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ANNUAL REPORT AND ACCOUNTS

31 DECEMBER 2023

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SYNDICATE INFORMATION
AT 31 DECEMBER 2023

NEWLINE SYNDICATE 1218

MANAGING AGENT	Newline Underwriting Management Limited 1 Fen Court London EC3M 5BN
DIRECTORS OF MANAGING AGENT	M J Beane R F Beaver A R Carey J Christiansen R F Coerver (appointed 12th February 2024) N D Duncan S Kapur R B Kastner C A Overy (resigned 12th February 2024) R S Pollock (appointed 5th July 2023) A Pecover M G Wacek H J L Withinshaw
COMPANY SECRETARY	H J L Withinshaw
ACTIVE UNDERWRITER	A Pecover
REGISTERED INDEPENDENT AUDITORS	PricewaterhouseCoopers LLP 7 More London Riverside London SE1 2RT

MANAGING AGENT'S REPORT

FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors of the managing agent present their report and annual report and accounts for the year ended 31 December 2023.

This annual report and accounts is prepared using the annual basis of accounting as required by Regulation 5 of Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations").

PRINCIPAL ACTIVITY

Newline Underwriting Management Limited ("NUML") is the managing agent for Syndicate 1218. The principal activity of the Syndicate is primarily the underwriting of casualty (re)insurance business at Lloyd's. Syndicate 1218, whose capacity is 100% provided by Newline Corporate Name Limited ("NCNL"), had a capacity of £279.0m for the 2023 year of account (2022: £238.0m, 2021: £230.0m). Syndicate capacity is based on gross premiums net of commissions.

NUML and NCNL are wholly owned subsidiaries of Newline Holdings UK Limited ("NHUKL"), a wholly owned subsidiary of Odyssey Reinsurance Company ("ORC"), part of the Odyssey Group. The ultimate parent is Fairfax Financial Holdings Limited ("Fairfax"), a company incorporated in Canada.

The insurance cover provided by the Syndicate includes the following lines of business:

Affinity and Special Risks
This line of business provides motor-related warranty (extended warranty, collision waiver, tyre and alloy wheel and dent protection), non-motor warranty (brown, white and yellow goods, mobile phones, etc.) credit card enhancement products, Truck, Bus and Motor Physical damage protection and value-driven add-ons (e.g. excess waiver).

Cargo and Specie
This line of business provides physical damage coverage for all types of goods during transit, store, exhibition, consolidation, clearing, distribution, restoration and whilst at manufacturing centres.

Clinical Trials
This line of business protects pharmaceutical and biotech manufacturers and developers as well as clinical research organisations in respect of claims made by research subjects who participated in clinical trials and assert they sustained bodily injury by exposure to the products being tested in the clinical trial.

Crime
This line of business protects financial institutions and other organisations against losses that are discovered during the policy period arising from a variety of dishonest, fraudulent or criminal acts committed by either employees or third parties and includes coverage for robbery, hold-ups, forged documents or computer crime.

Cyber
This line of business protects companies in relation to the financial exposure that arises in the digital and data protection age either on a first party and/or third party basis.

Directors' and Officers' (D&O) Liability
This line of business protects directors and officers of commercial entities, financial institutions and other organisations against claims that are made during the policy period seeking to hold directors and officers liable for alleged wrongful acts in their capacity as directors and officers.

Errors and Omissions (E&O)
This line of business protects professional service firms, commercial entities and financial institutions against claims made during the policy period by third parties alleging negligence and seeking to hold the company liable.

General Liability
This line of business protects companies against claims made by employees or third parties for alleged bodily injury and property damage losses, arising from employee injuries at work or activities of the company that are alleged to cause damage to employees or third parties.

MANAGING AGENT'S REPORT
(CONTINUED)

Life Sciences
This line of business protects manufacturers, developers and distributors of a wide range of pharmaceutical, nutraceutical, biotech, medical, health and wellbeing related products against claims made during the policy period by third parties for alleged bodily injury and property damage by use of or exposure to the products manufactured, developed and distributed by these insureds.

Medical Malpractice
This line of business protects hospitals, other health care facilities and individual physicians and other health care professionals against claims made during the policy period by third parties alleging negligence and seeking to hold the insureds liable.

Reinsurance
This line of business protects, on a treaty reinsurance basis, underwriters of property, casualty, marine and aerospace insurance.

The Syndicate also underwrites satellite business through a consortium participation.

BUSINESS REVIEW

Results and performance
The result for the calendar year 2023 is a profit of £94.3m (2022: profit of £19.5m). Profits and losses will continue to be distributed or called by reference to the results of individual underwriting years.

The combined ratio for 2023 is 86.3% (2022: 89.5%), resulting in an underwriting profit excluding investment return of £30.5m (2022: profit £24.1m). A tougher rating environment in our markets, and increased competition from MGA's and international service company platforms has put pressure on our top line, but maintaining our disciplined underwriting principles, combined with prior year releases across a number of casualty classes, has contributed to a combined ratio of 86.3%.

The investment return for the year was a positive of £69.6m (2022: positive £7.7m) driven by gains on our equity and fixed interest portfolios, and income from the fixed income portfolio. The Syndicate's investment portfolio recorded a positive investment return of £21.0m (2022: investment loss of £0.5m). The investments supporting the Funds in Syndicate and surplus capital accumulated positive investment returns totalling £48.6m (2022: positive return of £8.3m). Against a backdrop of the US equity and bond markets rallying in 2023 after the falls recorded in both markets in 2022.

During the latter part of 2023, the Syndicate increased its holding of medium to longer term duration government and treasury bonds as major global central banks continued to hold interest rates at levels not seen in some years.

Gross written premiums for the year were £255.5m (2022: £268.7m), £13.2m or 4.9% lower, in converted sterling terms. At constant rates of exchange, this represents a decrease in premium of £9.3m or 3.5%. The reduction in gross premiums is largely driven by our Liability and Commercial D & O accounts. Overall, we remain cautious in our underwriting approach, given the continuing uncertain economic outlook, seeking growth only in opportunistic or otherwise profitable areas. Market conditions continue to be competitive.

The result for the year of £94.3m has contributed to an increase of £92.6m (after a distribution of £1.7m to Newline Corporate Name Limited) to the net asset position of £394.5m (2022: £301.8m), with Funds in Syndicate accounting for £337.6m (2022: £285.6m).

The Syndicate's capacity for the 2023 year of account increased to £279.0m from £238.0m on the 2022 year of account, and our income estimates for 2024 are for steady growth across our core profitable classes, driven by both product and territorial opportunities within Affinity, Cargo and Specie, D&O and Cyber lines of business. We will continue to look for cost-effective means of growing our portfolio, and expanding, if possible, those areas where we feel that the market dynamics mean there is potential for increased profitability. Notwithstanding this, we are cognisant of the challenges of doing so in the current environment, and the need to retain bottom line profitability in the business we underwrite.

MANAGING AGENT'S REPORT
(CONTINUED)

Business environment
Competition between insurance entities can be based on a number of factors inter alia product, price, service, coverage, financial strength, distribution channels, enhanced commissions and reputation. The Syndicate's competitors include independent insurance companies, subsidiaries or affiliates of established worldwide insurance companies, MGAs, and other syndicates underwriting at Lloyd's. Some of these competitors have longer operating histories and larger capital bases than Syndicate 1218 and, in addition, greater underwriting, marketing, and administrative resources. Whilst new entrants at Lloyd's and the re-emergence of MGAs may threaten the positive pricing environment, we anticipate the opportunity to attract new business with the flight to quality carriers; providing this falls within our risk appetite.

For the Syndicate, the rating environment has experienced a softening market across a number of classes. We anticipate during 2024 increasing competition and further negative rate changes. Underwriters are targeting higher than plan rate changes on average, especially in our growth classes; Affinity, Commercial PI and Marine. Plus, we expect the Space market to generate significant pricing change post recent loss developments. This will serve to improve profitability and business volume.

Casualty market participants continue to compete aggressively for business and we expect the rating environment to remain highly competitive. We will maintain our focus on maximising the opportunities presented by the market: increasing price; rationalising line size; reducing acquisition cost; and tightening policy terms and conditions as appropriate.

Strategy
The Syndicate has an established book of business and renewals constitute a significant element of our premium volume, one year to the next. Excellent producer relationships have been established with the aim of providing commercial advantage when faced by challenging market conditions. Experience gained over the last market cycle in shaping, refining and redefining our core portfolio will serve us well as we move into the next phase of the market cycle.

Price is a primary means of competition in the (re)insurance business. We continue to emphasise disciplined underwriting over premium growth, focusing on carefully selecting the risks we insure and determining the appropriate price for assuming such risks. We are committed to maintaining our underwriting discipline and standards; as a consequence, premium volumes within our product lines and in overall terms will vary in line with prevailing market conditions.

Key factors that enable us to select, price and manage our business successfully are experience, strict underwriting discipline, analytical tools, and access to real time data. We have invested considerable time and effort in developing our systematic approach to underwriting and placing an appropriate control environment around it. To ensure that underwriting objectives are properly understood we have implemented strict review and referral processes, sophisticated and flexible rate engines, rate level monitoring, reporting, and enlisted the assistance of actuarial and claims personnel.

