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Inigo Syndicate 1301

Annual Report and Financial Statements

For the year ended 31 December 2022

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Directors and administration

Managing agent

Inigo Managing Agent Limited

Directors

The directors named below held office during the year and up to the date of signing the annual accounts.

H Davies (Non-Executive, Chairman)

A Bowe (Non-Executive – Appointed 8 August 2022)

S Bridges

S Cifelli (Non-Executive)

J Dean (Non-Executive)

T Hanford (Non-Executive)

V Hartley

R Merrett

R Watson

Managing agent's secretary

C Traxler (Resigned 11 January 2023)

R Effs (Appointed 11 January 2023)

Directors and administration (continued)

Managing agent’s registered office

7th Floor, One Creechurch Place

London, EC3A 5AY

United Kingdom

Managing agent’s registered number

08039754

Syndicate active underwriter

R Merrett

Syndicate bankers

Citibank, Barclays, Royal Bank of Canada

Syndicate investment managers

BlackRock Investment Management (UK) Ltd, Payden & Rygel Global Limited

Syndicate registered auditor

KPMG LLP

Syndicate consulting actuary

Lane Clark & Peacock LLP

Directors' interests

None of the directors of the managing agent have any participation in the Syndicate's premium income capacity.

Inigo 2021 and 2022 years of account CEO's statement

Our Strategy

The market opportunity is stronger now, than when we started the business in 2021.

We have fresh capital, no legacy business and a strong position in the areas showing greatest return. The Company's positioning as a leader and expert in its chosen areas makes 2023 an exciting prospect.

We set the business up to focus on a limited number of areas where we saw the greatest returns and to go deep into them, with teams who were seen as leaders in their field. We chose to back those underwriters with our own data scientists, seismologists, meteorologists and climate change experts and together with IT has allowed for huge amounts of data to be captured and be available for analysis. This is a capability we continue to invest in.

We also chose to have one office, and one capital base; it eases communication, ensures greater consistency and is very cost efficient. We chose sectors where the average premiums were high and the policy counts low, enabling individual risk underwriting to be at the core of what we do.

2022 saw us add some additional lines in Financial Institutions and Aviation War; all areas that share these dynamics.

Our strategy in 2023 remains the same. With the exception of Cyber insurance, we do not anticipate any additional lines being added, as we will focus all of our attention in our chosen sectors, building our position as a respected leader in the market.

What we achieved in 2022

This year we have achieved a number of key milestones:

1. **We have grown our GWP to $801.5m**. *A growth of 95% from $411.5m in 2021. This is ahead of the original plan given to investors and Lloyd's. We are delighted for the strong support from both parties.*

2. **Delivered a profit of $28.8m and a Combined Ratio of 94.0% for the 2021 and 2022 years of account**.

3. **Issued two Catastrophe Bonds (Montoya 1 and 2, combined value of $225m).** *The aggregate catastrophe cover alleviates some of the need for retrocessional purchases, at a time when that market is especially tough.*

4. **Put in place new Policy and Claims Administration Systems, General Ledger, and reporting platforms,** *all supported by modern, cloud-based infrastructure.*

5. **Built our new Internal Capital Model.** *This will allow us to replace use of the Lloyd's Standard Model once approved by Lloyd's, allowing an ever more granular analysis and optimisation of the portfolio.*

6. **Rolled out our ESG strategy.** *In-line with the Lloyd's benchmark. We joined ClimateWise and submitted our first report.*

7. **Continued to build our team of peril experts and data scientists.** *2022 saw us recruit 5 more data scientists into our Insights Team and bring climate change and seismology experts in-house.*

Inigo 2021 and 2022 years of account CEO's statement (continued)

8. **Delivered our first original research projects to the underwriting teams, and our customers,** *allowing them to better understand the risks they are underwriting. We also commissioned the first plaintiff attorney survey, forming the basis of a series of D&O broker and customer events.*

9. **Launched our Risk Ambassador partnership.** *We continue to build our brand. We have updated our website to include the theme of risk, and the science behind it. We have launched a Risk Ambassador partnership with Johanna Norblad and Tim Howell.*

10. **The Launch of Ignite.** *Our in-house built underwriting system that leverages internal and external data sources to allow a more informed, and consistent underwriting decision.*

All of these achievements will support our growth in 2023 and the strategy of being a leader in our chosen markets.

