **2,321** | **—** |
| **Claims balances ceded (to)/from** | **(101,577)** | **349** | **18,404** | **1,801** |
| **DAC balances ceded (to)/from** | **(53,570)** | **(83)** | **(580)** | **—** |
| **Year end debtor/(creditor) balance** | **(71,512)** | **(18,619)** | **41,373** | **—** |

| 2021 | ABL QS | ABL XOL | AIUK QS | AIUK XOL |
|---|---|---|---|---|
| | £000 | £000 | £000 | £000 |
| Premiums balances ceded to/(from) | 69,572 | 369 | (2,660) | — |
| Claims balances ceded (to)/from | (51,668) | 135 | 24,137 | (747) |
| DAC balances ceded (to)/from | (26,131) | (152) | 665 | — |
| Year end debtor/(creditor) balance | (12,863) | (17,147) | 14,083 | — |

# Notes to the Accounts
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**Cash Calls**

Cash calls from member's personal reserve funds of £27.6m (2021: £16.7m) and collection of losses to the member's personal reserve funds of £55.7m (2021: £16.3m) were made during the year. Directors have been provided with assurances that sufficient capital will be made available when required.

## 18. Funds at Lloyd’s

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

FAL is set with regards to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these accounts by way of such capital resources. However, the managing agent is able to make a call on the member’s FAL to meet liquidity requirements or to settle losses on behalf of the Syndicate.

FAL is provided in the form of investments from Aspen Bermuda Limited (“ABL”) and Aspen Underwriting Limited ("AUL"), unsecured letter of credit and unsecured third-party financing facilities.

## 19. Foreign exchange rates

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

| | **2022** | **2022** | 2021 | 2021 |
|---|---|---|---|---|
| | **Year-end rate** | **Average rate** | Year-end rate | Average rate |
| Euro | **1.13** | **1.17** | 1.19 | 1.17 |
| US dollar | **1.20** | **1.23** | 1.35 | 1.38 |
| Canadian dollar | **1.63** | **1.60** | 1.71 | 1.72 |

## 20. Events after balance sheet date

Our exposures to the war-related losses related to events in Ukraine are controlled and limited by our insurance and reinsurance contracts, which include specific terms and conditions defining to the extent to which our policies respond to losses arising from war and conflict, individuals or entities impacted by applicable sanctions regimes.However the scope and application of coverage terms will be impacted by political, legislative, regulatory or judicial actions over time, which are difficult to predict and could have an adverse effect on our business, financial condition, and results of operations.

## 21. Prior Year Restatements

### i) Change in accounting policy

Previously, retroactive reinsurance contracts were accounted for in accordance with the accounting policies disclosed in the 2021 financial statements whereby
i) the reinsurance premiums and reinsurance recoveries arising on inception are recognised in the profit and loss account and
ii) gains (or losses) arising are recognised in the profit and loss account with no deferral.

This accounting policy was previously applied to the Adverse Development Cover (ADC) which incepted on 2 March 2020 and attached to losses incurring up to 31 December 2019. This accounting policy has been

# Notes to the Accounts
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reassessed following the Loss Portfolio Transfer (LPT) which incepted on 18 May 2022 and resulted in the cancellation and replacement of the ADC. An alternative accounting policy has been applied whereby i) the reinsurance premium and recoveries arising on inception are recognised in the balance sheet (respectively as a funds withheld liability and reinsurance asset) and ii) the net gain or loss arising is reflected through incurred claims with no deferral. In the opinion of the Directors, the new accounting policy provides reliable and more relevant information as it is more closely aligns with the treatment adopted by Aspen Insurance Holdings Limited, the ultimate parent undertaking of the Aspen Group, which presents its consolidated financial statements under US GAAP.

This accounting policy change has no impact on prior period equity or profit as re-measurement gains and losses continue to be recognised in the income statement. This accounting policy change also has no impact on the funds withheld liability and reinsurance asset presented in the balance sheet. As the previous ADC was affected during 2020, the change has no impact on any of the income statement line items presented in 2021.

### ii) Correction of balance sheet classification errors

During 2022, the company reassessed its prior period classification of certain balance sheet line items which were incorrectly classified and on materiality grounds the following adjustments have been applied retrospectively to restate the prior period comparative information:

- Creditors arising out of direct insurance operations of £5,057k and creditors arising out of reinsurance operations of £2,007k have been reclassified from accruals and deferred income to insurance and reinsurance creditors in the balance sheet – with no impact on the income statement or equity as a result;
- Creditor balances of £453k and £46,583k, previously classified as accruals and deferred income, have been offset against debtors arising out of direct insurance operations and debtors arising out of reinsurance operations respectively to present the amounts which arose as a result of business transacted with Lloyd’s China on a net basis as the company has both the legal right of offset and the intention or ability to settle net or simultaneously – with no impact on the income statement or equity as a result.