Principal risks and uncertainties
The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls as set out in the Risk Management Framework. This ensures that all risks are identified, recorded, assessed and taken into account when determining the Syndicate's Solvency Capital Requirement ("SCR") using the Internal Model. The control environment operating around these key risks is regularly reviewed to ensure that controls are operating effectively. A description of the risks and uncertainty from the insurance risks and financial risks facing the Syndicate are set out in notes 17 and 18 of these annual report and accounts.

All key policies are approved by the Board and the framework is subject to ongoing review by management, Risk Management and Internal Audit as part of the "Own Risk and Solvency Assessment" ("ORSA") process. An ORSA report is presented to the Board on at least a quarterly basis. The ORSA report sets out the risk profile and key risk indicators of the Syndicate, together with the resulting impact on the SCR, and confirmation that sufficient own and ancillary funds are in place.

Principal risks and uncertainties (continued)

Climate risk
Climate risk relates to a range of economic exposures that may impact the business, encompassing:

Physical risk arising from an increase in frequency and severity of natural weather events, leading to increased losses within property lines of business.

Transition and litigation risk resulting from the movement to a zero carbon footprint for individuals, companies and the global community. The impact may be felt in our investment portfolio, from certain assets in our investment portfolio that have to change their business models away from a high carbon emission base. Additionally, litigation risks may impact casualty lines of business in a variety of ways, including potentially through class actions being taken against publicly listed insureds that fail to meet increased reporting requirements, through to lawsuits against organisations' and individuals' perceived adverse impact upon the environment or claims against professional services firms and financial institutions alleging climate related breaches of duty.

Reputational risk in respect of insureds, employees and the wider Newline, Odyssey and Fairfax groups.

Newline has developed its sustainability framework and strategy as part of its overall Risk Management Framework. This sustainability framework sets out Newline's approach to developing operational, investment and underwriting policies. Newline's high level sustainability strategy is to embed sustainability factors into our business activities and decision-making to ensure our business remains sustainable for the long-term to the benefit of our employees, customers, members and to promote resilience, inclusivity and sustainability in our operations.

In managing the risks to the Syndicate associated with climate change, Newline has:

- Underwriting guidelines and authorities to incorporate sustainability factors in underwriting decisions, including:
    - The alignment of environmentally sensitive risk exposures within core risk appetite philosophy and underwriting best practice;
    - Sustainability increasingly being included within underwriter client meetings;
    - Environmental referrals are increasingly being used in the underwriting process;
    - Metrics based on our scenario analysis are currently being developed as part of our exposure management process.
- Included financial risks from climate change in the risk management framework.
- Considered climate change as part of the underwriting loss distribution reviews for the internal model.
- Considered climate change risks and scenario analysis and reported them in the annual ORSA.
- Given consideration to the reputational damage of climate change activism to the Syndicate through the risk management framework and stress and scenario testing.

Newline is continuing to develop its approach to sustainable investments and operational activities. Sustainability considerations are now included within the Statement of investment risk appetite, to include an additional objective of gradually increasing the sustainable standing of the portfolio and to phase out existing investments in respect of companies with business models which derive at least 30% of their revenues from either thermal coal-fired power plants, thermal coalmines, oil sands or new Arctic energy exploration activities by the end of 2025. Newline has not identified any specific impacts on its operations and infrastructure from the physical risks of climate change.

Newline's scenario analysis is based on the Bank of England's 2021 Climate Biennial Exploratory Scenario, although a proportionate approach has been taken given Newline's size and exposure. For each scenario, Newline analysed the physical, transition and litigation risks, the sectors/geographies at higher risk and the potential underwriting losses.

As Newline is primarily a casualty underwriter and has very limited first party exposure to the physical risks of climate change, within its casualty portfolio there is limited exposure to high emission sectors, public administration, large utility/infrastructure risks and physically exposed territories. The most material potential exposures identified were in the D&O book due to the increasing disclosure requirements. This remains an emerging area as plaintiff firms do their utmost to be creative in filing new and varied lawsuits against a wide array of defendants and the Syndicate's exposure here is under constant review.

MANAGING AGENT'S REPORT
(CONTINUED)

Principal risks and uncertainties (continued)

External conflicts
Geopolitical tensions remain high, and there remains the potential for further inflation shocks, in particular from disruption to supply chains and energy price increases arising from ongoing conflicts in the Middle East and Ukraine. Newline continues to give consideration to the possible financial impact on its insurance and investment portfolios to the conflicts ongoing in Israel and Ukraine, and tensions in the Red Sea.

Israel Gaza War and the wider Middle East region
Following Hamas' attack on Israel and Israel's subsequent retaliation in Gaza, there are concerns that the conflict could escalate, with neighbouring countries becoming involved. This could lead to western sanctions, supply disruptions, and affect other major oil producers in the region. Israel now exports a significant amount of gas to Europe via Egypt and the conflict has already led to the closure of a major gas field in Israel.

Newline writes business in Israel, but the business is not directly impacted by the conflict. The main impact on the book has been from insureds/brokers requesting extensions to existing policies and lighter touch renewals, given the level of disruption caused by the conflict.

Events in Ukraine
Russia's invasion of Ukraine has increased geopolitical tensions. The international sanctions placed on Russia's financial system have seen volatility in both commodity and currency markets. Newline does not insure any of the following classes: war or terrorism, political risk or violence, contract frustration, trade credit or surety, energy, hull, personal accident, A&H, aviation or medical expenses. Newline derives minimal premium income from Ukraine and has taken the conscious decision to avoid wherever possible any income from Russia either directly or indirectly, either non-renewing existing business or declining new business with known Russian domiciled insureds. Newline may face some indirect exposure in its Financial Lines book should third party claims be made against financial institutions or Directors and Officers for losses sustained as a result of the wider economic consequence of the international community's response to the events in Ukraine. Newline has written a small number of Cyber risks, from which it may also face some exposure.

The events unfolding in Ukraine have also been amongst the causal factors that had been instrumental in raising inflation across the world. This is considered within 'Inflation' below.

Inflation
Inflationary pressures in the UK and major world economies not seen since the 1980s, started to ease from their peaks at the end of 2022. The additional cost of this has been governments tightening monetary policy, with central banks raising interest rates and reversing the quantitative easing process. As UK inflation eases, the pressure on the Bank of England to increase interest rates has reduced.

The Risk management function updated its holistic inflation risk assessment during 2023. This covered the impacts of both economic and excess inflation including social inflation on claims costs and expenses. The assessment included a detailed review with underwriters and claims adjusters to investigate and document key drivers of claims inflation within each class. The outcome of the review resulted in specific adjustments to current held reserves and appropriate explicit allowance for heightened claims inflation. These impacts were reflected in the modelling assumptions for the Internal Model. The Internal Model methodology and assumptions were also reviewed and updated to ensure the internal model appropriately captured inflationary impacts and uncertainty for Newline. From an underwriting perspective, Newline has limited exposure to major catastrophic injury claims, where there was a particular risk from claims inflation.

Within the bond portfolio, our fund manager increased the duration of fixed income government bonds with a maturity between 6 to 7 years during the fourth quarter, with the purchases being funded through the sale of 2-3 years US treasuries.

MANAGING AGENT'S REPORT
(CONTINUED)

Future Outlook
Our client focus remains the mid-market and corporate sector where we consider our ability and expertise to lead business adds the most value. The UK, Commonwealth countries, Continental Europe, Israel and Asia will continue to be our core markets. The Syndicate will take full advantage of Lloyd's licensing to exploit opportunities in certain sectors or markets in our chosen fields of expertise as and when they develop. Given the changing broker landscape and developments in local (re)insurance markets, we envisage less business coming to London. To counter this, we are making increasing effort to access business regionally, whether this be through:

i) Establishment of and/or expanding existing service companies;

ii) Accessing business through other (re)insurance partners within the Fairfax Group;

iii) Using overseas MGAs where we have strong relations and/or proven track records.

The Syndicate has an overseas presence in Australia, Canada, Singapore and Malaysia through insurance agents owned by the parent company of the Syndicate's capital provider, and operates a distribution hub in Mexico. In addition, the Syndicate participates on the Lloyd's China platform and through the Lloyd's European insurance subsidiary in Brussels, ensuring that we continue to provide a service to our stakeholders and customers across Europe.

Financial instruments
Information on the use of financial instruments by the Syndicate and its management of financial risk is disclosed in Note 17 to the annual report and accounts. In particular, the Syndicate's exposures to price risk, credit risk and liquidity risk are separately disclosed in that note. The Syndicate's exposure to cash flow risk is addressed under the headings of 'Credit risk', 'Liquidity risk' and 'Market risk'.

Solvency II
With respect to our capital requirements for 2023, Lloyd's approved the Syndicate Solvency Capital Requirement, calculated using the Syndicate's Internal Model, in November 2022. Our 2024 capital requirement has also been approved by Lloyd's, in November 2023.

Key performance indicators (KPIs) and metrics
The Board monitors the progress of the Syndicate by reference to the following KPI's and metrics:

	2023	2022	
Gross Written Premiums	£255.5m	£268.7m	Gross premiums written, including acquisition costs, in respect of insurance contracts
Net written premiums	£211.2m	£226.4m	Gross Written Premiums less outward reinsurance in respect of insurance contracts
Technical result	£51.5m	£23.6m	Balance on technical account for general business
Net loss ratio	47.4%	51.2%	Ratio of net claims incurred to net earned premiums
Combined ratio	86.3%	89.5%	Ratio of net claims incurred, commissions and expenses to net premiums earned
Net assets	£394.5m	£301.8m	Excess of assets over liabilities

MANAGING AGENT'S REPORT
(CONTINUED)

DIRECTORS OF THE MANAGING AGENT

The Directors listed below have held office from 1 January 2023 to the date of this report unless otherwise stated.