We firmly believe the Leadership model, working with brokers and their customers, to enhance the understanding of risk and to more accurately price risk, will always be in high demand. We also believe it offers greater franchise value versus a strategy of being a following, or facility market, where underwriting is delegated.

Claims activity in 2022

The year presented its fair share of challenges; the ongoing geopolitical situation in Ukraine and Russia, the devastation of Hurricane Ian, and rapidly rising inflation. There were also significant floods in Australia and South Africa.

The largest event, Hurricane Ian, hit the Florida Gulf Coast as a powerful Category 4 hurricane with sustained winds of 150mph, making it one of the strongest hurricanes to strike the US, and will likely be the third most costly on record ($50-60bn insured loss). Even before the hurricane made landfall our exposure management team set to work predicting the path of the storm and were in a position to formulate a potential list of exposures and loss estimates. This enabled us to be proactive and reach out to our Brokers and Clients to offer our support to help them respond to their significant challenges. This demonstrates the importance we attach to our expert claims proposition.

By contrast our non-catastrophe claims were lower than we had expected.

Inigo 2021 and 2022 years of account CEO's statement (continued)

Our people

We have continued to build out our teams to support our growth ambition. In Catastrophe research, climate change and in data science alone, we have recruited another 5 people in 2022.

Our focus has been on attracting very talented people, but also people who are a good cultural fit.

We like people who are curious and have a restless energy to learn and develop. We have created InigoU as our centre for training and development. We are building an education program for our employees, and external guests to access.

This year's Lloyd's culture survey was a pleasure to read, and showed us in an excellent light. It also showed that with effort, a progressive, inclusive and diverse culture is possible in the London market. I would like to thank everyone for their help in building the business so effectively. I have never worked in a more cohesive and supportive team.

ESG

One of Inigo's four values is to "share the passion". Collaboration is at the core of how we run our business. Our approach to ESG and climate risk is no different. The ESG Working Group is headed by the Chief Operating Officer and has representatives from Risk, Investments, Underwriting, Claims, Strategy, Exposure Management, Catastrophe Research and Finance. We have fantastic levels of engagement on all ESG related topics across Inigo.

2023 and beyond

We anticipate underwriting in excess of $1bn of GWP in 2023. We will likely see further opportunities to grow in 2024, although the rate of growth will slow.

Our goals are as follows:

1. To drive further research into risk and actionable data insights.
2. To develop our staff.
3. To engage more closely with our customers.
4. To build third party capital support behind our leadership positions.

I am confident we have the team to be able to do all of the above.

We will also complete the transfer of 2020 and prior years of account through reinsurance to close to Syndicate 2008 during the first half 2023.

R Watson

Inigo Chief Executive Officer

Report of the directors of the managing agent

The directors of Inigo Managing Agent Limited ("IMAL"), the managing agent for Syndicate 1301 ("the Syndicate"), present their report for the year ended 31 December 2022.

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

Inigo Limited ("Inigo") completed the acquisition of StarStone Underwriting Limited ("SUL"), the Lloyd's managing agency, and Syndicate 1301's capacity for the 2021 year of account and subsequent years, on 15 March 2021 from Enstar Group Limited ("Enstar"). Following the completion, SUL was renamed Inigo Managing Agent Limited ("IMAL").

The Syndicate commenced writing a new portfolio of insurance and reinsurance risks for the 2021 year of account under new management through Inigo Corporate Member Limited ("ICML").

Enstar have retained the liabilities of Syndicate 1301's 2020 and prior years of account through SGL No. 1 Limited ("SGL 1"), a corporate member in the Enstar Group. These years of account will be transferred through reinsurance to close to Syndicate 2008 from 1 January 2023. Enstar Managing Agency Limited ("EMAL") was approved in 2021 as Enstar's dedicated Lloyd's run-off managing agency. The management of the 2020 and each prior year of account for Syndicate 1301 were novated or otherwise transferred to EMAL on 1 June 2021.

The Syndicate is fully aligned by year of account. For the 2023 year of account, a third party will provide additional capital to the Syndicate.

