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SYNDICATE 2003

ANNUAL REPORT AND ACCOUNTS
YEAR ENDED
31 DECEMBER 2023

CONTENTS

SYNDICATE INFORMATION

MANAGING AGENT:

Managing agent	AXA XL Underwriting Agencies Limited ("AXUAL")	
Company number	01815126	
Directors		
	P Bishop	(Non-Executive)
	M Cantor-Grable	(Non-Executive)
	M Cummings	
	N Hinshelwood	(Non-Executive)
	J Lejeune	(Non-Executive)
	S McGovern	
	B Poupart-Lafarge	(Non-Executive)
	C Richmond	(Non-Executive)
	N Williams	(Non-Executive)
Company secretary	A M Bond	
Registered office	20 Gracechurch Street London EC3V 0BG	

SYNDICATE:

Active underwriter	S Hearn (appointed 21 June 2023) L Prato Jaen (resigned 20 June 2023)
Independent auditor	Ernst & Young LLP 25 Churchill Place, Canary Wharf London E14 5EY

FINANCIAL HIGHLIGHTS

Key Performance Indicators (KPI's)	**2023**	*2022*
Syndicate capacity (£'m)	**1,061.2**	*802.1*
Gross premium written (£'m)	**1,321.0**	*1,228.1*
Net premium written (£'m)	**931.8**	*878.9*
Net premium earned (£'m)	**870.3**	*839.8*
Underwriting profit (£'m)	**84.7**	*25.2*
Investment return (£'m)	**78.5**	*(100.5)*
Total comprehensive Profit / (Loss) for the year (£'m)	**184.0**	*(103.7)*
Claims ratio (%)	**52.8**	*57.1*
Expense ratio (%)	**37.5**	*39.9*
Combined ratio (%)	**90.3**	*97.0*

Claim ratio is the percentage of net incurred claims in relation to the net earned premiums.

Expense ratio is the percentage of net operating expenses in relation to the net earned premiums.

The combined ratio is the sum of the ratios of net operating expenses and net incurred claims to net earned premiums. A combined ratio of less than 100% represents an underwriting profit.

STRATEGIC REPORT OF THE MANAGING AGENT
FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors of AXA XL Underwriting Agencies Limited ("AXUAL"), the managing agent, present their strategic report and audited financial statements for the year ended 31 December 2023.

Principal activities

The principal activity of Syndicate 2003 ("the Syndicate") is to underwrite general insurance and business within the Lloyd's of London market. The main lines of business are Accident and Health, Aviation, Casualty, Marine and Offshore Energy, Equine, Specie, Crisis Management, Political Risks, Property and Construction.

The Syndicate trades through Lloyd's worldwide licenses, rating and brand. Lloyd's has an A (Excellent) rating from A.M.Best, AA- (Very Strong) rating from S&P and AA- (Very Strong) rating from Fitch. AXA S.A. which backs the Syndicate has an AA- (Stable) rating from S&P, Aa3 (Stable) rating from Moody's and A+ Superior (Stable) rating from A.M.Best.

Results and performance

Premiums
The gross written premiums for the Syndicate increased by 7.6% in 2023 to £1,321.0m (2022: £1,228.1m). The increase in gross written premiums primarily relates to the strong pricing environment in 2023, in particular for our wholesale and energy property classes, and portfolio growth in our wholesale property portfolio.

Analysis of the Syndicate’s business written by class of business is set out in note 4: Segmental Analysis, in the notes to the financial statements.

Underwriting result
The Syndicate has reported an underwriting profit (net earned premiums less net claims incurred and net operating expenses) of £84.7m against an underwriting profit of £25.2m in 2022. The Syndicate’s combined ratio has improved from 97.0% to 90.3%.

The underwriting result in 2023 benefited from lower large loss experience in particular for our Energy Property and Crisis Management classes of business. Adverse prior year deterioration relating to Casualty classes partly offsets the favourable large loss experience. CAT events in 2023 were dominated by US wildfires and storms, and the New Zealand cyclone, but these were within expected ranges. Results were not significantly affected by any further developments from the Ukraine and Russia conflict. The Investment portfolio return relating to the technical accounts is favourable in the year at £78.5m (2022: loss of £100.5m).

Overall result
The total comprehensive profit for the year is £184.0m (2022: loss of £103.7m).

Strategy and future outlook

AXUAL’s strategy is to leverage the inherent strengths of the Lloyd’s market to write a portfolio of business that provides a better return than the market over the underwriting cycle. We aim to differentiate ourselves through offering underwriting excellence in specialised areas of insurance. Our objective is to support our underwriters with a flexible underwriting environment, superior analytics, efficient claims handling and a robust Enterprise Risk Management framework.

The Syndicate’s focus is to continue sustainable and disciplined growth across the diverse lines of business it writes. By using effective distribution channels, we will continue to offer a suite of products and services to meet the evolving needs of our clients. The Syndicate is an important part of the AXA XL business model transformation to anticipate the evolving needs of the customer and match this through its preferred segments which include property and casualty commercial lines. The Syndicate continues to provide AXA with a diversified and scalable operation to service international based risks and clients.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Strategy and future outlook (continued)

The Syndicate will selectively focus on growth opportunities with the emphasis on bottom line profitability.

Risk Management

The Syndicate faces strategic, financial and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment, reserving, changes in laws or regulations, information systems, business interruption and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on our profitability, capital strength and liquidity which is managed by the Managing Agent’s Risk Management (RM) function who implement the Risk Management Framework (“RMF”).

The RMF is reviewed by the Board, at least annually which includes a self attestation of compliance with the Framework which is completed by the UK Risk function. The RMF would be reviewed more regularly if the Company was subject to a major change in regulatory requirements, strategy or organisational structure.

The aim of the RMF is to:

- Set out the Syndicates approach to Risk Management, including the governance processes in place including the roles and responsibilities across the three lines of defence in the management of risks faced by the business;
- Support business objectives and strategy;
- Provide management information to facilitate the identification and understanding of material risks including related mitigants;
- Contribute to the Company's overall internal control framework by helping to manage the inherent complexity within the business;
- Support regulatory risk management requirements; and
- Set out the approach for creating a positive risk culture.

Key risks and uncertainties facing the Syndicate are:

Risk	*Description*	*Mitigation*
Insurance risk	Insurance risk arises from the Syndicate's general insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection.	The Syndicate seeks to maintain a diversified and well-balanced portfolio of risks. The Syndicate's underwriting and reinsurance strategies are set within the context of the overall AXA XL strategies, approved by the AXUAL Board and communicated clearly throughout the business through policy statements and guidelines.
Market risk	Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.	Restrictions are placed upon external investment managers' strategies, and close monitoring is performed of activity.
Liquidity risk	Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Syndicate is the obligation to pay claims as they fall due.	The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Syndicate manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.
Operational risk	Operational risk is the risk of loss, resulting from inadequate or failed internal processes, or from people and systems, or from external events	The Managing Agent manages this risk through a formal disaster recovery plan, monitoring of risk, and by the Syndicate's inclusion in AXA XL's Internal Control Framework.
Credit risk	Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. This includes reinsurance counterparty and investment counterparty risk.	Credit risk is identified through the business planning process, counterparty creditworthiness reviews, regulator monitoring, and limits to exposure on a single counterparty.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Geopolitical risk and conflict

On 24 February 2022, Russia invaded Ukraine and the war between the two countries continues and in addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighbouring countries (e.g. Belarus) or that conduct business with their counterparties, the war is affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

The ongoing conflict in Israel and Gaza, and subsequent regional impacts including but not limited to the Red Sea and international shipping, have further exacerbated these pressures.

During the year the Directors have been monitoring these situations closely to identify potential exposures arising out of underwriting but also to investments, operational issues including potential cyber attacks, impacts from sanctions and the Directors have considered expansion or changes to the conflicts. From a claims perspective AXUAL is exposed to potential losses from its Aerospace, Marine and Crisis Management classes, in particular in relation to lessor and operator policy proceedings. There is a significant amount of uncertainty and a large number of potential outcomes regarding the length of both conflicts, sanctions, exposures, coverages, obstacles to settlement, event aggregation for reinsurance recovery and loss expectancy for example.

Engaging with stakeholders

The Board is cognisant of the stakeholders of the Syndicate's managing agent, AXA XL Underwriting Agencies Limited (the "Company" or "AXUAL") and the importance of strong relationships coupled with appropriate levels of communication and engagement.

People

The workforce’s culture, values, behaviours, performance, and engagement drive how the Company serves its customers and interacts with suppliers.

The Company operates within the framework of AXA XL’s service company model and is the recipient of services provided by one of its sister companies. Although the Company does not have any direct employees, the Board monitors people-related issues for the Company through regular reports to its Governance Committee on topics including people strategy, succession planning, remuneration, inclusion and diversity, employee engagement surveys and annual Gender and Ethnicity Pay Gap reporting in the UK.

The Company is committed to engaging with its workforce and representatives from the workforce contribute to and participate in decisions where appropriate, including via regular Town Halls with Q&A, Engagement Surveys and the formal Employee Representative Body, which represents the colleague voice.

The Company, in line with the AXA XL Division, is dedicated to providing equal opportunities to all its employees, regardless of their ‘protected characteristics'. The Company strives to create a diverse and inclusive workplace that values and encourages individual differences and treats all employees with dignity and respect. To facilitate this, there is a robust Diversity, Equity and Inclusion (D,E&I) strategy and roadmap in place in the UK to ensure that concrete goals are set and leaders are held accountable for achieving them. The roadmap and governance is set and monitored by the UK Inclusion & Diversity Board. To support the D,E&I strategy, the following mechanisms are in place:

- The Company implements the Diverse Slate policy for all roles across all levels, including the Board. The policy strives to achieve gender balance by requiring 50% of female candidates to be shortlisted for interview by hiring managers globally.
- Several initiatives and charters are in place to support diversity at all levels, such as ‘Women in Finance’, a ‘Flexible Working Charter’, a ‘Race at Work Charter’ and ‘Race Action Through Leadership’.
- The global ‘Dignity at Work’ policy has been launched to protect against harassment and discrimination and ensure colleagues feel safe, valued, and respected.
- Regular webinars and live sessions are offered to colleagues to help with D,E&I education.
- Five global Business Resource Groups (BRGs) and networks - LEAD, Pride, Rise, EnAble and Inclusion committees which drive innovation, collaboration, and business goals to promote diversity and inclusion at AXA XL. The LEAD BRG's goal is to accelerate gender equality and foster a culture of inclusivity for all colleagues.
- An annual inclusion survey.
- A D,E&I goal for all colleagues (executive goals and link to performance and remuneration.
- Specific talent and development programmes for traditionally underrepresented groups.
- Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with AXA XL continues and the appropriate support is provided.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Customers
The Company believes that fostering business relationships with its brokers and clients is important to the Company's success.