M J Beane	
R F Beaver	
A R Carey	
J Christiansen	
R F Coerver	(appointed 12th February 2024)
N D Duncan	
S Kapur	
R B Kastner	
C A Overy	(resigned 12th February 2024)
R S Pollock	(appointed 5th July 2023)
A Pecover	
M G Wacek	
H J L Withinshaw	

None of the Directors participate in the Syndicate, whose capacity is provided entirely by Newline Corporate Name Limited, a wholly owned subsidiary of Odyssey Reinsurance Company ("ORC").

Third-party indemnity providing cover for claims for actual or alleged acts, errors, omissions, misstatements, misleading statements, neglect or breach of duty in the rendering of professional services was in place for the above directors throughout the year and up to the time of approval of the annual report and accounts.

STATEMENT OF DISCLOSURE OF INFORMATION TO AUDITORS

Each of the persons who is a director at the date of this report confirms that:

- so far as each of them is aware, there is no information relevant to the audit of the Syndicate's annual report and accounts for the year ended 31 December 2023 of which the auditors are unaware; and
- each director has taken all steps that they ought to have taken in their duty as a director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

INDEPENDENT AUDITORS

The independent auditors of the Syndicate are PricewaterhouseCoopers LLP.

MANAGING AGENT'S REPORT

(CONTINUED)

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate annual report and accounts as at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), including Financial Reporting Standard 102 The Financial Reporting Standard Applicable in the UK and Republic of Ireland ("FRS 102"), and Financial Reporting Standard 103 Insurance Contracts ("FRS 103"). The annual report and accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss that year.

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

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable United Kingdom Accounting Standards, including FRSs 102 and 103 have been followed, subject to any material departures disclosed and explained in the annual report and accounts;
- notify the member in writing about the use of disclosure exemptions, if any, of FRS 102 and FRS 103 used in preparation of the annual report and accounts; and
- prepare the annual report and accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The directors confirm they have complied with the above requirements in preparing the annual report and accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and to enable it to ensure that the syndicate annual accounts report and comply with the 2008 Regulations. 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.

On behalf of the Board

S Kapur
Director
27 February 2024

Independent auditors' report to the member of Syndicate 1218

Report on the audit of the syndicate annual accounts

Opinion
In our opinion, 1218's syndicate annual accounts:

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

We have audited the syndicate annual accounts included within the annual report and accounts (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2023; the profit and loss account: technical account – general business, the profit and loss account: non-technical account, the statement of comprehensive income, the cash flow statement and the statement of changes in member's balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

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

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

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

Other than those disclosed in note 7, we have provided no non-audit services to the syndicate in the period under audit.

Conclusions relating to going concern
Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as

a going concern for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

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

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

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate

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

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

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

Responsibilities for the syndicate annual accounts and the audit

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

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

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

be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below.

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

- Discussions with management, internal audit and the compliance function of the Managing Agent, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Reviewing relevant meeting minutes including those of the Audit Committee and correspondence with regulatory authorities, including Lloyd’s of London, the Financial Conduct Authority and the Prudential Regulation Authority;
- Challenging assumptions and judgements made by management in their significant accounting estimates, in particular in relation to valuation of claims incurred but not reported (“IBNR”) and estimated premium income;
- Identifying and testing journal entries for potential indicators of fraud, including manual journals to revenue, backdated journals, and journals posted by unusual users;
- Designing audit procedures to incorporate unpredictability around the nature timing and extent of testing.

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

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

Use of this report

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

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

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

PROFIT & LOSS ACCOUNT: TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £'000	2022 £'000
EARNED PREMIUMS, NET OF REINSURANCE			
Gross premiums written	5	**255,477**	268,650
Outwards reinsurance premiums		**(44,255)**	(42,268)
Net premiums written		**211,222**	226,382
Change in the gross provision for unearned premiums		**8,468**	3,385
Change in the provision for unearned premiums, reinsurers' share		**3,292**	(939)
Change in the net provision for unearned premiums		**11,760**	2,446
Earned premiums, net of reinsurance		**222,982**	228,828
Allocated investment return transferred from the non-technical account		**20,963**	(514)
CLAIMS INCURRED, NET OF REINSURANCE			
Gross claims paid		**(79,084)**	(75,410)
Reinsurers' share		**18,241**	20,720
Net claims paid		**(60,843)**	(54,690)
Change in the gross provision for claims		**(23,483)**	(73,233)
Reinsurers' share		**(21,276)**	10,711
Change in the net provision for claims		**(44,759)**	(62,522)
Claims incurred, net of reinsurance		**(105,602)**	(117,212)
Net operating expenses	7	**(86,848)**	(87,505)
Balance on the technical account for general business		**51,495**	23,597

All operations are continuing.

The notes on pages 20 to 43 form an integral part of these annual report and accounts.

PROFIT & LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	2023 £'000	2022 £'000
BALANCE ON THE TECHNICAL ACCOUNT FOR GENERAL BUSINESS		**51,495**	23,597
Investment income	10	**19,256**	8,415
Net unrealised gains on investments	10	**52,157**	1,709
Investment expenses and charges	10	**(1,767)**	(2,385)
		69,646	7,739
Allocated investment return transferred to the general business technical account		**(20,963)**	514
Other charges	11	**(5,848)**	(12,332)
PROFIT FOR THE FINANCIAL YEAR		**94,330**	19,518

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £'000	2022 £'000
Profit for the financial year	**94,330**	19,518
TOTAL COMPREHENSIVE INCOME FOR THE YEAR	**94,330**	19,518

The notes on pages 20 to 43 form an integral part of these annual report and accounts.

STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	Note	2023 £'000	2022 £'000
ASSETS			
Investments			
Other financial investments	12	**840,132**	735,150
Deposits with ceding undertakings		**4,519**	3,055
Reinsurers' share of technical provisions			
Provision for unearned premiums		**31,966**	30,934
Claims outstanding		**211,749**	243,213
Debtors			
Arising out of direct insurance operations, due from intermediaries		**103,538**	110,171
Arising out of reinsurance operations		**4,069**	8,104
Other debtors		**2,859**	1,881
Other assets			
Cash at bank and in hand		**13,316**	26,058
Overseas deposits	13	**74,541**	69,052
Prepayments			
Accrued interest and rent		**4,691**	2,103
Deferred acquisition costs	14	**37,164**	39,928
Other prepayments and accrued income		**4,098**	6,308
Total assets		**1,332,642**	1,275,957
LIABILITIES			
Capital and Reserves			
Member's Balances		**394,465**	301,838
Technical provisions			
Provision for unearned premiums		**118,127**	131,309
Claims outstanding		**779,179**	785,375
Creditors			
Arising out of direct insurance operations, due to intermediaries		**4,508**	700
Arising out of reinsurance operations		**18,236**	30,042
Other creditors including taxation and social security	15	**11,654**	20,631
Accruals and deferred income		**6,473**	6,062
Total liabilities		**1,332,642**	1,275,957

The notes on pages 20 to 43 form an integral part of these annual accounts.

Approved by the board of Directors on 27 February 2024.

S Kapur
Director

STATEMENT OF CHANGES IN MEMBER'S BALANCES

FOR THE YEAR ENDED 31 DECEMBER 2023

	Due to / (from) member £'000	Funds in Syndicate £'000	Total £'000
At 1 January 2022	**20,857**	**261,524**	**282,381**
Profit for the year	17,152	2,366	19,518
Total comprehensive income for the year	**17,152**	**2,366**	**19,518**
Distribution to Funds in Syndicate	**-**	21,700	21,700
Distribution to member	(21,761)	-	(21,761)
Total distribution to Funds in Syndicate and member	(21,761)	21,700	(61)
At 31 December 2022	**16,248**	**285,590**	**301,838**
Profit for the year	49,978	44,352	94,330
Total comprehensive income for the year	**49,978**	**44,352**	**94,330**
Distribution to Funds in Syndicate	**-**	7,693	7,693
Distribution to member	(9,396)	-	(9,396)
Total distribution to Funds in Syndicate and member	(9,396)	7,693	(1,703)
At 31 December 2023	**56,830**	**337,635**	**394,465**

The notes on pages 20 to 43 form an integral part of these annual report and accounts.