The Syndicate financial statements for the period ended 31 December 2022 reports the 2022 year of account, the 2021 year of account, and the 2020 and prior years of account combined.

Principal activities

The Syndicate's principal activity remains the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's of London.

The Syndicate trades through the Lloyd's worldwide licenses and rating platform. It also benefits from the Lloyd's brand. Lloyd's has an A (Excellent) rating from A.M. Best, A+ (Strong) rating from Standard & Poor's and AA- (Very Strong) rating from Fitch.

Report of the directors of the managing agent (continued)

Results and performance and key performance indicators

The 2022 and 2021 years of account were written by Inigo management.

The 2020 and prior years of account were written by the previous StarStone management team. On 10 June 2020, the 2020 and prior years of account were placed into run-off.

The 2021, 2022 and subsequent years of account have no liability to the 2020 year of account and each prior year of account.

The result for the year, which includes all years of account combined, was a profit of $33.3m (2021: $31.7m loss). The combined ratio improved to 92.1% (2021: 114.1%).

The Syndicate's key financial performance indicators during the year were as follows:

	2022	2021
	$'m	$'m
Gross written premiums	801.3	428.0
Gross premiums earned	687.0	317.3
Net premiums earned	517.5	239.8
Profit/(Loss) for the financial year	**33.3**	**(31.7)**
Claims ratio	59.8%	73.8%
Commission ratio	20.3%	21.8%
Expense ratio	12.0%	18.5%
Combined ratio	**92.1%**	**114.1%**

Gross written premium was $801.3m (2021: $428.0m). $801.5m relates to the 2022 and 2021 years of account. Additional income was also written on behalf of the Inigo Directors and Officers and the Inigo Property consortia.

A prudent approach to risk retention resulted in significant use of reinsurance protection. As many contracts purchased cover both 2022 and 2023 years of account, this resulted in a significant level of ceded premium, which in turn led to lower levels of net written premium.

Gross written premium, other than property catastrophe excess of loss reinsurance which is earned based on exposure, and outwards reinsurance have been earned on a straight-line basis so do not reflect any seasonality of the business lines.

The net claims ratio decreased by 14.0% to 59.8% (2021: 73.8%) despite the abundance of devastating natural disasters experienced in 2022. Our premium growth in non-cat classes and a prudent approach to risk retention has allowed us to absorb catastrophe claims better than in 2021. The favourable development from prior year and lower than expected non-catastrophe claims also had a positive impact on the net loss ratio. The net loss ratio for 2021 was impacted by Hurricane Ida and other catastrophe events.

INIGO

Report of the directors of the managing agent (continued)

Results and performance and key performance indicators (continued)

The Syndicate's expense ratio also decreased to 12.0% (2021: 18.5%) primarily driven by the significant increase in premium volume during the year. The commission ratio modestly decreased to 20.3% (2021: 21.8%).

The non-technical account includes a foreign exchange loss of $2.0m arising from the translation of foreign currency net positions at closing rates of exchange and other income of $4.0m relating to consortia fees.

The Syndicate reported an investment return loss of $5.1m (2021: $0.4m loss) for the financial year. This comprises realised losses of $3.0m (2021: realised losses of $0.9m), unrealised losses of $6.9m (2021: unrealised losses of $0.6m) and investment income $5.0m (2021: $1.1m). The Syndicate reported unrealised losses on investments, which is mainly from the fixed income portfolio, primarily comprised of corporate and government bonds.

Business review

Inigo 2021 and 2022 years of account

The gross written premium for the 2021 and 2022 years of account is as follows:

	2022	2021
	$'000	$'000
Property total	214,597	80,537
Casualty total	224,979	150,360
Reinsurance total	361,944	180,610
Total Gross Written Premium	**801,520**	**411,507**

Following the acquisition of the managing agent and Syndicate 1301's capacity for the 2021 and 2022 years of account and subsequent years, Inigo relaunched the Syndicate with a new portfolio of insurance and reinsurance business for the 2021 and 2022 years of account, focusing on core lines in Reinsurance, Property and Casualty classes.

The underwriting teams have extensive experience in their specialist areas and are supported by sophisticated analytics, exposure management, catastrophe research and dedicated pricing and wording teams.