The Company strives to build trusted relationships with brokers and clients and to always treat them fairly, providing commitment to its clients that the business delivers on its purpose, to "act for human progress by protecting what matters". Delivering on this purpose helps to enhance AXA's reputation, both in the eyes of the brokers and clients, and other external stakeholders such as regulators, rating agencies and media.

Claims are dealt with promptly and efficiently, in line with local regulation and law with regular communication and status updates throughout the lifecycle of the claim. All efforts are made to pay valid claims in full or alternatively to find amicable resolutions, avoiding litigation wherever possible. Declinatures are fully explained and delivered with empathy. The complaints process is clearly defined should the client be dissatisfied with any part of the claim outcome.

The Company maintains a close presence with its brokers and clients through events such as the British Insurance Brokers' Association ('BIBA') and the Association for Insurance and Risk Managers in Industry and Commerce ('AIRMIC'). Virtual and in person events and personal communications are fostered to deepen relationships with partners and create interactions to update them on core business initiatives, value proposition and appetite. Regular insights and feedback are collated through our broker partners and market surveys to improve broker experience and engagement ensuring relevancy to customers and brokers.

Suppliers and Third Parties
The Company is committed to acting conscientiously and advancing processes to ensure that responsible procurement is central to all its purchases. As part of the AXA XL Division, the Company benefits from the use of the AXA Core Values and Ethics (Guidelines), that are adopted by AXA XL and embedded into the AXA XL Procurement Policy.

The Company complies with the requirements of the Modern Slavery Act 2015. Together with other AXA XL companies to which the Modern Slavery Act 2015 applies, the Company publishes an annual Slavery and Human Trafficking Statement.

Community and the Environment
Striving to achieve a balance between environmental, social and governance ("ESG") activity is in the long-term interests of the Company, the wider AXA XL Division, and the communities in which the Company operates. In alignment with other entities in the AXA XL Division, the Company considers the impact that its operations have on the community and the environment, while the Board of Directors are committed to AXA Group's environmental ambitions and to understanding and mitigating the impact that climate change will have on customers and the business.

The UK & Lloyd's ESG Forum, comprising members from the UK leadership team and assigned colleagues, is responsible for setting, monitoring and managing the UK & Lloyd's ESG strategy, and is accountable for its execution.

Environment
AXA XL strives to help colleagues, clients and communities manage the impacts of a changing climate, promote greener practices, support the protection of natural assets and biodiversity and reduce carbon footprints. The AXA XL 2023-26 Sustainability Strategy, 'Roots of Resilience', focuses on protecting natural ecosystems, addressing climate change, and embedding sustainable practices across our operations.

The Company understands the importance of continuing to develop new products and services which will support clients and their changing needs in response to climate change and wider ESG topics. One such product example is Excess Emissions Insurance (EEI) which was launched In July 2023.

The Company has adopted AXA Group consistent restrictions and exclusions within its underwriting and investment portfolios and its statements of intent on appetite for carbon intensive industries, such as the 2021 AXA Oil and Gas Policy Statement. The Company is working with clients and seeking to offer appropriate risk transfer and services to those that need support as they transition on their own ESG journeys and is increasingly engaging with clients on these topics.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Community
The Company strives to play a positive role in society and actively supports the communities it operates in. From volunteering and mentoring to fundraising and sharing business expertise, the Company encourages its workforce to get involved where possible.

The Company demonstrates its commitment to local communities through various initiatives such as the annual "AXA Week for Good", AXA XL's Global Day of Giving, "Hearts in Action" charity working groups, Matching Gifts program, and Volunteering Leave Policy.

Regulators
The Company strives to maintain strong and effective relationships with regulators through regular and transparent engagement to facilitate efficient supervision. Ensuring there is a collaborative and a transparent relationship with regulators is vital for AXA XL's business operations, customer reputation, as well as the recruitment and retention of senior staff.

The primary regulatory engagement for the Company is with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) supervisory teams and senior management and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The PRA engages directly with the Board of Directors following the issue of their annual Periodic Summary Meetings (PSM) feedback letter and meets regularly with senior management throughout the year.

Shareholder
Two Non-Executive Directors from within the AXA Group are members of the Board, partly to allow for insight into operational thinking, practice and philosophy from a different part of the AXA Group, being the Company's ultimate shareholder.

The Company continues its work with the AXA Group and its network. Various initiatives were pursued throughout the year, including working with colleagues at AXA General Insurance (GI) in the UK to demonstrate our combined offering as "One AXA" and to assess opportunities for mutual growth.

Maintaining a reputation for high standards of business conduct
The reputation of the Company is fundamental to its long-term success. The Company is committed to maintaining the highest standards of ethical conduct, and this is reflected in the AXA Values: Customer First, Integrity, Courage and One AXA. Having a clear set of values and ethics guide behaviours drives good outcomes for all stakeholders.

The Company's commitment to ethical conduct is set out in more detail in the AXA Group Compliance and Ethics Code and AXA XL Division's Code Supplement ("Code of Conduct") which is reviewed by the Board of Directors on a regular basis. Policies contained in the Code of Conduct include treating customers fairly and professionally, anti-bribery and corruption, speaking up (whistleblowing) and dignity at work. Code of Conduct violations, or other misconduct, is taken very seriously and may result in disciplinary action, including dismissal.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Managing Agent

AXUAL, the managing agent of the Syndicate, is a company registered in England and Wales. AXUAL is a wholly-owned subsidiary of its ultimate parent AXA SA ("AXA"), a company registered in France. Copies of the financial statements of AXA SA can be obtained from 25 Avenue Matignon FR-75008, Paris, France.

The Syndicate is wholly-aligned with capital provided by AXA XL, a division of AXA SA, through a subsidiary AXA XL Syndicate Ltd (formerly Catlin Syndicate Limited).

Auditor

In accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) (the 2008 Regulations) a Syndicate AGM was held in April 2023 to reappoint Ernst & Young LLP as the Syndicate's registered auditor.

Stamp capacity of the Syndicate

The stamp capacity for the 2024 underwriting year has been increased to £1,152.7m (2023 underwriting year £1,061.2m, note this was uplifted from the original approved stamp of £966.8m)

This report was approved by the Board of AXA XL Underwriting Agencies Limited and signed on its behalf by:

N Hinshelwood
Director
27 February 2024

S McGovern
Director
27 February 2024

MANAGING AGENT'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors of the managing agent present their report together with the audited financial statements for the year ended 31 December 2023.

The annual accounts are prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations"), as well as in compliance with United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102, ‘‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’’ (‘‘FRS 102’’) and Financial Reporting Standard 103, “Insurance Contracts” ("FRS 103"). The Syndicate continues to adopt the going concern basis in preparing the Syndicate annual accounts.

The managing agent has received, in writing, agreement from AXA XL Syndicate Limited, the sole member of Syndicate 2003, that no underwriting year accounts need to be prepared in respect of Syndicate 2003. This is in accordance with Section 6, Paragraph 1b of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations").

Future developments and strategy are discussed within the strategic report.

Profit distribution

Profits will continue to be collected by reference to the results of individual underwriting years. Under Lloyd’s accounting rules, the Syndicate’s 2021 year of account was closed at the end of 2023 with a negative return equal to (-7.7%) of capacity.

The member’s balance as at 31 December 2023 is a surplus £160.4m (2022*: surplus of £49.4m*).

Directors

The Directors of AXUAL who held office during the year and up to the date of signing the annual accounts were:

P Bishop	(Non-Executive)	(Appointed 17 May 2023)
M Cantor-Grable	(Non-Executive)	
M Cummings		
N Hinshelwood	(Non-Executive)	
B Joseph	(Non-Executive)	(Resigned 26 April 2023)
J Lejeune	(Non-Executive)	(Appointed 1 September 2023)
S McGovern		
B Poupart-Lafarge	(Non-Executive)	
L Prato Jaen		(Resigned 20 June 2023)
C Richmond	(Non-Executive)	(Appointed 10 July 2023)
J Weatherstone	(Non-Executive)	(Resigned 30 September 2023)
N Williams	(Non-Executive)	(Appointed 11 September 2023)

None of the Directors of the managing agent were underwriting participants on the Syndicate.

Financial instruments and risk management

Information on the use of financial instruments by the Syndicate and its management of financial risk and in particular its exposure to interest rate risk, equity price risk, currency risk, credit risk and liquidity risk is disclosed in note 2 to the financial statements.

MANAGING AGENT'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 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 United Kingdom Generally Accepted Accounting Principles (GAAP), Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the managing agent to prepare Syndicate annual accounts for the Syndicate at 31 December each year. The Directors must not approve the financial statements 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 Syndicate annual accounts, the Directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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 financial statements; and
- prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that there will be future years of account of the Syndicate.

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 it to ensure that the Syndicate's annual accounts comply with the Regulations and the relevant provisions of the Companies Act 2006. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Statement of disclosure of information to the auditors

Each of the persons who are Directors at the date of this report confirms that:

- so far as each Director is aware, there is no relevant audit information for which the Syndicate's auditors are unaware; and
- each Director has taken all the steps that he ought to have taken in his duty as a Director in order to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Approved by the Board of AXA XL Underwriting Agencies Limited and signed on its behalf by:

N Hinshelwood
Director
27 February 2024

S McGovern
Director
27 February 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 2003

Opinion

We have audited the syndicate annual accounts of syndicate 2003 ('the syndicate') for the year ended 31 December 2023 which comprise the Statement of Profit of Loss, the Statement of Other Comprehensive Income, the Statement of Financial Position, the Statement of Changes in Member's Balances, the Statement of Cash Flows 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 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the Annual Report 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 Annual 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.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 2003(continued)

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

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

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and

- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities on page 10, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 2003(continued)

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

- 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, we performed audit procedures to address each identified fraud risk The fraud risk was considered to be higher within the valuation of gross and net incurred but not reported (IBNR) reserves and recognition of estimated premium income.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. We assessed if there were any indicators of management bias in the valuation of gross and net IBNR reserves, which included the support our Actuaries, and the recognition of estimated premium income.