CASH FLOW STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £'000	2022 £'000
CASH FLOW FROM OPERATING ACTIVITIES		
Profit for the financial year	**94,330**	19,518
Increase in gross technical provisions	**15,219**	130,206
Decrease / (increase) in reinsurers' share of gross technical provisions	**18,855**	(33,866)
Decrease / (increase) in debtors	**4,890**	(31,554)
(Decrease) / increase in creditors	**(15,102)**	12,700
Investment return	**(69,646)**	(7,738)
Foreign exchange loss / (gain) loss on investment and forward exchange contracts	**9,078**	(24,104)
NET CASH FLOWS GENERATED FROM OPERATING ACTIVITIES	**57,624**	65,162
CASH FLOW FROM INVESTING ACTIVITIES		
Purchase of equity and debt instruments	**(837,313)**	(753,998)
Sale of equity and debt instruments	**713,460**	563,464
Purchase of derivatives	**(6,992)**	(42,809)
Sale of derivatives	**20,396**	2,672
Investment income received	**17,311**	3,806
NET CASH USED IN INVESTING ACTIVITIES	**(93,138)**	(226,865)
CASH FLOW FROM FINANCING ACTIVITIES		
Distribution of profit	**(9,396)**	(21,761)
Distribution of profit transferred to Funds in Syndicate	**7,693**	21,700
Funds in Syndicate released to member	**-**	-
NET CASH USED IN FINANCING ACTIVITIES	**(1,703)**	(61)
Net decrease in cash and cash equivalents in the year	**(37,217)**	(161,764)
Cash and cash equivalents at the beginning of the year	**56,493**	201,434
Foreign exchange (loss) / gain on cash and cash equivalents	**(3,191)**	16,823
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**16,085**	56,493
CASH AND CASH EQUIVALENTS CONSIST OF:		
Cash at bank and in hand	**13,316**	26,058
Short term deposits with credit institutions	**2,769**	30,435
CASH AND CASH EQUIVALENTS AT THE END OF THE YEAR	**16,085**	56,493

The notes on pages 20 to 43 form an integral part of these annual accounts.

1) GENERAL INFORMATION

The principal activity of the Syndicate is the underwriting of casualty insurance business at Lloyd's. Syndicate 1218, whose capacity is 100% provided by Newline Corporate Name Limited had a capacity of £279.0m for the 2023 year of account (2022: £238.0m, 2021: £230.0m). Newline Underwriting Management Limited ("NUML") is the managing agent for Syndicate 1218. The registered office of NUML is 1 Fen Court, London, EC3M 5BN.

2) ACCOUNTING POLICIES

The annual report and accounts have been prepared in accordance with Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and applicable Accounting standards in the United Kingdom, including Financial Reporting Standard 102, ''The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland'' (''FRS 102''), and Financial Reporting Standard 103, ''Insurance Contracts'' (''FRS 103'').

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of these annual report and accounts are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

Basis of preparation

The directors of the managing agent have prepared the annual report and accounts on the basis that the Syndicate will continue to underwrite business in the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and accounts.

The result for the year is determined on the annual basis of accounting in accordance with UK GAAP.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 4.

a) Premiums written

Premiums written relate to business which incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet received or notified to the Syndicate. Premiums are stated gross of acquisition costs payable, and exclude taxes and duties levied on them.

b) Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk. The Syndicate considers significant insurance risk to exist where there is a reasonable possibility of a significant claim arising on the occurrence of an insured event. The Syndicate's insurance products are classified as insurance contracts.

NOTES TO THE ACCOUNTS
(CONTINUED)

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

c) Unearned premiums
Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earning patterns on a time apportionment basis as appropriate.

d) Acquisition costs
Acquisition costs comprise all direct and indirect costs arising from the acquisition of insurance contracts, and are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

e) Reinsurance premiums ceded
Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related inwards business being reinsured.

f) Reinsurance
Contracts entered into by the Syndicate with reinsurers, under which the Syndicate is compensated for claims on one or more contracts issued by the Syndicate and that meet the classification requirements for insurance contracts are classified as reinsurance contracts. Contracts that do not meet these classification requirements are classified as financial instruments. Insurance contracts entered into by the Syndicate under which the contract holder is another insurer (inwards reinsurance) are included within insurance contracts; provided there is significant transfer of insurance risk.

The amounts that will be recoverable from reinsurers are estimated based upon the gross claims provisions, having due regard to collectability. Reinsurance recoveries in respect of estimated claims incurred but not reported are assumed to be consistent with the historical pattern of such recoveries, adjusted to reflect changes in the nature and extent of the Syndicate's reinsurance programme over time. The recoverability of reinsurance recoveries is assessed having regard to market data on the financial strength of each of the reinsurance companies. The reinsurers' share of claims incurred, in the profit and loss account, reflects the amounts received or receivable from reinsurers in respect of those claims incurred during the period. Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised in the profit and loss account as 'Outward reinsurance premiums' when written.

g) Claims incurred
Gross claims incurred comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, deductions are made for salvage and other recoveries.

h) Claims provisions and related reinsurance recoveries
Provision is made for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions (see note 4 - Significant Judgements and Estimates), it is likely that the final outcome will prove to be different to the original liability established.

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

Provisions are calculated undiscounted, and gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers based upon the gross provisions and having a due regard to collectability.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

i) Unexpired risk provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by classes of business which are managed together, after taking into account the relevant investment return.

j) Financial instruments

The Syndicate has chosen to adopt the provisions of Sections 11 and 12 of FRS 102 in respect of the valuation of financial investments, which are designated by the Syndicate at fair value through profit or loss.

i) Financial assets

Financial investments, including shares and other variable yield securities and units in unit trusts, derivatives, debt, other fixed income securities and overseas deposits are designated at fair value through profit and loss. Other receivables, including short term debtors arising out of direct insurance and reinsurance operations, and deposits with ceding undertakings, are initially recognised at transaction price or cost, less any impairment.

The fair value of financial investments at the balance sheet date are determined through quoted bid prices in an active market for identical instruments. Common stocks and preferred stocks are also valued utilising observable price to book multiples of peer companies and applying such to the most recently available book value per share. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Syndicate estimates the fair value by using a valuation technique. These include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

Receivables are initially recognised at transaction price, and are reviewed for impairment as part of the impairment review of receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

ii) Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand, deposits held at call with banks, other short term highly liquid investments with an original maturity date of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within borrowings in current liabilities.

iii) Financial liabilities

Short term creditors, including creditors arising out of direct insurance and reinsurance operations are measured at transaction price.

iv) Derivative instruments

The Syndicate uses forward foreign exchange contracts to reduce exposure to foreign exchange rates. Derivative financial instruments are initially measured at fair value on the date on which a derivative contract is entered into, and are subsequently re-measured at fair value. Derivatives are carried as assets when the fair value is positive and as a liability when the fair value is negative.

The Syndicate applies hedge accounting for transactions entered into to manage the foreign exchange exposure and has designated them as a fair value hedge. Changes in fair value of foreign exchange hedges are reported directly in profit and loss. Derivatives under hedge accounting are carried as assets when the fair value is positive and as a liability when the fair value is negative.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

k) Investment return

Investment return comprises all investment income, interest receivable and dividends received plus realised gains and losses on the disposal of investments and movements in unrealised gains and losses, net of investment expenses.

Dividend income is recognised when the right to receive payment is established. Interest and expenses are accounted for on an accruals basis.

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

Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price, or their valuation at the previous balance sheet date. The movement in unrealised investment gains and losses includes an adjustment for previously recognised unrealised gains and losses of those investments disposed of in the accounting period.

Investment expenses and charges comprise investment management expenses.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on the funds supporting underwriting obligations arising from insurance policies. Investment return on the Funds in Syndicate is not transferred and remains in the non-technical account.

l) Foreign currencies

i) Functional and presentation currency

The Syndicate's functional and presentation currency is the Pound Sterling.

ii) Transactions and balances

Income and expenditure in US Dollars, Euros, Australian Dollars, Canadian Dollars, Egyptian pounds and Polish Zlotys are translated at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are translated at the rates of exchange ruling at the date the transaction is processed. Assets and liabilities denominated in foreign currencies are translated into Sterling at the rates of exchange prevailing at the balance sheet date.

Realised exchange differences are included in the non-technical account.

iii) Translation

Exchange differences arising from translating the result from average rates of exchange to closing rates of exchange, and the translation of the opening balance sheet to closing rates of exchange are taken through the non-technical account.

m) Taxation

Under Schedule 19 of the Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income, including capital appreciation, of syndicates. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents; therefore the distribution made to members is 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 balance sheet under the heading 'other debtors'. No provision has been made for any other overseas tax payable by members on the underwriting results.

n) Overseas deposits

Overseas deposits are stated at fair value at the balance sheet date.

3) SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES *(CONTINUED)*

o) Syndicate operating expenses

Where expenses are incurred by the managing agent or on behalf of the managing agent on the administration of the managed Syndicate, these expenses are apportioned using various methods depending on the type of expense, the amount of work performed, resources used and the volume of business transacted. These costs include the costs of staff, who were employed by NUML until 15th March 2023, then subsequently employed by Newline Group Services Limited. Short term benefits (including holiday pay) and annual bonus arrangements for employees performing work on behalf of the Syndicate are included within this expense.

p) Pension costs

Until 15th March 2023, Newline Underwriting Management Limited operated the Group Personal Pension Plan which is on a defined contribution basis. This has subsequently been managed by Newline Group Services Limited. Pension contributions apportioned to the Syndicate are charged and included within net operating expenses.

q) Related party transactions

The Syndicate discloses transactions with related parties. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors of NUML, separate disclosure is necessary to understand the effect of the transactions.