We are delighted with the experienced underwriting teams which we now have in place in all of our chosen lines of business. We sincerely believe that finding and using the highest resolution data in our pricing and risk selection is critical both to our profitability and to our ability to differentiate Inigo. This began with making sure that our Exposure Management and Pricing functions had outstanding leadership, and that they and their teams were equipped with the best tools available in the market. During 2021 we also created our Inigo INsight area, in which a team of highly versatile data scientists is building the foundations for ever-greater understanding of the risks that we write, whether these are cat-exposed property risks or casualty

Report of the directors of the managing agent (continued)

Business review (continued)

exposures. We are excited about building a truly distinctive pricing and portfolio-management platform.

Property

For 2022, the Property portfolio comprised three units: Property Direct and Facultative ("D&F"), Political Risks and Onshore Energy.

Property Direct and Facultative

The team of seven underwrite risks across a broad spectrum of industries including Commercial Real Estate, Global Manufacturing, Hospitality, and Municipal/Institutional. The D&F book focusses on risks domiciled in the US, Canada, UK, EU, Australasia and Japan, writing both primary and excess layers of large complex commercial risks.

The team wrote approx. $140m in the 2022 calendar year (2021:$74.4m). Additionally, they lead the Inigo D&F consortium, whereby others place their capacity behind ours, which bound approx. $11.43m of Gross Written Premium (2021: $2.1m).

Political Risks

The team of four underwriters offers a broad suite of coverages in Political Risks which includes: Sabotage and Terrorism, Political Violence and Civil Unrest, Aviation and Marine War, and other related coverages in the class. The Political Risks portfolio principally focusses on risks domiciled in the US and UK, with additional exposures in key countries in each continent, writing both primary and excess layers across a wide array of commercial occupancies.

The team wrote approx. $65m in the 2022 calendar year (2021: $6.1m).

Onshore Energy

Inigo commenced writing this new line of business in 2022, and wrote approx. $9m in the 2022 calendar year.

The team is comprised of one underwriter, and focuses primarily on downstream, midstream, power generation and renewables risks. The book focuses principally on risks from the US, Canada, Europe, Australasia and Japan.

Report of the directors of the managing agent (continued)

Business review (continued)

Casualty

The Casualty segment offers a range of Casualty products including Directors and Officers, General Liability, Marine and Energy, and Financial Institutions.

Directors & Officers (D&O)

The team of four underwriters focusses predominantly on primary and low excess positions in publicly listed businesses in the US and Australia. There is a broad appetite by industry and can include companies at an early stage of maturity as they go public. The majority of the businesses insured are listed on stock exchanges in the US and Australia but other jurisdictions, such as the UK, Europe and Latin America, are also covered.

The team wrote approx. $107m ($100.2m) in the 2022 calendar year. Additionally they lead the Inigo D&O consortium, whereby others automatically commit their capacity alongside ours which in a successful second year bound approx. $21.6m of Gross Written Premium (2021: $17.9m). The early view of claims performance is that it continues to track favourably.

General Liability

The team of four underwriters focuses on five core industries: Rail, Owners-landlords-tenants, Construction, Manufacturing and Natural Resources. It also considers exposure to Municipalities, Trucking and Chemical companies. Most of the businesses insured are Fortune 1000 companies in the US and consists predominantly of higher excess layers.

The team wrote approx. $75m in the 2022 calendar year (2021: $37.7m).

Marine & Energy Liability

The team of three underwriters focusses on three main sub-segments: Marine Liability, Energy Liability and Ports.

The team write a broad spectrum of Marine Liability business across all sectors of the maritime industry - ports and terminals, shipbuilders, ship repairers, marina operators, shipowners, ship operators and ship charterers. Energy Liabilities primarily focuses on Drilling & Service Contractors, Exploration & Production Companies, Offshore Construction and Onshore Upstream, mid stream and downstream Operations.

The team wrote approx. $39m in the 2022 calendar year (2021: $12.4m).

Report of the directors of the managing agent (continued)

Business review (continued)

Financial Institutions

The team consists of three underwriters, who write a portfolio of Crime, Professional Indemnity and Directors & Officers for a broad range of Financial Institutions. The domicile of this business is predominantly US, Canada, Australia, UK and Europe. Inigo commenced writing this new line of business mid-2022.

The team wrote approx. $4m in the 2022 calendar year.