- Evaluating the business rationale for significant and/or unusual transactions.

- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including gross and net IBNR reserves and estimated premium income.

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.

Michael Purrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27 February 2024

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £000's	2022 £000's
TECHNICAL ACCOUNT - GENERAL BUSINESS			
Gross premiums written	4	**1,321,025**	*1,228,101*
Outward reinsurance premiums		**(389,264)**	*(349,250)*
Net premiums written		**931,761**	*878,851*
Change in the gross provision for unearned premiums	11	**(65,632)**	*44,991*
Change in the provision for unearned premiums, reinsurers' share	11	**4,213**	*(83,993)*
Change in the net provision for unearned premiums		**(61,419)**	*(39,002)*
Earned premiums, net of reinsurance		**870,342**	*839,849*
Allocated investment return transferred from the non-technical account	9	**78,510**	*(100,478)*
Total technical income		**948,852**	*739,371*
Claims paid			
Gross amount		**(975,945)**	*(1,117,411)*
Reinsurers' share		**439,775**	*529,726*
		(536,170)	*(587,685)*
Change in the provision for claims			
Gross amount	11	**346,565**	*214,363*
Reinsurers' share	11	**(269,826)**	*(106,239)*
		76,739	*108,124*
Claims incurred, net of reinsurance		**(459,431)**	*(479,561)*
Net operating expenses	7	**(326,202)**	*(335,062)*
Balance on the technical account for general business		**163,219**	*(75,252)*

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023** **£000's**	*2022* *£000's*
NON-TECHNICAL ACCOUNT			
Balance on the technical account for general business		**163,219**	*(75,252)*
Investment income	9	**91,399**	*162,716*
Unrealised gains on investments	9	**85,786**	*139,573*
Investment expenses and charges	9	**(5,823)**	*(6,803)*
Losses on the realisation of investments	9	**(15,723)**	*(82,851)*
Unrealised losses on investments	9	**(65,857)**	*(351,721)*
		89,782	*(139,086)*
Allocated investment return transferred to the technical account for general business	9	**(78,510)**	*100,478*
Foreign exchange gains/(losses)		**31,218**	*(46,553)*
Profit/(Loss) for the financial year		**205,709**	*(160,413)*

STATEMENT OF OTHER COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023** **£000's**	*2022* *£000's*
Profit/(Loss) for the financial year		**205,709**	*(160,413)*
Currency translation adjustments		**(21,700)**	*56,761*
Total recognised Gain/(Loss) for the year		**184,009**	*(103,652)*

STATEMENT OF FINANCIAL POSITION - ASSETS
AS AT 31 DECEMBER 2023

	Note	2023 £000's	*2022 £000's*
Investments			
Other financial investments	10	**2,553,021**	*2,634,282*
Deposits with ceding undertakings		**10,994**	*31,241*
Reinsurers' share of technical provisions			
Provision for unearned premiums	11	**193,811**	*197,782*
Claims outstanding	11	**1,984,524**	*2,363,640*
		2,178,335	*2,561,422*
Debtors - amounts falling due within one year			
Debtors arising out of direct insurance operations	13	**449,827**	*627,546*
Debtors arising out of reinsurance operations		**514,565**	*570,348*
Other debtors	14	**81,291**	*68,653*
		1,045,683	*1,266,547*
Debtors - amounts falling due after one year			
Debtors arising out of reinsurance operations		**361**	*1,544*
Other debtors	15	**34,916**	*32,428*
		35,277	*33,972*
Other assets			
Cash at bank and in hand		**45,598**	*78,626*
Overseas deposits	16	**327,617**	*395,404*
		373,215	*474,030*
Prepayments and accrued income			
Accrued interest		**16,270**	*16,132*
Deferred acquisition costs	6	**206,909**	*187,702*
Other prepayments and accrued income		**—**	*—*
		223,179	*203,834*
TOTAL ASSETS		**6,419,704**	*7,205,328*

STATEMENT OF FINANCIAL POSITION - CAPITAL AND LIABILITIES
AS AT 31 DECEMBER 2023

	Note	**2023 £000's**	*2022 £000's*
Capital and reserves			
Member's balances		**160,351**	*49,354*
Technical provisions			
Provision for unearned premiums	11	**746,721**	*714,404*
Claims outstanding	11	**3,991,067**	*4,544,813*
		4,737,788	*5,259,217*
Deposits received from reinsurers		**777,589**	*988,265*
Creditors - amounts falling due within one year			
Creditors arising out of direct insurance operations	17	**61,092**	*58,936*
Creditors arising out of reinsurance operations		**396,898**	*615,497*
Amounts owed to credit institutions		**185,033**	*110,746*
Other creditors including taxation and social security	18	**44,884**	*70,887*
		687,907	*856,066*
Accruals and deferred income		**56,069**	*52,426*
TOTAL CAPITAL AND LIABILITIES		**6,419,704**	*7,205,328*

The notes on pages 20 to 52 form part of these financial statements.

The Syndicate financial statements were approved by the Board of Directors of AXA XL Underwriting Agencies Limited and were signed on its behalf by:

M Cummings
Director
27 February 2024

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

	Balance attributable to underwriting £000's	Funds in syndicate (FIS) £000's	Total member's balances £000's
Balance as at 1 January 2022	**(147,402)**	**464,558**	**317,156**
Total recognised (Loss)/Gain for the year	(111,942)	8,290	(103,652)
Distribution loss - 2019 year of account	75,563	(75,563)	—
Release during the year	—	(164,150)	(164,150)
Balances as at 31 December 2022	**(183,781)**	**233,135**	**49,354**
Balance as at 1 January 2023	**(183,781)**	**233,135**	**49,354**
Total recognised Gain/(Loss) for the year	185,026	(1,017)	184,009
Distribution profit - 2020 year of account	(13,820)	—	(13,820)
Release during the year	—	(59,192)	(59,192)
Balances as at 31 December 2023	**(12,575)**	**172,926**	**160,351**

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £000's	2022 £000's
Reconciliation of Profit/(Loss) to net cash flow from operating activities		
Profit/(Loss) for the financial year	**205,709**	*(160,413)*
(Decrease)/Increase in gross technical provisions	**(521,429)**	*249,002*
Decrease/(Increase) in reinsurers' share of gross technical provisions	**383,088**	*(61,989)*
Decrease/(Increase) in debtors	**215,341**	*(304,894)*
(Decrease)/Increase in creditors	**(212,800)**	*386,537*
Investment (Profit)/Loss	**(89,783)**	*139,086*
Decrease in overseas deposits	**67,787**	*26,900*
Movement in other assets/liabilities	**(178,263)**	*(247,550)*
Net cash generated from/(used in) operating activities	**(130,350)**	*26,679*
Cash flow from investing activities:		
Purchase of equity and debt instruments	**(514,846)**	*(964,625)*
Sale of equity and debt instruments	**520,656**	*1,026,287*
Investment income received	**69,853**	*73,062*
Deposit with ceding undertakings	**20,247**	*(14,022)*
Net cash generated from/(used in) investing activities	**95,910**	*120,702*
Cash flows from financing activities:		
Distribution profit	**(13,819)**	—
Collection on closed year's loss	**—**	*75,563*
FIS released to member	**(59,191)**	*(239,713)*
Net cash (used in)/ generated from financing activities	**(73,010)**	*(164,150)*
Net (Decrease)/Increase in cash and cash equivalents	**(107,450)**	*(16,769)*
Cash and cash equivalents at the beginning of the year	**(32,121)**	*(15,076)*
Foreign exchange on cash and cash equivalents	**136**	*(275)*
Cash and cash equivalents at end of the year	**(139,435)**	*(32,120)*
Cash at bank and in hand	**45,598**	*78,626*
Amounts owed to credit institutions	**(185,033)**	*(110,746)*
Cash and cash equivalents at end of the year	**(139,435)**	*(32,120)*

Funds in syndicate ("FIS") included within cash and cash equivalents are not readily available for use by the Syndicate.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES

A Basis of preparation

The Syndicate accounts have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”), Financial Reporting Standard 103, “Insurance Contracts” (“FRS 103”) and the Companies Act 2006. The Syndicate accounts have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“IAD”), and reflect the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) as modified by the IAD.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the previous years presented, unless otherwise stated.

The preparation of these financial statements required management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

These annual accounts are presented in Sterling. The functional currency of the Syndicate is US Dollars. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected.

In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and specifically in the following notes:

Note 2(f) - fair value estimation: financial assets and liabilities (valuations based on models and unobservable inputs);
Note 5 - movement in prior year's provision for claims outstanding; and
Note 11 - insurance liabilities and reinsurance assets (estimates for losses incurred but not reported).

Capital supporting the business of the Syndicate, referred to as Funds at Lloyd's ("FAL") is, in part, held in separate trust funds administered by Lloyd's in addition to amounts held within the Syndicate Premium Trust Funds. The amounts held by the Corporate Member outside the Syndicate Premium Trust Funds are available to meet the underwriting obligations of the Syndicate, if required. However, these funds are not included in the Syndicate's balance sheet because they are not owned by the Syndicate. The Lloyd's central fund arrangements are available at the discretion of Lloyd's in the event that an individual member's funds are exhausted.

The ability of the Syndicate to meet its obligations as they fall due is underpinned by the support provided by Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities.

B Basis of accounting

The financial statements have been prepared on a going concern basis, under the accrual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

(a) Premiums written

Premiums written comprise premiums on contracts incepted during the financial year, together with adjustments made in the year to premiums written in prior accounting periods. They also include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(a) Premiums written (continued)

Contracts with duration of greater than one year and payable in annual installments, generally, only the initial annual installment is included as premiums written at policy inception due to the ability of the (re)insured to commute or cancel coverage during the term of the policy. The remaining annual installments are included as premiums written at each successive anniversary date within the term. Additional or return premiums are treated as a re-measurement of the initial premium.