4) SIGNIFICANT JUDGEMENTS AND ESTIMATES

Preparation of the annual report and accounts requires management to make significant judgements and estimates. The items in the annual report and accounts where judgements and estimates have been made include:

Estimation of claims incurred but not reported ("IBNR")

The estimation of claims incurred but not reported ("IBNR") is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where more information about the claim event is generally available. Claims IBNR may often not be apparent to the insured until many years after the event giving rise to the claim has happened. Classes of business where IBNR proportion of the total reserve is high will typically display greater variation between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

This uncertainty varies between classes written by the Syndicate, but is typically highest for those classes where there are significant delays in the settlement of the final claims amount, more specifically from Liability and other long-tail direct and long-tailed reinsurance classes. In calculating the estimated cost of unpaid claims, the Syndicate uses a variety of estimation techniques, generally based upon statistical analyses of historical experience, which assumes that the development pattern of the current claims will be consistent with past experience. In order to determine the ultimate cost of claims, the Syndicate uses statistical projections on the claims to be included within each reserving class and for each underwriting year. The projections use a number of methods, with chain-ladder and Bornhuetter-Ferguson being the most extensively used on both gross and ceded information. Allowance is made, however, for changes or uncertainties which create distortion 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;
- changes in underlying terms and conditions;
- the impact of large losses; and
- movements in industry benchmarks.

4) SIGNIFICANT JUDGEMENTS AND ESTIMATES *(CONTINUED)*

In setting the provision for insurance liabilities, a best estimate is determined on an undiscounted basis. For areas of specific uncertainty, it may be necessary to include a loading as part of the reserve estimate, known as the Management Adjustment. At 31 December 2023, the carrying value of net claims IBNR is £429.1m (2022: £404.4m), and the Management Adjustment in excess of the best estimate of net reserves was £45.2m (2022: £40.4m). This level of Management Adjustment is considered appropriate in light of the uncertainties surrounding the current economic environment, loss exposure on opioids and other pharma losses.

Our reserving methods incorporate an implicit allowance for inflation, allowing for both economic and excess inflation. The impact of uncertainty in the rate of inflation has been assessed via sensitivity testing.

Premium income
Written premiums include estimates of premiums due but not yet received or notified to the Syndicate (known as 'pipeline premium'), in particular from those written under delegated authority agreements. The Syndicate considers relevant information when determining estimates, including information provided by brokers and coverholders, past underwriting experience, market conditions, and the contractual terms of policies. As updated information relating to such variables becomes available, for example when bordereaux are received, adjustments to estimates are recorded in the period in which they are determined, and will impact gross premiums written and provisions for unearned premium in the technical account. The pipeline premium included within gross written premium is £25.1m (2022: £30.4m); of that £21.3m is unearned at 31 December 2023 (2022: £25.9m).

Fair values of financial instruments
The fair value of financial instruments that are determined by using valuation techniques require more judgement than those that are either traded in an active market with quoted prices, or are based on observable market information. The carrying value of these instruments is £187.1m (2022: £145.5m). The Syndicate uses its judgement to select a variety of methods and makes assumptions that are mainly based on market conditions existing at the end of each reporting period.

5) SEGMENTAL INFORMATION

All business has been underwritten in the United Kingdom in the Lloyd's insurance market which has been treated as one geographical segment.

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

2023	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Direct insurance					
Third party liability	**149,675**	**154,087**	**(51,963)**	**(52,534)**	**(27,421)**
Aviation	**1,626**	**3,017**	**(2,408)**	**(500)**	**(607)**
Energy-non marine	**73**	**63**	**(27)**	**(20)**	**(12)**
Other direct	**33,705**	**34,782**	**(19,241)**	**(12,274)**	**(321)**
Total direct	**185,079**	**191,949**	**(73,639)**	**(65,328)**	**(28,361)**
Reinsurance acceptances	**70,398**	**71,996**	**(28,927)**	**(24,901)**	**(12,256)**
Total	**255,477**	**263,945**	**(102,567)**	**(90,229)**	**(40,617)**

5) SEGMENTAL INFORMATION *(CONTINUED)*

2022	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000
Direct insurance					
Third party liability	159,562	162,183	(86,967)	(53,908)	(4,902)
Aviation	4,999	5,569	(3,797)	(1,265)	204
Energy-non marine	54	54	(40)	(19)	6
Other direct	39,380	38,755	(21,887)	(13,541)	(578)
Total direct	203,995	206,561	(112,691)	(68,733)	(5,270)
Reinsurance acceptances	64,655	65,474	(35,952)	(22,160)	(3,118)
Total	268,650	272,035	(148,643)	(90,893)	(8,388)

Insurance risk concentrations
The Syndicate monitors and reports internally on insurance risk concentrations by reserving class that have similar risk profiles and durations. Reserving class is determined by factors such as the industry sector, insured event and insurance risk coverage offered by the insurance contract. The Syndicate considers that the information given in the segmental information tables is sufficient to understand the risk concentrations used.

6) MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

The movement in prior year's provision for claims outstanding, net of reinsurance recoveries is a favourable development of £11.2m (2022: favourable development of £3.9m); this is mainly comprised of releases of £7.0m in respect of direct Third Party Liability business, accepted reinsurance of £3.6m and releases of £0.9m in respect of Aviation business, partially offset by strengthening of £0.3m in Other direct.

7) NET OPERATING EXPENSES

	2023 £'000	2022 £'000
Acquisition costs – commissions and service company costs	**71,363**	74,708
Change in deferred acquisition costs	**2,137**	(1,533)
Administrative expenses	**17,156**	17,758
Reinsurers' commissions and profit participations	**(3,808)**	(3,428)
	86,848	87,505

Member's standard personal expenses are included within administrative expenses.

Total commissions for direct insurance business accounted for in the year amounted to £37.7m (2022: £42.9m).

7) NET OPERATING EXPENSES *(CONTINUED)*

Administrative expenses include:

	2023 £'000	2022 £'000
Auditors' remuneration		
Audit services		
Fees payable to the Syndicate's auditors for the audit of Syndicate 1218	**222**	240
Non-audit services		
Fees payable to the Syndicate's auditor for other services:		
Other services pursuant to legislation - actuarial	**160**	144
Other services pursuant to legislation – Solvency II and other reporting required by Lloyd's Byelaws	**79**	86
	461	470

8) STAFF NUMBERS AND COSTS

	2023 £'000	2022 £'000
Wages and salaries	**10,580**	10,074
Social security costs	**1,455**	1,465
Other pension costs	**1,112**	1,116
Other staff related costs	**1,577**	1,792
	14,724	14,447

The average number of employees employed by the managing agency until 15th March 2023, and thereafter Newline Group Services Limited working for the Syndicate during the year was as follows:

	2023 Number	2022 Number
Management	**5**	7
Underwriting	**51**	45
Claims	**8**	10
Information technology	**4**	5
Administration, finance and compliance	**26**	30
	94	97

9) EMOLUMENTS OF THE DIRECTORS OF NEWLINE UNDERWRITING MANAGEMENT LIMITED

The directors of Newline Underwriting Management Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2023 £'000	2022 £'000
Emoluments	**1,378**	1,657
Contribution to pension scheme	**37**	7

Retirement benefits are accruing for five directors (2022: three) under money purchase schemes.

The active underwriter received the following remuneration charged to the Syndicate:

	2023 £'000	2022 £'000
Emoluments	**330**	437
Contribution to pension scheme	**7**	0

There are no Key Management Personnel other than the directors above.

10) INVESTMENT RETURN

	2023 £'000	2022 £'000
Investment income (including realised gains and losses on investments)		
Interest income on financial assets at fair value through profit and loss	**12,239**	5,209
Dividend income	**2,667**	1,843
Other interest and similar income	**2,268**	1,503
Realised gains on investments	**9,266**	9,375
Realised losses on investments	**(7,184)**	(9,515)
	19,256	8,415
Total investment expenses and charges		
Investment management expenses, including charges	**(1,767)**	(2,385)
	(1,767)	(2,385)
Net unrealised gains	**52,157**	1,709
Total investment return	**69,646**	7,739

All gains and losses are from investments designated as at fair value through profit and loss.

The above figures include a positive return of £48.6m (2022: profit of £8.3m) arising from investment returns earned on cash, equities and bonds deposited by Newline Corporate Name Limited into Funds in Syndicate.

NOTES TO THE ACCOUNTS
(CONTINUED)

11) OTHER CHARGES

	2023	2022
	£'000	£'000
Other charges comprise:		
Net foreign exchange losses	**(5,848)**	(12,332)
	(5,848)	(12,332)

12) OTHER FINANCIAL INVESTMENTS

	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
	Fair value	Fair value	**Cost**	Cost
Shares and other variable yield securities	**323,776**	264,145	**322,442**	272,759
Debt securities and other fixed income securities	**497,702**	460,730	**499,941**	469,964
Derivative assets	**2,772**	5,275	**-**	-
Other investments	**15,882**	5,000	**15,354**	5,000
	840,132	735,150	**837,737**	747,723

Derivative financial instruments
The Syndicate has entered into a number of forward currency contracts to mitigate the exchange rate risk of its foreign currency denominated assets and liabilities. At 31 December 2023, the outstanding contracts mature within 3 months of the year end. The Syndicate is committed to sell US $250.9m, CAD $90.3m, Euro 119.1m, AUD $30.4m, and to receive fixed Sterling, and to sell GBP 48.1m, and receive fixed Euro amounts.

The forward currency contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The main assumptions used in valuing the derivatives are the forward contracted exchange rate and the rate at the valuation date (note 16).

The change in the fair value of the forward currency contract recognised in the profit and loss in the year was a profit of £14.4m (2022: loss of £34.0m). The corresponding foreign exchange loss recognised in the profit and loss account relating to the hedged foreign currency assets and liabilities was £14.8m (2022: profit of £29.7m).

13) OVERSEAS DEPOSITS

Overseas deposits of £74.5m (2022: £69.1m) comprise deposits which are lodged as a condition of conducting underwriting business in certain countries.