The effect of the restatement on the 2021 financial statements in is summarised below:

| | 2021 previously reported | Adjustment | 2021 Restated |
|---|---|---|---|
| | £000 | £000 | £000 |
| **Debtors - due within one year** | | | |
| Debtors arising out of direct insurance operations | 145,792 | (453) | 145,339 |
| Debtors arising out of reinsurance operations | 264,092 | (46,583) | 217,509 |
| **Effect on total assets** | **409,884** | **(47,036)** | **362,848** |
| **Creditors - due within one year** | | | |
| Creditors arising out of direct insurance operations | (25,218) | (5,057) | (30,275) |
| Creditors arising out of reinsurance operations | ( 228,129) | (2,007) | (230,136) |
| Accruals and deferred income | (127,057) | 54,100 | (72,957) |
| **Effect on total liabilities** | **(380,404)** | **47,036** | **(333,368)** |
| **Effect on net assets** | **29,480** | **—** | **29,480** |

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### iii) Classification of cash and cash equivalents

The Syndicate has also reassessed its prior period treatment of cash and cash equivalents for the purpose of inclusion in the cash flow statement and the following adjustments have been applied retrospectively on materiality grounds:

- Overseas deposits of £74,672k (2020: £69,723k) have been removed from cash equivalents on the basis that restrictions on their use are deemed to exist which mean they do not satisfy the 'highly liquid' or 'readily convertible' criteria specified by FRS 102 for inclusion within cash equivalent; and
- Money Market funds of £38,748k (2020: £42,075k) have been included within cash equivalents on the basis that they are short term, highly liquid, readily convertible into known amounts of cash and subject to insignificant risk of changes in value.

These adjustments have no impact on either the income statement or balance sheet.

The syndicate has also determined that the purchase and sale of derivative transactions were incorrectly included in the cash flow statement based on the movement in their notional amounts rather than the underlying cash flows. The correction of this treatment has resulted in a decrease in the purchase and sale of derivatives by £298,807k (with no net impact on total cash flows arising from investing activities).

The net effect of the adjustments described above on the syndicate's prior period cash flows statements is summarised below:

| | 2021 previously reported | Adjustment | 2021 Restated |
|---|---|---|---|
| | **£000** | **£000** | **£000** |
| **Cash flow from operating activities** | | | |
| Movement in other assets/liabilities | — | (4,949) | (4,949) |
| **Cash flow from investing activities** | | | |
| Purchase of equity and debt instruments | (130,669) | (1,589) | (132,258) |
| Purchase of derivatives | (303,957) | 298,807 | (5,150) |
| Sale of derivatives | 300,631 | (298,807) | 1,824 |
| Other | — | (1,738) | (1,738) |
| **Effect on movement in cash flow from activities** | **(133,995)** | **(8,276)** | **(142,271)** |
| **Classification of cash and cash equivalents** | | | |
| Cash and cash equivalents at beginning of year | 84,025 | (27,647) | 56,378 |
| Cash and cash equivalents at end of year | 92,038 | (35,923) | 56,115 |
| **Effect on total cash and cash equivalents** | **8,013** | **(8,276)** | **(263)** |
| Cash at bank and in hand | 17,367 | — | 17,367 |
| Short term deposits with credit institutions | 74,671 | (35,923) | 38,748 |
| **Total cash and cash equivalents** | **92,038** | **(35,923)** | **56,115** |

# Notes to the Accounts
**At 31 December 2022**

## 22. Key Performance Indicators

### Expense Ratio

Ratio, in percentage terms, of the net operating expenses (£100.6m) to earned premiums net of reinsurance (£318.2m). In 2022, the expense ratio was 31.6%.

### Claims Ratio

Ratio, in percentage terms, of the sum of claims incurred net of reinsurance (£139.3m) to earned premiums net of reinsurance (£318.2m). In 2022 the claims ratio was 43.8%.

### Combined Ratio

Ratio in percentage terms, of the sum of claims incurred net of reinsurance (£139m) and net operating expenses (£100.6m) to earned premiums net of reinsurance (£318.2m). This is also the sum of the expense ratio and the claims ratio. In 2022 the combined ratio was 75.4%.