Gross written premiums include an estimate of the total premiums expected to be received under each insurance and reinsurance contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is estimated in full at the inception of such contracts and, therefore, this estimate is judgemental. Further adjustments to estimates from previous years are also included in the reported premiums for the relevant underwriting years. Premium estimation uses expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Gross written premium estimates are reviewed regularly using underwriter estimates and actuarial projections. At the end of 2023 the estimates held in the balance sheet were £484m (*2022: £407m*)

(b) Unearned premiums

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

(c) Reinstatement premium

Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon paid losses and case reserves.

(d) Unearned reinsurance premium

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.
Reinstatement premiums are earned when written.

(e) Acquisition costs

Acquisition costs comprise of commission and other internal and external costs related to the acquisition of new business and renewing existing contracts. The proportion of acquisition costs in respect of unearned premiums is deferred at the reporting date and recognised in periods when the related premiums are earned.

(f) Reinsurance deferred acquisition costs

Reinsurers' share of deferred acquisition costs are amortised over the period in which the related premiums are earned.

(g) Ceded Reinsurance

These are contracts entered into by the Syndicate with reinsurers under which the Syndicate is compensated for losses on contracts issued by the Syndicate and that meet the definition of an insurance contract. Insurance contracts entered into by the Syndicate under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts.

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023**

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

Any benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are based on calculated amounts of outstanding claims and projections for Incurred but not reported (IBNR), net of estimated irrecoverable amounts having regard to the reinsurance programme in place for the class of business, the claims experience for the period and the current security rating of the reinsurer involved. The Syndicate assesses its reinsurance assets for impairment. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit or loss account.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

Where an individual reinsurance contract includes retroactive and prospective provisions, these different provisions will have separate accounting where practical. A bifurcated approach is applied, whereby the Syndicate determines the component of the premium associated with the retroactive reserves transferred to the reinsurer/retrocessionaire and accounts for this as retroactive reinsurance, separate to the prospective or unearned component.

(h) Salvage and Subrogation

Salvage and Subrogation: Amount received in connection with either 1) the sale of damaged property taken over in the loss settlement process (salvage), or 2) a recovery from a third party that is liable for the loss (subrogation).

Estimated recoveries on unpaid losses and loss expense, such as salvage and subrogation are evaluated in terms of their estimated realisable value and deducted from the liability for unpaid losses and loss expenses. However, reinsurance recoverables are disclosed under assets and not deducted from claims provisions on the balance sheet. Conversely, ceded incurred losses and loss expenses are deducted from gross incurred losses and loss expenses in the statement of profit or loss.

(i) Claims incurred

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

(j) Claims provisions and related recoveries

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not reported.

Notified claims are estimated on a case by case basis. 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 a previous period. 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 distortion of the development and incidence of these large claims.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

The provision for claims includes amounts in respect of internal and external claims handling costs.

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

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

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

The Directors of AXUAL consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimate made, are reviewed regularly.

(k) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses, likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums after the deduction of any acquisition costs deferred. The expected claims relate to policies in force at the year-end, having regard to events that occur prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset when business risk classes are managed together and a provision is made only when an aggregate deficit arises.The URR held at 2023 was nil (2022: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(l) Reinsurance to close

Each Lloyd's Syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsures all future liabilities for the closed year and all previous years in return for a premium which is approved by the Managing Agent. The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

The Directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account.

(m) Financial assets at fair value through the statement of profit or loss

All financial assets are designated as fair value through the statement of profit or loss upon initial recognition because they are managed and their performance is evaluated on a fair value basis. Purchases and sales are recognised on the trade date, which is the date the group commits to purchase or sell the asset, net of transaction costs. These investments are subsequently carried at fair value. Any gains and losses arising from changes in fair value are recognised in the statement of profit or loss in the period in which they arise.

The Syndicate has designated hedge funds, equity funds, equity securities and money market funds at fair value through the statement of profit or loss.

Designated debt securities and other fixed income securities are stated at fair value through the Statement of Profit or Loss. The fair value is based on the quoted market prices provided by either independent pricing services, or, when such prices are not available, by reference to broker or underwriter bid indications.

Level 3 assets include private equity funds and the Syndicate’s loans to the Lloyd’s central fund. The fair value of the private equity fund is derived from the net asset value. The loans to the Lloyd’s central fund are fair valued based on a discounted cash flow model. Consideration is made to the credit and illiquidity risk, and a fair value adjustment has been applied to reflect such risk in an appropriate manner. The repayment of the loan and payment of interest is at the discretion of the Corporation of Lloyd’s. An element of subjectivity is applied to the valuation of the Syndicate loans, and the approach includes significant unobservable inputs, which is why they have been classified as level 3.

(n) Operating expenses

Costs incurred by the managing agent exclusively for the Syndicate are charged to the Syndicate on an accruals basis. Expenses incurred jointly by the managing agent and the Syndicate are charged to the Syndicate to reflect the costs of services provided. This recharge does not include any profit element. Syndicate operating expenses are allocated to the year of account for which they are incurred.

(o) Reinsurers’ commissions and profit participations

Reinsurers’ commissions and profit participations, which include reinsurance profit commission and overriders, are treated as a contribution to expenses and are calculated according to contractual terms.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(p) Bad debts

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

C Pension costs

Staff working on the Syndicate are employed by an AXA XL service company, XL Catlin Services SE ("XLCSSE"), an approved Central Bank of Ireland regulated intermediary. The pension contributions relating to staff working on the affairs of the Syndicate are charged to the Syndicate as part of the AXA XL expense recharging model across the international network, which includes the Syndicate and the amount is captured within the net operating expenses on the Statement of Profit or Loss.

D Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Gains or losses arising from changes in the fair value of financial assets are recognised through the Statement of Profit or Loss within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the period in which they arise. Investment return is recorded in the non-technical account within the statement of profit or loss. Dividends on equity securities are recorded as revenue on the ex-dividend date, which includes the imputed tax credits. Interest is recognised on an accruals basis for financial assets at fair value through the Statement of Profit or Loss.

a. *Realised gains and losses*

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

b. *Unrealised gains and losses*

Unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, where acquired in previous years, their valuation 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.

c. *Investment expenses, charges or interest*

These are accounted for as incurred on an accruals basis. A transfer is made from the non-technical account to the technical account for investment return related to Syndicate assets supporting the underwriting business. Investment return attributable to funds in syndicate deposited by the participating member, has not been transferred to the technical account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

E Foreign currency

The functional currency of the Syndicate is US Dollars. Assets, liabilities, revenues and costs denominated are translated into the functional currency using the exchange rates prevailing at the date of the transaction or an appropriate average rate. At the balance sheet date, monetary assets and liabilities are translated to functional currency at the year-end rates of exchange.

For the purpose of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on the translation of foreign currency amounts relating to insurance operations of the Syndicate are included within profit/(loss) on foreign exchange in the non-technical account.

The results and financial position are presented in Sterling rather than the functional currency of US Dollars. The Directors believe using Sterling as the presentation currency allows greater comparability with other syndicates and operational simplicity. The translation from functional currency to presentational currency is completed as follows:

- all assets and liabilities are translated from the functional currency amount, at the closing rate at the balance sheet date;
- all income and expenses are translated at average exchange rate; and
- differences resulting from the retranslation of the opening net assets and the results for the period have been presented in the other comprehensive income under currency translation adjustments.

F Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct income tax from trading income. UK basic rate income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the Statement of Financial position under the heading "other debtors".

G Investments and Overseas Deposits

Investments and overseas deposits are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid value and deposits with credit institutions are stated at cost. All other financial instruments are designated as at fair value through profit and loss. In line with normal Lloyd's market practice, the Syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations.

H Loans and receivables; Deposits with Ceding Undertakings

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Syndicate has designated at fair value through the statement of profit or loss. Loans and receivables are carried at amortised cost less any impairment losses.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the Directors as having prudent regard to the likely realisable value.

Funds are advanced to ceding undertakings for the settlement of claims. These are recorded at cost.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

I Cash and cash equivalents

Cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks, cash held in Lloyd's trust accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months maturity from the date of acquisition. Cash and cash equivalents are measured at fair value through the statement of profit or loss. Bank overdrafts, where applicable, are held within the current liabilities as amounts due to credit institutions.

J Financial liabilities

Creditors are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost determined according to the effective interest rate method.

K 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 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.

L Member's balances

Distributions to its member are made in the year following the year a reporting year of account closes, which is generally three years after the inception of the reporting year of account.

M Going concern

Having assessed the principal risks, the directors consider it appropriate to adopt a going concern basis of accounting in the preparation of these report and accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 RISK MANAGEMENT

Financial risk management objectives

The Syndicate is exposed to a range of financial risks through its financial assets, insurance liabilities and reinsurance assets. 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 (including reserve risk and reinsurance risk), market risk (including interest rate risk and spread risk, equity price risk and currency risk), credit risk and liquidity risk.

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

The Syndicate’s overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the syndicate’s financial performance. It manages these positions within a risk management framework (“the framework”) that has been developed to plan for investment proceeds and returns that are in excess of obligations under insurance contracts. The Syndicate produces regular reports that are circulated to the management of the Managing Agency. The principal technique of the Syndicate’s framework is to match assets and liabilities from insurance contracts by reference to the type of benefits payable to contract holders. The Syndicate’s framework is also integrated with the management of the financial risks associated with the syndicate’s other financial assets and liabilities not directly associated with insurance liabilities.

The notes that follow explain how financial risks are managed.

(a) Insurance risk

Insurance risk arises from the Syndicate's general insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Syndicate's underwriting and reinsurance strategies are set within the context of the overall AXA XL strategies, approved by the AXUAL Board and communicated clearly throughout the business through policy statements and guidelines.

Capital resource sensitivities

The capital position is sensitive to market conditions due to changes in the value of the assets, and to assumptions and experience in respect of the value of the liabilities. The most significant risks to the Syndicate are as follows:

Event risk

The risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing.