NOTES TO THE ACCOUNTS
(CONTINUED)

14) DEFERRED ACQUISITION COSTS

All deferred acquisition costs relate to direct and indirect costs arising from the acquisition of insurance contracts. The reconciliation of opening and closing deferred acquisition costs is as follows:

	2023	2022
	£'000	£'000
At 1 January	**39,928**	36,186
Expenses for the acquisition of insurance contracts	**71,364**	71,281
Change in deferred acquisition costs	**(73,073)**	(69,707)
Foreign exchange	**(1,055)**	2,168
At 31 December	**37,164**	39,928

15) OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2023	2022
	£'000	£'000
Derivative liabilities	**1,872**	5,661
Other creditors	**9,782**	14,970
	11,654	20,631

16) FAIR VALUE HIERARCHY

Determination of fair value

The table below reports on the hierarchy that reflects the significance of the inputs in determining the fair value of the financial assets. No liabilities, other than derivatives, were measured at fair value at 31 December 2023 or 31 December 2022.

Level 1

The fair value is based on the unadjusted quoted price in an active market, for identical assets or liabilities that the Syndicate can access at the measurement date.

Level 2

Inputs to level 2 fair values are inputs other than quoted prices included in level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3

Level 3 financial instruments are financial assets and liabilities for which the values are based on prices or valuation techniques that require inputs that are both unobservable, and significant, to the fair value measurement.

During the year ended 31 December 2023, the Syndicate held £187.1m (2022: £145.5m) of financial instruments that are classified as Level 3. Financial instruments classified as Level 3 include assets invested in common stock, preferred stocks, limited partnerships, fixed income securities and loans to the Society of Lloyd's.

Limited partnerships are valued based on the net asset values received from the general partners. These limited partnerships invest in securities that trade in active markets, and as a result, their net asset values reflect their fair values. The unobservable inputs in valuing limited partnerships include inputs such as time lags in receiving distributions by the general partners.

16) FAIR VALUE HIERARCHY *(CONTINUED)*

Common stocks and preferred stocks are also valued utilising observable price to book multiples of peer companies and applying such to the most recently available book value per share.

The Syndicate uses a market approach, based on quoted prices and other information from independent pricing sources, to determine fair values for its fixed income financial instruments, adjusted for a risk premium for credit risk.

	Fair value hierarchy				
2023	**Level 1**	**Level 2**	**Level 3**	**Assets held at fair value**	**Balance sheet total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Financial assets					
Shares and other variable yield securities	**119,073**	**34,259**	**170,444**	**323,776**	**323,776**
Debt securities and other fixed income securities	**21,234**	**476,468**	**-**	**497,702**	**497,702**
Overseas deposits	**4,645**	**69,896**	**-**	**74,541**	**74,541**
Derivative assets	**-**	**1,953**	**819**	**2,772**	**2,772**
Other investments	**-**	**-**	**15,882**	**15,882**	**15,882**
Financial liabilities					
Derivative liabilities	**-**	**(1,872)**	**-**	**(1,872)**	**(1,872)**
	144,952	**580,704**	**187,145**	**912,801**	**912,801**

	Fair value hierarchy				
2022	**Level 1**	**Level 2**	**Level 3**	**Assets held at fair value**	**Balance sheet total**
	£'000	£'000	£'000	£'000	£'000
Financial assets					
Shares and other variable yield securities	97,245	31,742	135,158	264,145	264,145
Debt securities and other fixed income securities	96,810	359,568	4,352	460,730	460,730
Overseas deposits	4,289	64,763	-	69,052	69,052
Derivative assets	-	4,290	985	5,275	5,275
Other investments	-	-	5,000	5,000	5,000
Financial liabilities					
Derivative liabilities	-	(5,661)	-	(5,661)	(5,661)
	198,344	454,702	145,495	798,541	798,541

NOTES TO THE ACCOUNTS
(CONTINUED)

17) FINANCIAL RISK MANAGEMENT

The Syndicate is exposed to a range of financial risks. The key financial risk is that the proceeds of sale from financial assets are insufficient to fund the obligations arising from insurance policies and investment contracts as they fall due. The most important components of this financial risk are market risk (including interest rate risk, price risk and currency risk), credit risk and liquidity risk.

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls as set out in the Risk Management Framework. This ensures that all risks are identified, recorded, assessed and taken into account when determining the Syndicate's Solvency Capital Requirement ("SCR") using the Internal Model. The control environment operating around these key risks is regularly reviewed to ensure that controls are operating effectively.

All key policies are approved by the Board of the managing agent and the framework is subject to ongoing review by management, Risk Management and Internal Audit as part of the ORSA process. An ORSA report is presented to the Board on at least a quarterly basis. The ORSA report sets out the risk profile and key risk indicators of the Syndicate, together with the resulting impact on the SCR, and confirmation that sufficient own and ancillary funds are in place.

The following table reconciles the balance sheet to the categories used in the asset / liability management framework.

	Syndicate	Funds in Syndicate	Total
	£'000	**£'000**	**£'000**
2023			
Other financial investments	503,384	336,748	840,132
Deposits with ceding undertakings	4,519	-	4,519
Reinsurers' share of technical provisions			
Provision for unearned premiums	31,966	-	31,966
Claims outstanding	211,749	-	211,749
Debtors arising out of direct insurance operations	103,538	-	103,538
Debtors arising out of reinsurance operations	4,069	-	4,069
Other debtors	2,859	-	2,859
Cash at bank and in hand	13,079	237	13,316
Overseas deposits	74,541	-	74,541
Accrued interest and rent	3,966	725	4,691
Deferred acquisition costs	37,164	-	37,164
Other prepayments and accrued income	4,098	-	4,098
Total assets	**994,932**	**337,710**	**1,332,642**
Provision for unearned premiums	118,127	-	118,127
Claims outstanding	779,179	-	779,179
Creditors arising out of direct insurance operations	4,508	-	4,508
Creditors arising out of reinsurance operations	18,236	-	18,236
Other creditors including taxation and social security	11,579	75	11,654
Accruals and deferred income	6,473	-	6,473
Liabilities	**938,102**	**75**	**938,177**
Member's Balances	56,830	337,635	394,465
Total Liabilities	**994,932**	**337,710**	**1,332,642**

17) FINANCIAL RISK MANAGEMENT *(CONTINUED)*

	Syndicate £'000	Funds in Syndicate £'000	Total £'000
2022			
Other financial investments	445,447	289,703	735,150
Deposits with ceding undertakings	3,055	-	3,055
Reinsurers' share of technical provisions			
Provision for unearned premiums	30,934	-	30,934
Claims outstanding	243,213	-	243,213
Debtors arising out of direct insurance operations	110,171	-	110,171
Debtors arising out of reinsurance operations	8,104	-	8,104
Other debtors	1,881	-	1,881
Cash at bank and in hand	25,226	832	26,058
Overseas deposits	69,052	-	69,052
Accrued interest and rent	1,821	282	2,103
Deferred acquisition costs	39,928	-	39,928
Other prepayments and accrued income	6,308	-	6,308
Total assets	985,140	290,817	1,275,957
Provision for unearned premiums	131,309	-	131,309
Claims outstanding	785,375	-	785,375
Creditors arising out of direct insurance operations	700	-	700
Creditors arising out of reinsurance operations	30,042	-	30,042
Other creditors including taxation and social security	15,404	5,227	20,631
Accruals and deferred income	6,062	-	6,062
Liabilities	968,892	5,227	974,119
Member's Balances	16,248	285,590	301,838
Total Liabilities	985,140	290,817	1,275,957

Market risks

Interest rate risk

Interest rate risk arises primarily from holding 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 by modelling the impact of changes in interest rates (+/-50 bps, +/-100 bps) on the values of the fixed interest securities and liabilities. The Investment Committee monitors the sensitivity of the investment portfolio to movements in current interest rates. Holding a proportion of the investment portfolio in cash and cash equivalents also helps to mitigate interest rate risk.

The impact of a change in interest rates of ± 0.5% on profit and net assets for interest bearing securities held at the reporting date is shown in the following table:

		2023 £'000	2022 £'000
Investments - Debt securities and other fixed income securities	**+0.5%**	**(5,391)**	(2,329)
	-0.5%	**5,594**	2,397

NOTES TO THE ACCOUNTS
(CONTINUED)

17) FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Price risk
Price risk is the risk that changes in equity market prices will impact upon the fair value of financial instruments held by the Syndicate, whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded on the market.

The impact of a change in equity values of ± 5% on profit and net assets for investments held at the reporting date is shown in the following table:

		2023	2022
		£'000	£'000
Investments – equity and related investments	+5%	17,091	13,886
	-5%	(17,091)	(13,886)

Currency risk
Currency risk is the risk of loss arising from adverse exchange rate movements in unhedged foreign exchange exposures. The Syndicate writes business internationally, and so is exposed to foreign exchange risk from various activities conducted in the normal course of business. The Syndicate monitors currency exposure, and through the Investment Committee, mitigates this risk by appropriately matching significant foreign currency denominated liabilities with assets denominated in the same currency, the purchase or sale of the relevant currencies, and forward exchange contracts. The table below sets out the significant currency exposures of the Syndicate.

2023	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
Other financial investments	384,511	214,935	110,196	69,379	24,199	36,912	840,132
Overseas deposits	-	3,178	-	17,771	45,887	7,705	74,541
Reinsurers' share of technical provisions	26,816	129,998	28,181	26,720	32,000	-	243,715
(Re)insurance receivables	20,095	43,774	16,697	9,234	14,034	3,773	107,607
Cash	2,139	4,425	2,658	1,270	1,636	1,188	13,316
Other assets	16,648	14,257	11,723	7,987	2,502	214	53,331
Total assets	450,209	410,567	169,455	132,361	120,258	49,792	1,332,642
Technical provisions	(131,387)	(362,697)	(168,302)	(109,020)	(110,426)	(15,474)	(897,306)
(Re)insurance payables	(2,627)	(8,573)	2,521	(5,890)	(4,137)	(4,038)	(22,744)
Other creditors	(10,691)	(3,341)	(264)	(348)	(1,179)	(2,304)	(18,127)
Total liabilities	(144,705)	(374,611)	(166,045)	(115,258)	(115,742)	(21,816)	(938,177)
Net assets	305,504	35,956	3,410	17,103	4,516	27,976	394,465

NOTES TO THE ACCOUNTS
(CONTINUED)

17) FINANCIAL RISK MANAGEMENT *(CONTINUED)*

2022	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	Other £'000	Total £'000
Other financial investments	314,880	186,375	123,667	60,918	21,107	28,203	735,150
Overseas deposits	-	2,670	-	14,821	44,548	7,013	69,052
Reinsurers' share of technical provisions	26,460	147,000	32,184	31,538	36,965	-	274,147
(Re)insurance receivables	17,131	60,349	12,301	7,225	18,143	3,126	118,275
Cash	2,314	12,755	2,906	1,941	2,447	3,695	26,058
Other assets	15,696	15,905	12,668	6,614	2,105	287	53,275
Total assets	376,481	425,054	183,726	123,057	125,315	42,324	1,275,957
Technical provisions	(117,534)	(386,145)	(168,777)	(111,468)	(116,871)	(15,889)	(916,684)
(Re)insurance payables	1,712	(15,802)	478	(7,243)	(5,676)	(4,211)	(30,742)
Other creditors	(19,943)	(4,221)	(271)	(161)	(954)	(1,143)	(26,693)
Total liabilities	(135,765)	(406,168)	(168,570)	(118,872)	(123,501)	(21,243)	(974,119)
Net assets	240,716	18,886	15,156	4,185	1,814	21,081	301,838

Credit risk

Credit risk is the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion. 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 and intermediaries; and
- amounts due from investment counterparties.

The Syndicate places limits on its exposure to a single counterparty or group of counterparties. Reinsurance is used to manage underwriting and reserving 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 annual basis by reviewing their financial strength prior to finalisation of any contract. In addition, the recent payment history of reinsurers is used to update the reinsurance purchasing strategy.

17) FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Credit risk *(continued)*

i) Premiums receivable and reinsurers share of claims outstanding

The maximum exposure to credit risk at the end of the reporting year is the carrying amount of receivables on the balance sheet.

An ageing analysis for certain receivables is provided below. Other receivable balances have not been shown below as they either have no overdue amounts or represent an insignificant portion of overdue amounts.

2023	**Neither due nor impaired**	**Up to three months**	**Three to six months**	**Six months to one year**	**Greater than one year**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Insurance debtors	**95,490**	**3,413**	**2,048**	**954**	**1,633**	**103,538**
Reinsurance debtors	**4,027**	**-**	**-**	**-**	**42**	**4,069**
Total	**99,517**	**3,413**	**2,048**	**954**	**1,675**	**107,607**

2022	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Insurance debtors	103,726	2,088	1,371	1,193	1,793	110,171
Reinsurance debtors	7,998	-	-	-	106	8,104
Total	111,724	2,088	1,371	1,193	1,899	118,275

17) FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Credit risk *(continued)*

ii) Credit rating of financial assets
The following tables provide information regarding assets bearing credit risk that are neither overdue nor impaired, based on Standard and Poor's counterparty credit ratings. These ratings for assets in respect of reinsurers' share of claims outstanding relate to balances accumulated over a number of years and so will not necessarily align with the rating allocations for current reinsurance programs. The credit risk relating to investments is monitored and assessed within an agreed risk appetite. The maximum exposure to credit risk loss at the end of the reporting year is the carrying amount of the investments on the balance sheet as they are measured at fair value.

Financial assets by credit rating	**2023 £'000**	2022 £'000
AAA	**391,762**	387,868
AA	**138,855**	127,570
A	**218,954**	251,536
BBB	**45,469**	30,610
BBB or less	**3,880**	2,627
Not rated	**349,364**	284,315
	1,148,284	1,084,526

Financial assets	**2023 £'000**	2022 £'000
Shares and other variable yield securities and unit trusts	**323,776**	264,145
Debt securities	**497,702**	460,730
Overseas deposits as investments	**74,541**	69,052
Derivative asset	**2,772**	5,275
Other investments	**15,882**	5,000
Deposits with ceding undertakings	**4,519**	3,055
Reinsurers' share of claims outstanding	**211,749**	243,213
Reinsurance debtors	**4,027**	7,998
Cash at bank and in hand	**13,316**	26,058
	1,148,284	1,084,526

17) FINANCIAL RISK MANAGEMENT *(CONTINUED)*

Liquidity risk
Liquidity risk is the risk that sufficient financial resources are not maintained to meet liabilities as they fall due. The Investment Committee, a sub-committee of the Board, approves annually agreed limits on the minimum proportion of funds available to meet such calls, based on experience of claims settlement history and contemporaneous information. Management regularly review available funds to mitigate any cash flow risk.

A maturity analysis of the estimated gross claims outstanding liability based on the remaining term to payment at the reporting date, and the investments that have a fixed term is provided below.

	Gross outstanding claims liability		Investments	
	2023	2022	**2023**	2022
Maturity analysis	**£'000**	£'000	**£'000**	£'000
No stated maturity	**-**	-	**337,739**	266,924
Within 1 year or less	**97,837**	93,489	**76,025**	301,698
Within 1 to 2 years	**104,204**	101,565	**105,594**	54,594
Within 2 to 3 years	**94,724**	95,515	**120,674**	75,821
Within 3 to 4 years	**83,148**	84,989	**13,074**	35,366
Within 4 to 5 years	**70,963**	73,946	**39,897**	747
Over 5 years	**328,303**	335,871	**147,129**	-
	779,179	785,375	**840,132**	735,150

A maturity analysis of the financial liabilities based on the remaining term to payment at the reporting date is provided below.

	2023		2022	
	No stated maturity	**Within 1 year**	No stated maturity	Within 1 year
Maturity analysis - Creditors	**£'000**	**£'000**	£'000	£'000
Trade and other payables	**22,136**	**10,390**	33,514	12,198
Derivative financial instruments - liabilities	**-**	**1,872**	-	5,661
	22,136	**12,262**	33,514	17,859

18) INSURANCE RISK MANAGEMENT

Insurance risk
Insurance risk is defined as the risk of loss arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. Insurance risk is sub-divided into underwriting, reinsurance and reserving risks:

Underwriting risk
Underwriting risk arises from fluctuations in the frequency and severity of financial losses incurred as a result of acceptance of insurance policies. The Syndicate manages underwriting risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business and through the purchase of reinsurance. Performance is monitored against the business plan on a regular basis. The Syndicate uses modelling software to model maximum probable losses from its exposure to catastrophes and large losses as part of its Realistic Disaster Scenario process.

NOTES TO THE ACCOUNTS
(CONTINUED)

18) INSURANCE RISK MANAGEMENT *(CONTINUED)*

A proportion of the Syndicate's business is written through delegated authorities. A delegated authority management group monitors coverholder performance, carries out due diligence on new and existing coverholders and manages regulatory requirements. The Syndicate has identified the areas of potential concentration of insurance exposure and monitors this and purchases reinsurance to protect against its gross effect.

Reinsurance risk
Reinsurance risk arises from the reinsurance purchased to protect the gross loss not responding as intended due to a mismatch with gross losses, poorly worded contracts, reinsurer counterparty risk or exhaustion of reinsurance limits. The primary purpose for our purchase of reinsurance cover is to reduce volatility associated with severe losses and systemic losses.

Reinsurance arrangements include excess of loss cover, and it is used to protect capital against underwriting risk volatility. Reinsurance creditworthiness is overseen by the reinsurance management group in placing cover.

Reserving risk
Reserving risk arises from claims reserves held on the balance sheet being understated or overstated. Reserves may be under or overstated due to the inherent uncertainty of knowing the ultimate timing and quantum of liabilities incurred.

Claims provisions represent estimates, based on the internal reserving actuary's statistical projections. The Syndicate estimates the ultimate settlement and administration costs of the claims incurred. Claims estimates are subject to independent review by the external actuary on an annual basis. The external actuary signs an annual Statement of Actuarial Opinion on the sufficiency of the Syndicate's reserves.

Assumptions
In order to determine the ultimate cost of claims, the Syndicate uses statistical projections on the claims to be included within each reserving class and for each underwriting year. The projections use a number of methods, with chain-ladder and Bornhuetter-Ferguson being the most extensively used on both gross and ceded information.

The basic chain-ladder method uses cumulative data to derive a set of development factors based on historical information, and are most appropriate for those classes and years of account that have reached a relatively stable development pattern.