Pricing risk

The risk that the level of expected loss is understated in the pricing process.

Reinsurance risk

Reinsurance risk to the Syndicate occurs where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, prove inadequate in terms of the vertical or horizontal limits purchased or result in coverage disputes.

Expense risk

The risk that the allowance for expenses and inflation in pricing is inadequate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 RISK MANAGEMENT (continued)

(a) Insurance risk (continued)

Underwriting risks are continually monitored through, for example, adherence with the limits set within the risk appetite framework, the established peer review process (including pre and post bind reviews and independent reviews), underwriting authority limits imposed, underwriting rules and guidelines, quarterly business reviews, as well as via exception reporting. Formal price monitoring procedures form part of the standard monthly management information. These contribute to the quarterly actuarial review whereby the loss outcome of the underwriting activity is continually re-assessed and considered by the Reserving actuaries. There is a dedicated Catastrophe and Aggregation management function independent of Underwriting management, whose responsibility is to model aggregate risk and support pricing decisions, providing a key control to the underwriting process.

The Syndicate seeks to maintain a diversified and balanced portfolio of risks in order to reduce the variability of outcomes. Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be affected by a change in any subset of the portfolio. This is achieved by accepting a spread of business over time, segmented between different classes of business. The Syndicate business forecasts for each class of business reflect this underwriting strategy, and set out the types of business to be written, the geographical regions in which business is to be written and the sectors to which the syndicate is prepared to expose itself. These plans are approved and monitored by management and are submitted to Lloyd's. The Syndicate's management also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques. To address this, the Syndicate's Risk management team sets out the realistic disaster scenario (RDS) exposure that it is prepared to accept in certain territories to a range of natural and man-made events.

The current aggregate position is considered when underwriting a risk, and regular reporting is produced to highlight, monitor and assist in the control of the key aggregations to which the Syndicate is exposed. The Syndicate uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses in order to measure the effectiveness of its reinsurance programmes. Stress and Scenario Tests are also run using these models. The greatest likelihood of significant losses to the Syndicate arises from catastrophe events, such as flood damage, windstorm or earthquake. Where possible the Syndicate's underwriting team measures geographic accumulations and use their knowledge of the business, historical loss behaviour and commercial catastrophe modelling software. The Syndicate regularly models and monitors known accumulations of risks including natural catastrophes, marine, liability and political events. Upon application of the reinsurance coverage purchased, the key gross and net exposures are calculated on the basis of a 1% Total Value at Risk "TVaR", however a range of return periods are reported and tracked over time.

Loss development tables providing information about historical claims development are included in note 12.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market risk

Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.

AXA XL division places restrictions on the external investment managers' investment strategies. Strict limits, by trust fund, are set for types of assets held, concentration limits and average investment grade ratings. Investments are typically investment grade bonds and investment grade asset backed securities. Guidelines and benchmarks are set at a minimum of every three years and approved by the AXUAL Board of Directors.

The performance of the investment managers is monitored constantly and reviewed quarterly by the AXUAL Board of Directors. The Syndicate aims to manage exchange rate exposure in US dollar terms.

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

The Syndicate monitors interest rate risk on a monthly basis by calculating the impact of changes in interest rate on the value of investments and the net present value of liabilities against a risk appetite that has been agreed with the Board.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of an interest bearing financial asset will fluctuate because of changes in market interest rates at the reporting date.

Sensitivity analysis

Changes in interest yields, with all other variables constant, would result in changes in the capital value of debt securities and borrowings as well as subsequent interest receipts and payments. This would affect reported result and net assets as indicated in the table below:

	Impact on result		**Impact on net assets**	
	2023	*2022*	**2023**	*2022*
	£000's	*£000's*	**£000's**	*£000's*
50 basis points increase	**(35,898)**	*(26,882)*	**(35,898)**	*(26,882)*
50 basis points decrease	**34,658**	*27,850*	**34,658**	*27,850*

(ii) Equity price risk

The Syndicate is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through statement of profit or loss. Exposures to individual companies and to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

The Syndicate has a defined investment policy which sets limits on the syndicate's exposure to equities both in aggregate terms and by geography, industry and counterparty. This policy of diversification is used to manage the Syndicate's price risk arising from its investments in equity securities.

As at 31 December 2023, the Syndicate had £133m of unlisted equity investments *(2022: £178m)*.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market risk (continued)

(ii) Equity price risk (continued)

	Impact on result		Impact on net assets	
	2023	*2022*	**2023**	*2022*
	£000's	*£000's*	**£000's**	*£000's*
5% increase in equity prices	**12,287**	*14,432*	**12,287**	*14,432*
5% decrease in equity prices	**(12,287)**	*(14,432)*	**(12,287)**	*(14,432)*

(iii) Currency risk

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 Syndicate's functional currency.

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than US Dollars. The most significant currencies to which the Syndicate is exposed are Pounds Sterling, Australian Dollar, Japanese Yen, New Zealand Dollar and Euro. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. Profit and Loss is distributed in accordance with Lloyd's rules using a combination of Sterling and US Dollars.

Sensitivity analysis

Fluctuations in the Syndicate's trading currencies against the US dollar would result in a change to the result and net assets value.

The table below gives an indication of the impact on result and net assets of a percentage change in the relative strength of the US dollar against Sterling.

The analysis is based on current information.

	Impact on result		Impact on net assets	
	2023	*2022*	**2023**	*2022*
	£000's	*£000's*	**£000's**	*£000's*
GBP weakens 10% against other currencies	**(27,595)**	*(25,375)*	**(27,595)**	*(25,375)*
GBP weakens 5% against other currencies	**(14,456)**	*(13,292)*	**(14,456)**	*(13,292)*
GBP strengthens 5% against other currencies	**15,978**	*14,691*	**15,978**	*14,691*
GBP strengthens 10% against other currencies	**33,732**	*31,014*	**33,732**	*31,014*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market risk (continued)

(iii) Currency risk (continued)

The currency profile of the Syndicate's financial assets and liabilities is as follows:

2023	GBP	USD	EUR	CAD	AUD	OTH	TOTAL
	£000's	£000's	£000's	£000's	£000's	£000's	£000's
Financial investments	270,271	1,894,809	40,438	347,503	—	—	2,553,021
Overseas deposits	—	13,758	—	73,145	173,890	66,824	327,617
Reinsurers' share of technical provisions	283,797	1,492,035	242,652	115,665	41,363	2,823	2,178,335
Insurance and Reinsurance receivables	29,491	767,714	66,853	37,069	63,479	147	964,753
Cash and cash equivalents	1,459	29,203	1,587	3,966	7,285	2,098	45,598
Other assets	90,399	170,123	38,995	28,965	21,366	532	350,380
Total assets	675,417	4,367,642	390,525	606,313	307,383	72,424	6,419,704
Technical provisions	(564,321)	(3,173,575)	(494,450)	(346,663)	(147,620)	(11,159)	(4,737,788)
Insurance and reinsurance payables	(65,437)	(254,433)	(45,553)	(77,740)	(13,331)	(1,496)	(457,990)
Other Liabilities	(188,890)	(690,100)	(106,499)	(58,326)	(11,360)	(8,401)	(1,063,576)
Total Liabilities	(818,648)	(4,118,108)	(646,502)	(482,729)	(172,311)	(21,056)	(6,259,354)

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK (continued)

(b) Market risk (continued)

(iii) Currency risk (continued)

2022	*GBP*	*USD*	*EUR*	*CAD*	*AUD*	*OTH*	*TOTAL*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Financial investments	*264,313*	*2,005,588*	*39,046*	*325,335*	*—*	*—*	*2,634,282*
Overseas deposits	*—*	*20,640*	*—*	*76,529*	*212,310*	*85,925*	*395,404*
Reinsurers' share of technical provisions	*293,248*	*1,916,441*	*200,453*	*112,695*	*37,946*	*639*	*2,561,422*
Insurance and Reinsurance receivables	*44,632*	*937,296*	*42,267*	*113,764*	*62,210*	*(731)*	*1,199,438*
Cash and cash equivalents	*11,927*	*53,332*	*4,669*	*4,005*	*437*	*4,256*	*78,626*
Other assets	*82,972*	*160,434*	*22,598*	*52,138*	*17,827*	*187*	*336,156*
Total assets	*697,092*	*5,093,731*	*309,033*	*684,466*	*330,730*	*90,276*	*7,205,328*
Technical provisions	*(613,233)*	*(3,694,550)*	*(466,536)*	*(349,083)*	*(128,059)*	*(7,756)*	*(5,259,217)*
Insurance and reinsurance payables	*(94,611)*	*(451,271)*	*(62,416)*	*(51,392)*	*(13,275)*	*(1,468)*	*(674,433)*
Other Liabilities	*(219,025)*	*(767,683)*	*(102,977)*	*(100,362)*	*(20,069)*	*(12,208)*	*(1,222,324)*
Total Liabilities	*(926,869)*	*(4,913,504)*	*(631,929)*	*(500,837)*	*(161,403)*	*(21,432)*	*(7,155,974)*

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Syndicate is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders;
- amounts due from insurance intermediaries;
- amounts due from issuers of debt securities; and
- counterparty risk with respect to derivative transactions.

The Syndicate manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and monitoring its exposure to regions, countries and industries. Such risks are subject to regular review.

Changes to the limits on the level of credit risk by category and territory are approved annually by the managing agency Board of Directors. Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing 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. In certain circumstances, deposits from reinsurers are also held as collateral.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK

(c) Credit risk (continued)

The table below provides information on the credit quality of financial assets of the Syndicate based on S&P or equivalent rating at 31st December 2023:

2023	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Debt securities and other fixed income securities	**216,621**	**886,641**	**647,047**	**518,221**	**34**	**2,268,564**
Shares and other variable yield securities and units in unit trusts	**—**	**—**	**19,702**	**—**	**264,755**	**284,457**
Deposits with ceding undertakings	**—**	**—**	**10,994**	**—**	**—**	**10,994**
Reinsurance debtors	**—**	**—**	**—**	**—**	**239,700**	**239,700**
Insurance debtors	**—**	**—**	**—**	**—**	**449,827**	**449,827**
Reinsurers' share of claims outstanding	**19,867**	**973,874**	**982,390**	**1,127**	**7,266**	**1,984,524**
Cash and cash equivalents	**—**	**6**	**45,592**	**—**	**—**	**45,598**
Overseas deposits	**216,371**	**29,795**	**48,123**	**33,261**	**67**	**327,617**
Other debtors	**—**	**—**	**—**	**—**	**808,423**	**808,423**
Total	**452,859**	**1,890,316**	**1,753,848**	**552,609**	**1,770,072**	**6,419,704**

2022	*AAA*	*AA*	*A*	*BBB*	*Not rated*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Debt securities and other fixed income securities	*862,107*	*190,327*	*782,868*	*465,769*	*10,645*	*2,311,716*
Shares and other variable yield securities and units in unit trusts	*12,173*	*—*	*19,702*	*—*	*290,691*	*322,566*
Deposits with ceding undertakings	*—*	*—*	*31,241*	*—*	*—*	*31,241*
Reinsurance debtors	*—*	*—*	*—*	*—*	*362,020*	*362,020*
Insurance debtors	*—*	*—*	*—*	*—*	*627,546*	*627,546*
Reinsurers' share of claims outstanding	*18,328*	*1,736,147*	*600,660*	*1,615*	*6,890*	*2,363,640*
Cash and cash equivalents	*—*	*594*	*57,501*	*20,531*	*—*	*78,626*
Overseas deposits	*209,658*	*68,375*	*69,878*	*43,718*	*3,775*	*395,404*
Other Debtors	*—*	*—*	*—*	*—*	*712,569*	*712,569*
Total	*1,102,266*	*1,995,443*	*1,561,850*	*531,633*	*2,014,136*	*7,205,328*

The concentration of credit risk is substantially unchanged compared to prior year. There were no material unapproved breaches of credit limits during the year. For the current and prior period the Syndicate did not experience any material defaults on debt securities.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK (continued)

(c) Credit risk (continued)

The Syndicate has insurance and reinsurance debtors that are past due but not considered to be impaired. The Syndicate does not currently hold any impaired assets *(2022: no impaired assets held).*

2023	**Neither past due nor impaired**	**Up to three months**	**Three to six months**	**Six months to one year**	**Greater than one year**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Shares and other variable yield securities and unit	**284,457**	**—**	**—**	**—**	**—**	**284,457**
Debt securities	**2,268,564**	**—**	**—**	**—**	**—**	**2,268,564**
Overseas deposits	**327,617**	**—**	**—**	**—**	**—**	**327,617**
Deposits with ceding undertakings	**10,994**	**—**	**—**	**—**	**—**	**10,994**
Reinsurer' share of claims outstanding	**1,984,523**	**—**	**—**	**—**	**—**	**1,984,523**
Reinsurance debtors	**—**	**209,338**	**1,772**	**4,992**	**23,599**	**239,701**
Cash at bank and in hand	**45,599**	**—**	**—**	**—**	**—**	**45,599**
Insurance debtors	**407,131**	**36,130**	**3,373**	**995**	**2198**	**449,827**
Other debtors	**808,422**	**—**	**—**	**—**	**—**	**808,422**
Total	**6,137,307**	**245,468**	**5,145**	**5,987**	**25,797**	**6,419,704**

2022	*Neither past due nor*	*Up to three months*	*Three to six months*	*Six months to one year*	*Greater than one year*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Shares and other variable yield securities and unit trusts	*322,566*	*—*	*—*	*—*	*—*	*322,566*
Debt securities	*2,311,716*	*—*	*—*	*—*	*—*	*2,311,716*
Overseas deposits	*395,404*	*—*	*—*	*—*	*—*	*395,404*
Deposits with ceding undertakings	*31,241*	*—*	*—*	*—*	*—*	*31,241*
Reinsurer' share of claims outstanding	*2,363,640*	*—*	*—*	*—*	*—*	*2,363,640*
Reinsurance debtors	*—*	*324,682*	*4,227*	*23,143*	*9,969*	*362,021*
Cash at bank and in hand	*78,626*	*—*	*—*	*—*	*—*	*78,626*
Insurance debtors	*582,963*	*29,804*	*6,405*	*8,266*	*108*	*627,546*
Other debtors	*712,568*	*—*	*—*	*—*	*—*	*712,568*
Total	*6,798,724*	*354,486*	*10,632*	*31,409*	*10,077*	*7,205,328*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK (continued)

(d) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Syndicate is the obligation to pay claims as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Syndicate manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.

The following tables analyse financial liabilities by maturity date:

2023	**Less than one year on demand**	**Between 1 and 3 years**	**Between 3 and 5 years**	**Over 5 years**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**
Deposits received from reinsurers	**166,637**	**203,495**	**111,351**	**296,106**	**777,589**
Other creditors	**687,907**	**—**	**—**	**—**	**687,907**
Claims outstanding	**1,138,426**	**1,239,226**	**682,473**	**930,942**	**3,991,067**
Financial liabilities	**1,992,970**	**1,442,721**	**793,824**	**1,227,048**	**5,456,563**

Claims outstanding is reported net of discounting credit on on-life annuities liability business, gross discounting in 2023 of £90m *(2022: £100m).*

2022	*Less than one year on demand*	*Between 1 and 3 years*	*Between 3 and 5 years*	*Over 5 years*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*
Deposits received from reinsurers	*239,246*	*257,136*	*141,780*	*350,103*	*988,265*
Other creditors	*856,066*	*—*	*—*	*—*	*856,066*
Claims outstanding	*1,517,235*	*1,491,991*	*651,401*	*884,186*	*4,544,813*
Financial liabilities	*2,612,547*	*1,749,127*	*793,181*	*1,234,289*	*6,389,144*

The nature of insurance is that the requirements of funding cannot be predicted with absolute certainty and therefore the theory of probability is applied on insurance contracts to ascertain the likely provision and the time period when such liabilities will require settlement.

(e) Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes and systems, or from external events. AXUAL actively monitors and controls its operational risks. Both the group and Lloyd's have formal disaster recovery plans which, in the event of an incident, will support alternative accommodation strategies. All computer systems are assessed for recovery time objectives and remote working technology is well used and familiar to staff.

Single event limits are in place for operational risk which are monitored by the UK Operational Risk Committee. Syndicate 2003 continues to develop its understanding of its operational risks and their potential impact on the financial position through its assessment process, scenario analysis, key risk indicators, operational risk event reporting and loss data collation (OPERA process) and governance processes.

The Syndicate is part of AXA XL's Internal Control Framework which is a key means by which operational risk is mitigated. Controls are tested for both design and operational effectiveness on a rolling 3 year cycle, with formal actions assigned to any controls which fail the testing.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK (continued)

(f) Fair value estimation

With the adoption of FRS 102 on fair value hierarchy disclosures, below are the methods and assumptions used by the Syndicate in estimating the fair value of its financial instruments, together with its categorisation:

The categorising of these assets is defined as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Fixed maturities and short-term investments
Fair values of fixed maturities and short-term investments are based on the quoted market price or evaluated bid prices of these securities provided by either independent pricing services, or, when such prices are not available, by reference to broker or underwriting bid indications.

The Syndicate's Level 3 fixed maturities include residential mortgage backed securities, commercial backed mortgage securities, asset backed securities and corporate securities, for which pricing vendors and non-binding broker quotes are the primary source of the valuations. The Syndicate compares the price to independent valuations, which may also consist of broker quotes, to assess if the prices received represent a reasonable estimate of the fair value. Although the Syndicate does not have access to the specific unobservable inputs that may have been used in the fair value measurements of residential mortgage backed securities, commercial backed mortgage securities and asset backed securities, the Syndicate would expect that the significant inputs considered are prepayment rates, probability of default, loss severity in the event of default, recovery rates, liquidity premium and reinvestment rates. Significant increases or decreases in any of those inputs in isolation could result in a significantly different fair value measurement. Generally, a change in the assumption used for the probability of default is accompanied by a directionally similar change in the assumption used for the loss severity and a directionally opposite change in the assumption used for prepayment rates.

The Syndicate’s level 3 investments also include fixed maturities where the prices provided by vendors have been unchanged for three months or more.

Other investments
The fair value of investments in funds is based on the net asset value provided by the funds’ administrators. The fair values of holdings in equity and loan instruments are based on the market price or evaluated bid prices of these securities provided by independent pricing services, or, when such prices are not available, by reference to broker or underwriting bid indications provided by administrators and recent transactions, if any.

The Syndicate's Level 3 other invested assets consist of investments in funds with significant redemption restrictions and unquoted private equity and debt, for which manager net asset value (NAV) statements are the primary source of the valuations. Although the Syndicate does not have access to the specific unobservable inputs that may have been used in the fair value measurements, the Syndicate would expect the significant inputs for private equity and debt to be discounted cash flows and valuations of similar sized peers. Significant increases or decreases in any of those inputs in isolation could result in a significantly different fair value measurement.

The Syndicate’s level 3 investments also include other invested assets where the prices provided by vendors have been unchanged for three months or more.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK (continued)

(f) Fair value estimation (continued)

Level 3 assets include non-traded private credit funds, loans to credit institutions and the Syndicate's loans to central fund. The fair value of the private credit fund is determined with reference to the net asset value. Loans to credit institutions which have no market price have been valued at cost as a proxy for fair value. The loans to the Lloyd's central fund are not tradable and are fair valued based on discounted cash flow model to which a fair value adjustment has been applied to appropriately reflect the credit and illiquidity risk of the instrument. These loans are deemed to be equity on the basis that the repayment of the loan and payment of interest thereon is at the discretion of the Corporation of Lloyd's. The Syndicate loans have been classified as level 3 because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads within the discount rates used in discounted cash flow model. The fair value of the loan at year end is £19.7m (*2022: £19.7m*). There has been no impairment in the current period (*2022: £6.2m*).