The Bornhuetter-Ferguson method is a standard actuarial method used to project a set of underwriting year claims ultimates, and is usually used for more recent underwriting years where there is little claims development. The Bornhuetter-Ferguson method weights two independent estimates of the ultimates, the estimate calculated from the basic chain-ladder method and another independent estimate of the claims ultimate.

The Syndicate also performed detailed analysis using cashflow modelling to estimate the impact of the heightened inflationary environment by Year of Account.

Throughout 2023 we have built upon our inflation analysis, which supports the explicit uplift that we have included within our net best estimate reserves to reflect the current heightened economic inflationary environment and broader uncertainty in the UK and worldwide economy.

At 2022 year end, we assumed that inflation would be 8% in 2023 and 2024 before returning to 3%. Over 2023 calendar year, inflation rates have fallen globally, as such we feel our original assumptions remain appropriate.

There has been no change in the methodologies used in determining the ultimate cost of claims in the year.

18) INSURANCE RISK MANAGEMENT *(CONTINUED)*

Development

The following table shows the development of gross and net undiscounted ultimate claims for the ten most recent underwriting years of account. All information presented in the table is reported at the current year-end rates of exchange.

Conditions and trends that have affected the development of the liabilities in the past may not occur in the future. Accordingly, conclusions about future results may not necessarily be derived from the information presented in the table below.

Gross of reinsurance

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At end of reporting year	29,908	28,353	26,757	39,624	45,279	43,126	53,058	60,620	62,397	62,904	
1 year later	78,294	72,441	64,195	86,772	115,578	106,587	130,681	145,326	148,037		
2 years later	78,095	68,235	67,107	110,529	141,945	114,706	130,152	152,178			
3 years later	84,947	70,723	76,765	105,731	140,995	123,006	118,064				
4 years later	71,322	77,611	89,483	103,073	149,076	117,370					
5 years later	77,973	70,327	85,780	109,483	137,337						
6 years later	76,362	64,930	88,875	98,720							
7 years later	72,961	68,585	89,203								
8 years later	75,345	66,857									
9 years later	70,625										
Cumulative payments	48,980	41,368	52,672	51,128	71,305	32,683	22,525	19,419	12,942	3,722	356,744
Estimated balance to pay	21,645	25,489	36,531	47,592	66,032	84,687	95,539	132,759	135,095	59,182	704,551
2013 & prior											74,628
Total gross provision included in the balance sheet											779,179

Net of reinsurance

	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At end of reporting year	21,507	20,481	19,796	29,516	30,476	32,756	39,992	48,834	50,245	49,505	
1 year later	57,875	52,760	48,535	66,710	76,190	78,744	96,575	116,941	117,490		
2 years later	57,868	52,502	52,783	73,325	87,591	88,385	103,378	119,325			
3 years later	61,358	56,033	51,195	68,434	94,524	91,695	97,982				
4 years later	50,691	58,241	49,098	64,624	93,972	88,523					
5 years later	55,048	54,793	47,972	64,069	95,042						
6 years later	55,011	53,092	53,207	66,134							
7 years later	54,191	54,034	53,670								
8 years later	57,561	54,411									
9 years later	54,781										
Cumulative payments	36,644	35,790	36,800	37,785	53,886	31,304	21,974	19,400	12,933	3,722	290,238
Estimated balance to pay	18,137	18,621	16,870	28,349	41,156	57,219	76,008	99,925	104,557	45,783	506,625
2013 & prior											60,805
Total net provision included in the balance sheet											567,430

18) INSURANCE RISK MANAGEMENT *(CONTINUED)*

Sensitivity
The following table presents the sensitivity of the value of net insurance liabilities disclosed in this note to movements in the assumptions used in the estimation of insurance liabilities. The sensitivity impact on the result for the year and net assets is determined by applying the factors listed below separately to net claims reserves excluding future claims handling costs, and future claims handling costs.

Impact on the result of the year and net assets £'000		Change in net claims reserves +1%	Change in net claims reserves -1%	Change in claims handling expenses +10%	Change in claims handling expenses -10%
	2023	**(5,529)**	**5,529**	**(1,449)**	**1,449**
	2022	(5,277)	5,277	(1,449)	1,449

19) RELATED PARTIES

Newline Underwriting Management Limited ("NUML"), a company incorporated in England, is the managing agent for Syndicate 1218. Newline Corporate Name Limited ("NCNL"), a company incorporated in England, is the sole member of Syndicate 1218. NUML and NCNL are wholly owned subsidiaries of Newline Holdings UK Limited ("NHUKL"), a wholly owned subsidiary of Odyssey Reinsurance Company ("ORC"), part of the Odyssey Group. The ultimate parent is Fairfax Financial Holdings Limited ("Fairfax"), a company incorporated in Canada, where the results of the Syndicate are consolidated. Group accounts for Fairfax are available from the company secretary of NUML, 1 Fen Court, London, EC3M 5BN.

During the calendar year 2023, NUML recharged expenses amounting to £9.7m (2022: £21.0m) to the Syndicate.

From 16 March 2023, Newline Group Services Limited ("NGSL"), a company incorporated in England, became the principal employer for United Kingdom based employees within the Newline Holdings UK Limited Group, and has recharged £11.2m (2022: £nil) to the Syndicate.

Newline Underwriting Limited, Newline Asia Services PTE Limited, Newline Australia Insurance Pty Limited, Newline Malaysia Limited and Newline Canada Insurance Limited are wholly owned subsidiaries of NHUKL and operate as insurance agents for the Syndicate. Newline Underwriting Limited specialises in smaller value employers' and public liability and professional indemnity risks, Newline Asia Services PTE Limited and Newline Malaysia Limited specialise in casualty insurance business in Singapore and other Asian territories, Newline Australia Insurance Pty Limited specialises in casualty insurance business in Australia, and Newline Canada Insurance Limited specialises in casualty insurance business in Canada. No commission, charges or fees are received by NHUKL from the activities of these service companies.

Hamblin Watsa Investment Counsel Ltd. ("HWIC"), a Fairfax subsidiary, provides investment management services to the Syndicate. Fees are charged to NUML and recharged to the Syndicate. During 2023, investment management charges totalled £1.6m (2022: £2.1m).

The Syndicate holds reinsurance contracts with Allied World Assurance Company, Limited ("AWAC") a subsidiary of Fairfax. Reinsurance premiums of £3.9m (2022: £4.0m) have been ceded to AWAC in respect of the Syndicates core excess of loss program. At the year end, £nil (2022: £nil) was due on recoveries.

19) RELATED PARTIES *(CONTINUED)*

During 2023, the London and Paris branches of ORC have placed inwards treaty business with the Syndicate. The Syndicate has also placed outwards business with ORC through quota share agreements in respect of this inwards business written. In 2023, ORC London and Paris branches placed £0.6m (2022: £0.6m) of gross written premiums with Syndicate 1218, on an arm's length basis. Reinsurance premiums of £4.3m (2022: £2.5m) have been ceded to ORC in the year. At the end of the year, £nil was due from ORC (2022: £0.1m).

Brit Limited ("Brit") which provides 100% of the capacity for Lloyd's Syndicate 2987 is a subsidiary of Fairfax. Reinsurance premiums of £nil (2022: £39,000 return premiums) have been paid to Brit in the year. At the year end, £nil (2022: £707,000) was due on recoveries from Syndicates 2987.

20) CAPITAL

Capital framework at Lloyd's
The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with the Solvency II Directive.

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 1218 is not disclosed in these annual report and accounts.

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

Provision of capital by members
Each member may provide capital to meet its ECA through assets held in trust by Lloyd's specifically for that member (funds at Lloyd's "FaL"), assets held within and managed within a syndicate (funds in syndicate "FIS") or as member's balances.

NOTES TO THE ACCOUNTS
(CONTINUED)

20) CAPITAL *(CONTINUED)*

Capital Management
The Board of NUML has in place policies and procedures for managing compliance with regulatory capital requirements and its own capital management objective. This objective is to balance risk and return while maintaining economic and regulatory capital in accordance with risk appetite. The Board of NUML has no appetite for the Syndicate failing to maintain sufficient capital. To this end, NUML recalculates its ECA routinely at different points during the annual business cycle, and may also recalculate the ECA on an ad-hoc basis if the risk management framework identifies significant changes to the risk profile, or as required by the NUML Board. In order to ensure that regulatory capital is maintained above the ECA, a minimum level of free assets above the ECA is set and reviewed by the NUML Board periodically.

The Syndicate manages its capital in accordance with its Capital Management Policy, and has embedded in its asset liability management framework the necessary tests to ensure continuous and full compliance of its capital requirements.

Funds at Lloyd's
Capital has been provided in the form of first party Funds at Lloyd's by NCNL, and third party Funds at Lloyd's by Odyssey Reinsurance Company. As at 31st December 2023, the fair value of the third party funds at Lloyd's was £27.7m (2022: £28.5m).

Member's balance and distribution
The member's balance represents the retained profit or loss relating to all underwriting years of account net of any profit distribution or cash calls received in respect of losses.

The corporate member of the Syndicate has taken advantage of the ability of fully aligned syndicates to place first party FaL into syndicate trust fund assets as FIS. As at 31 December 2023, £337.6m (2022: £285.6m) has been deposited as FIS and is reported on the balance sheet within financial investments, cash at bank and in hand and accrued income. For regulatory reporting, these assets are maintained within a separate portfolio.