Other assets and liabilities
The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The following tables present the Company's holdings of assets measured at fair value:

2023	**Level 1 £000's**	**Level 2 £000's**	**Level 3 £000's**	**Total £000's**
Fair value through Profit and Loss:				
Shares and other variable yield securities and units in unit trusts	**—**	**149,935**	**134,522**	**284,457**
Debt securities and other fixed income securities	**—**	**2,268,564**	**—**	**2,268,564**
Overseas deposits	**—**	**327,617**	**—**	**327,617**
	—	**2,746,116**	**134,522**	**2,880,638**

2022	*Level 1 £000's*	*Level 2 £000's*	*Level 3 £000's*	*Total £000's*
Fair value through Profit and Loss:				
Shares and other variable yield securities and units in unit trusts	*7,925*	*136,879*	*177,762*	*322,566*
Debt securities and other fixed income securities	—	*2,311,716*	—	*2,311,716*
Overseas deposits	—	*395,404*	—	*395,404*
	7,925	*2,843,999*	*177,762*	*3,029,686*

Fair value estimates included in Level 3 are hedge funds with significant redemption restrictions, Syndicate loans, collateralised debt obligations (“CDO”), sub-prime securities, Alt A securities and securities rated CCC and below.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 MANAGEMENT OF FINANCIAL RISK (continued)

(g) Sensitivity to insurance risk (claims reserves)

A one percent increase or decrease in total claims reserves would have the following effect on profit or loss and equity:

	1% increase in net claims reserves		1% decrease in net claims reserves	
	2023	*2022*	**2023**	*2022*
	£000's	*£000's*	**£000's**	*£000's*
Impact on profit and equity	**(10,548)**	*(11,000)*	**10,548**	*11,000*

The Syndicate also monitors its exposure to insurance risk by location. The below table provides an analysis of the geographical breakdown of its written premiums. The Syndicate's diversification across countries and classes of business serves to mitigate exposure to concentrations of insurance risk.

Concentration of insurance risk	**2023**	*2022*
	%	*%*
United Kingdom	**18**	*5*
EU Countries	**14**	*5*
US	**41**	*20*
Oceania	**9**	*4*
Worldwide	**18**	*66*
Total	**100**	*100*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

3 MANAGEMENT OF CAPITAL

(a) Capital Framework at Lloyd's

The Society of Lloyd’s (Lloyd’s) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation. The Syndicate is in compliance with the regulatory capital requirements

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

Although, as described below, 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 applies at overall and member level respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 2003 is not disclosed in these financial statements. See notes 19 and 20 for details of the Syndicate's FAL and FIS requirements.

(b) Lloyd's Capital Setting Process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd’s. Each member is liable for its own share of underwriting liabilities on the Syndicate(s) on which it participates but not other members’ shares. Accordingly, the capital requirement that Lloyd’s sets for each member operates on a similar basis. Each member’s SCR shall thus be determined by the sum of the member’s share of the Syndicate SCR ‘to ultimate’. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss ‘to ultimate’ for that member. Over and above this, Lloyd’s applies a capital uplift to the member’s capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd’s not a Solvency II requirement, is to meet Lloyd’s financial strength, licence and ratings objectives. The capital uplift applied for 2023 was 35% of the member’s SCR ‘to ultimate’.

(c) Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd’s specifically for that member (Funds at Lloyd’s), held within and managed within a Syndicate (Funds in Syndicate) or as the member’s share of the members’ balances on each Syndicate on which it participates.

The level of FAL/FIS that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. This capital requirement is based on 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.

Resources available to meet members’ and Lloyd’s capital requirements are separately identified in the Statement of Changes in Member's Balances.

Lloyd’s also retains the right to request a callable contribution equal to 5% of capacity from the Syndicate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

4 SEGMENTAL ANALYSIS

Gross premiums written, gross premiums earned, gross claims incurred, gross operating expenses and the reinsurance balances by class of business are as follows:

2023	**Gross Premiums Written**	**Gross Premiums Earned**	**Gross Claims Incurred**	**Gross Operating Expenses**	**Reinsurance Balance**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Fire and other damage to property	**377,020**	**337,989**	**(164,363)**	**(124,671)**	**(39,662)**	**9,293**
Accident and health	**33,004**	**31,208**	**(16,119)**	**(19,284)**	**(3,399)**	**(7,594)**
Third-party liability	**194,207**	**174,701**	**(150,308)**	**(36,582)**	**9,865**	**(2,324)**
Marine, aviation and transport	**310,985**	**312,580**	**(139,066)**	**(83,386)**	**(61,823)**	**28,305**
Motor (third party liability)	**—**	**—**	**—**	**—**	**—**	**—**
Miscellaneous	**191,252**	**186,614**	**(2,314)**	**(56,198)**	**(80,976)**	**47,126**
	1,106,468	**1,043,092**	**(472,170)**	**(320,121)**	**(175,995)**	**74,806**
Reinsurance	**214,557**	**212,301**	**(157,210)**	**(63,580)**	**18,393**	**9,904**
Total	**1,321,025**	**1,255,393**	**(629,380)**	**(383,701)**	**(157,602)**	**84,710**

2022	*Gross Premiums Written*	*Gross Premiums Earned*	*Gross Claims Incurred*	*Gross Operating Expenses*	*Reinsurance Balance*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Fire and other damage to property	*300,394*	*289,258*	*(129,238)*	*(118,559)*	*(4,380)*	*37,081*
Accident and health	*28,422*	*28,756*	*(6,434)*	*(12,239)*	*3,217*	*13,300*
Third-party liability	*179,621*	*167,182*	*(127,237)*	*(41,304)*	*(7,394)*	*(8,753)*
Marine, aviation and transport	*340,467*	*331,448*	*(398,690)*	*(105,234)*	*156,185*	*(16,291)*
Motor (third party liability)	*—*	*—*	*—*	*—*	*—*	*—*
Miscellaneous	*168,395*	*169,542*	*(56,269)*	*(67,746)*	*(16,329)*	*29,198*
	1,017,299	*986,186*	*(717,868)*	*(345,082)*	*131,299*	*54,535*
Reinsurance	*210,802*	*286,906*	*(185,180)*	*(59,011)*	*(72,024)*	*(29,309)*
Total	*1,228,101*	*1,273,092*	*(903,048)*	*(404,093)*	*59,275*	*25,226*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

4 SEGMENTAL ANALYSIS (continued)

The reinsurance balance represents the charge to the technical account from the aggregate of all items relating to outwards reinsurance.

The Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the UK.

The geographical analysis of gross premiums written by risk location is as follows:

	Attributable to all business	
	2023	*2022*
	£000's	*£000's*
United Kingdom	**240,071**	*54,454*
EU Countries	**187,633**	*59,247*
US	**538,371**	*248,329*
Oceania	**123,304**	*54,494*
Worldwide	**231,646**	*811,577*
	1,321,025	*1,228,101*

5 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

The underwriting result was impacted by negative developments on prior year claims estimates of £13 million - Property £16m, Reinsurance (£30m), Marine £11m, Aviation £3m, Energy (£9m) Casualty (£5m). (*2022: £110 million release - Property £80m, Marine £25m, Aviation £14m, Energy £12m, Casualty (£21m)*).

6 DEFERRED ACQUISITION COSTS

	2023	*2022*
	£000's	*£000's*
On insurance contracts	**206,909**	*187,702*

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

	2023	*2022*
	£000's	*£000's*
At 1 January	**187,702**	*178,018*
Change in deferred acquisition costs	**29,885**	*(6,770)*
Foreign exchange	**(10,678)**	*16,454*
At 31 December	**206,909**	*187,702*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

7 NET OPERATING EXPENSES

	2023 £000's	2022 £000's
Acquisition costs	**397,706**	*377,831*
Change in deferred acquisition costs	**(29,885)**	*6,770*
	367,821	*384,601*
Administration expenses	**15,880**	*19,491*
Reinsurance commissions and profit participation	**(57,499)**	*(69,030)*
	326,202	*335,062*

Included within acquisition costs are amounts relating to commissions on direct insurance business of £168.8m (2022: £154.7m).

Administrative expenses include:

	2023 £000's	2022 £000's
Audit Services:		
Fees payable to the Syndicate's auditors for the audit of the Syndicate's accounts	**706**	*636*
Non-audit Services:		
Fees payable to the Syndicate's auditors for other services:		
Other services pursuant to legislation are audit and review services relating to regulatory reporting to Lloyd's	**494**	*556*
	1,200	*1,192*

The auditors' remuneration for the year has been recharged to the Syndicate by an AXA XL division company, XL Catlin Services SE (“XLCSSE”).

8 EMPLOYEES AND DIRECTORS

The Syndicate has no direct employees. Staff working on the affairs of the Syndicate are employed by a group service company. The recharge of the expenses from the service company to the Syndicate is through a recharge model across the international network, including UK domiciled entities and the recharge of the costs are dependent on the nature of the service performed for the Syndicate.

Directors' emoluments for the year are as follows:

	2023	*2022*
	£000's	*£000's*
Aggregate emoluments and other benefits	**1,187**	*1,207*
Pension contributions	**13**	*30*
	1,200	*1,237*

Emoluments of the highest paid Director are:

	2023	*2022*
	£000's	*£000's*
Aggregate emoluments and other benefits	**665**	*509*
Pension contributions	**—**	*33*
	665	*542*

The Active Underwriter received the following aggregate remuneration charged to the Syndicate:

	2023	*2022*
	£000's	*£000's*
Aggregate emoluments and other benefits	**71**	*295*
Pension contributions	**1**	*10*
	72	*305*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

9 INVESTMENT RETURN

	2023	*2022*
	£000's	*£000's*
Investment income		
Income from financial investments	**73,777**	*107,631*
Gains on the realisation of investments	**17,622**	*55,085*
	91,399	*162,716*
Investment expenses and charges		
Investment management charges	**(5,823)**	*(6,803)*
Losses on the realisation of investments	**(15,723)**	*(82,851)*
	(21,546)	*(89,654)*
Unrealised gains on investments	**85,786**	*139,573*
Unrealised losses on investments	**(65,857)**	*(351,721)*
	19,929	*(212,148)*
Investment return	**89,782**	*(139,086)*

Investment return is analysed between:

	2023	*2022*
	£000's	*£000's*
Allocated investment return transferred to the general business technical account	**78,510**	*(100,478)*
Net investment return included in the non-technical account	**11,272**	*(38,608)*
Total investment return	**89,782**	*(139,086)*

Included in the above is a gain of £11.3m *(2022: Loss £38.6m)* of investment return related to Funds in Syndicate deposited by AXA XL Syndicate Limited into the Syndicate's Premium Trust Funds.

10 OTHER FINANCIAL INVESTMENTS

	Market value		***Cost***	
	2023	*2022*	**2023**	*2022*
	£000's	*£000's*	**£000's**	*£000's*
Financial assets				
Fair value through Profit and Loss:				
Shares and other variable yield securities and units in unit trusts	**284,457**	*322,566*	**693,377**	*248,103*
Debt securities and other fixed income securities	**2,268,564**	*2,311,716*	**1,951,380**	*2,598,560*
Other investments	**—**	*—*	**—**	*1,793*
Total financial assets	**2,553,021**	*2,634,282*	**2,644,757**	*2,848,456*

Included in the above are Funds In Syndicate of £172.9m *(2022: £233.1m)* placed by AXA XL Syndicate Limited (see note 20).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

11 INSURANCE LIABILITIES AND REINSURANCE ASSETS

2023	Provision for unearned premium	Claims Outstanding
	£000's	£000's
Gross Technical Provisions		
As at 1 January 2023	714,404	4,544,812
Movement in the provision	65,632	(346,565)
Foreign exchange movements	(33,315)	(207,180)
As at 31 December 2023	746,721	3,991,067
Reinsurers' share of technical provisions		
As at 1 January 2023	197,783	2,363,640
Movement in the provision	4,213	(269,826)
Foreign exchange movements	(8,185)	(109,290)
As at 31 December 2023	193,811	1,984,524
Net technical provisions		
As at 31 December 2022	516,621	2,181,172
As at 31 December 2023	552,910	2,006,543

The gross claims reported, the loss adjustment liabilities and the liabilities for claims incurred but not reported are gross of expected recoveries from salvage and subrogation.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

11 INSURANCE LIABILITIES AND REINSURANCE ASSETS

2022	*Provision for unearned premium*	*Claims Outstanding*
	£000's	*£000's*
Gross Technical Provisions		
As at 1 January 2022	*693,061*	*4,317,154*
Movement in the provision	*(44,991)*	*(214,363)*
Foreign exchange movements	*66,334*	*442,022*
As at 31 December 2022	*714,404*	*4,544,813*
Reinsurers' share of technical provisions		
As at 1 January 2022	*258,831*	*2,240,603*
Movement in the provision	*(83,993)*	*(106,239)*
Foreign exchange movements	*22,944*	*229,276*
As at 31 December 2022	*197,782*	*2,363,640*
Net technical provisions		
As at 31 December 2021	*434,230*	*2,076,551*
As at 31 December 2022	*516,622*	*2,181,173*

100% quota share retrocession protection provided by AXA XL Reinsurance Ltd is reflected in the profit or loss account within the outwards reinsurance premiums line after being offset by related reinsurers share of claims. The accounting treatment of this transaction is disclosed in note 1) B) (d) Ceded Reinsurance for accounting treatment.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

12 CLAIMS DEVELOPMENT TRIANGLES

The loss development tables below provide information about historical claims development by pure underwriting year.

Some business is not off risk after the first twelve months. Therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

Gross claims development

	2013 and Prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Months	£m's	£m's	£m's	£m's	£m's	£m's	£m's	£m's	£m's	£m's	£m's	£m's
12		595	559	691	1,237	927	640	641	281	239	239	
24		1,171	1,149	1,585	2,039	1,634	1,831	944	1,076	534		
36		1,244	1,246	1,688	2,099	1,880	1,828	903	1,070			
48		1,232	1,161	1,772	2,178	1,830	1,527	913				
60		1,327	1,319	1,748	2,120	1,776	1,537					
72		1,311	1,389	1,738	2,098	1,780						
84		1,337	1,391	1,784	2,135							
108		1,337	1,333	1,807								
120		1,341	1,360									
132		1,346										
Estimated total losses	18,309	1,346	1,360	1,807	2,135	1,780	1,537	913	1,070	534	239	31,030
Paid claims	(17,962)	(1,225)	(1,184)	(1,597)	(1,894)	(1,398)	(1,053)	(489)	(324)	(154)	(30)	(27,310)
Gross reserves	347	121	176	210	241	382	484	424	746	380	209	3,720

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

12 CLAIMS DEVELOPMENT TRIANGLES (continued)

Net claims development

Months	2013 and Prior £m's	2014 £m's	2015 £m's	2016 £m's	2017 £m's	2018 £m's	2019 £m's	2020 £m's	2021 £m's	2022 £m's	2023 £m's	Total £m's
12		451	435	530	615	590	529	433	184	195	186	
24		893	885	1,173	1,275	1,117	1,266	749	510	411		
36		944	969	1,216	1,294	1,184	1,251	553	536			
48		940	1,048	1,376	1,398	1,138	827	531				
60		1,025	1,058	1,320	1,355	965	809					
72		936	1,121	1,263	1,176	964						
84		953	1,133	1,265	1,193							
108		961	979	1,275								
120		869	1,003									
132		875										
Estimate total losses	11,074	875	1,003	1,275	1,193	964	809	531	536	411	186	18,857
Paid claims	(10,825)	(833)	(912)	(1,162)	(1,076)	(780)	(572)	(322)	(210)	(130)	(26)	(16,848)
Net reserves	249	42	91	113	117	184	237	209	326	281	160	2,009

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

13 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2023	*2022*
	£000's	*£000's*
Due within one year	**449,827**	*627,546*
	449,827	*627,546*

14 OTHER DEBTORS: Amounts falling due within one year

	2023	*2022*
	£000's	*£000's*
Amounts receivable from group undertakings	**81,273**	*68,402*
Overseas taxation including federal excise tax	**—**	*232*
Other debtors	**18**	*19*
	81,291	*68,653*

Amounts owed from group undertakings are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

15 OTHER DEBTORS: Amounts falling due after one year

	2023	*2022*
	£000's	*£000's*
Salvage and subrogation recoveries	**34,916**	*32,428*
	34,916	*32,428*

16 OVERSEAS DEPOSITS

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and are managed by Lloyd’s centrally or by investment managers on their behalf. Overseas deposits have not been included on the statement of financial position within investments or cash at bank or in hand as they are not under direct control of the Syndicate.

17 CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2023	*2022*
	£000's	*£000's*
Due within one year	**61,092**	*58,936*
	61,092	*58,936*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

18 OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY
Amounts falling due within one year

	2023	*2022*
	£000's	*£000's*
Amounts payable to group undertakings	**11,316**	*44,190*
Overseas taxation including federal excise tax	**33,375**	*25,998*
Other creditors	**193**	*699*
	44,884	*70,887*

Amounts owed to group undertakings are unsecured, interest free, have no fixed date of payment and are payable on demand.

19. FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's which is held in trust and known as FAL. As at the date of the accounts, the value of assets supporting FAL for the 2024 year of account is £1,282m (*2023: £1,378m*). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities.

Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

20 FUNDS IN SYNDICATE

AXA XL Syndicate Limited, the sole corporate member of the Syndicate, holds investments in the Syndicate to be used as collateral to support the Syndicate’s capital requirements, or Funds at Lloyd’s. These investments give the Syndicate the ability to manage these funds under the same Investment Management Agreement as the other funds of the Syndicate that are held in the premium trust funds.

21 ULTIMATE PARENT UNDERTAKING

AXA XL Syndicate Limited is the sole member of Syndicate 2003.

During the year, the entire issued share capital of AXA XL Syndicate Limited was transferred from Catlin (North American) Holdings Limited to XL Bermuda Limited, a company registered in Bermuda.

The ultimate parent undertaking and controlling party is AXA SA ("AXA"), a company registered in France, which is the parent undertaking of the largest group to consolidate the financial statements of AXA XL Syndicate Limited.

Copies of the AXA SA consolidated financial statements can be obtained from 25 Avenue Matignon FR-75008 Paris France.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

22 RELATED PARTY TRANSACTIONS

Under the managing agents' agreement, AXUAL receives an annual fee of £0.4m *(2022 £0.4m)*. The balance due to AXUAL as at 31 December 2023 was nil *(2022: £0.1m)*.

AXA XL Syndicate Limited is the sole member of Syndicate 2003.

AXA SA wholly owns a number of cover holders which underwrite on behalf of Syndicate 2003 and these are listed below:

Catlin Canada Inc	Catlin Australia Pty Limited
XL Catlin Services SE	Catlin Singapore Pte Limited
Catlin Hong Kong Limited	Catlin Risk Solutions Limited

Including in other debtors and other creditors which represent amounts owing to/from group undertakings, £0.3m pertains to balance with the Corporate member, £70.3m to balances with other related parties within AXA XL division, and (£0.6m) to balances with XL Services, which provides personnel services

Recharge of the expenses from the service company, XL Catlin Services SE ("XLCSSE") is made on a monthly basis to the Syndicate through a Service Level Agreement. Quarterly full settlement is repaid in relation to the provision of services and other support costs provided by XLCSSE.

	2023 £'000	*2022 £'000*
AXA XL Syndicate Limited	**299**	*8,352*
XLCSSE	**(682)**	*(446)*
Others	**70,267**	*16,236*
Total	**69,884**	*24,142*

The Syndicate participates in reinsurance contracts with other AXA Group companies that are managed by AXUAL. The following amounts reflected in the profit and loss were transacted with below related parties:

Net income and (expenses) reflected in the profit and loss	**2023 £'000**	*2022 £'000*
AXA XL Reinsurance Ltd	**(5,114)**	*97,631*
XL Bermuda Ltd	**(52,723)**	*(2,546)*
Total	**(57,837)**	*95,085*

Balance sheet net assets and (liabilities) outstanding	**2023 £'000**	*2022 £'000*
AXA XL Reinsurance Ltd	**177,198**	*191,994*
XL Bermuda Ltd	**163,881**	*311,554*
Total	**341,079**	*503,548*

Effective from the 31 December 2021 the Syndicate purchased a retrocession agreement providing a 100% quota share protection of the net liabilities of the Reinsurance segment business from AXA XL Reinsurance Ltd. Details of the relevant accounting policy used for this transaction is disclosed in note 1) B) (d) Ceded reinsurance.