Reinsurance

The Reinsurance portfolio includes Property Catastrophe excess of loss, Quota Share, Retro, Risk and Specialty. The team comprises seven underwriters across the reinsurance lines of business.

The team wrote approx. $362m in the 2022 calendar year (2021: $180.6m).

Property Reinsurance

The Property reinsurance account writes excess of loss and proportional participations on a wide range of clients, with a global portfolio, albeit with a particular emphasis on North America, Australia and Japan. The Property book focusses on larger catastrophe severity business, as opposed to attrition prone, frequency orientated business. Inigo's reinsurance underwriters are highly experienced and have a long history of leading high-profile programmes.

Inigo looks to partner with best in class insurers, those with strong financials, a history of claims outperformance, transparent data, and the willingness to embrace a long-term partnership.

Specialty Reinsurance

The Specialty reinsurance account encompasses a diverse range of classes including Cyber, Agriculture, Nuclear, Entertainment, Surety, Terrorism, and Wildfire Liability. Cyber is currently the biggest line by premium, a market that has experienced heightened scrutiny following the emergence of ransomware claims, but that has resulted in rates being at an all-time high. Cyber exposures are all written on a capped basis, and there is a strict overall maximum exposure limit. The other major line, Agriculture, protects cedants against widespread deterioration in crop yields and is typically provided on a stop-loss basis.

The majority of risks are written on a non-proportional basis, but some pro-rata is also written. The account is worldwide in scope but is driven by exposures from the US. We seek to partner with the best-in-class cedants in their niche areas of expertise.

Report of the directors of the managing agent (continued)

Inigo Claims team

The Inigo claims team was in place and ready to service clients when Inigo started to write business on 1st January 2021. It is now a team of nine and many have worked previously for large organisations, so bring a wealth of knowledge and experience to each claim. Inigo has the technical capability to handle every line of business it is writing, such as Property, Political Risks, D&O, General Liability, Marine & Energy Liability and Reinsurance. The team is also highly experienced in responding to and handling catastrophe claims across the globe as well as having two qualified lawyers who have handled some of the most complex Financial Lines claims in their previous companies.

The Claims team is at the front of the Inigo business, partnering with underwriters to find solutions for our clients.

The experienced claims professionals are ready to respond immediately when clients need us most, helping them recover from disasters, resolving the most complex issues, as well as helping them learn from claims. The Inigo claims team fosters collaboration with all internal and external stakeholders, providing the highest quality customer service and continuous improvement.

2020 and prior underwriting years

On 10 June 2020, Enstar Group announced that they were placing StarStone International operations, including StarStone Syndicate 1301, into an immediate and orderly run-off.

For the 2020 and prior years of account, the Syndicate focused on London Wholesale Market Business, European Retail Business and US Retail Business, through both the Syndicate and StarStone's wholly owned service companies in Europe and the US.

The Syndicate offered a broad range of Property, Casualty and Specialty insurance products from large multi-nationals through to small and middle-market clients around the world, with the Syndicate writing a diversified portfolio by territory and line of business. The Syndicate’s operations were managed across two business units: Marine, Aviation & Transport and Specialty.

The Marine segment offered a range of Marine products including Hull and Machinery, Marine and Energy Liabilities, Cargo, War, Transport Liabilities, Offshore Energy and Specie & Fine Art. The Aviation segment included General Aviation. Both Marine and Aviation were primarily written from London, but some European retail business was also written through the Syndicate service company branch network.

The Specialty division included the segments Crisis Management, Property and Casualty. Crisis Management encompassed the Terrorism, Political Risk and Credit products.

The Property segment included Onshore Energy and a low volume and selective North American delegated property portfolio. The Casualty segment included Financial Lines, Accident & Health and Personal Accident Treaty products.

Report of the directors of the managing agent (continued)

Change in presentation currency

From 1 January 2021 the Syndicate changed its presentation currency to US dollars and hence all presentations and disclosures are in US Dollars, unless stated otherwise.

Future developments

The Syndicate's underwriting capacity for the 2023 underwriting year is £710m/$859m (2022: £510m/ $704m).

As Inigo enters its third year of underwriting, the Syndicate continues its targeted approach of underwriting select classes of core business, and aims to include Cyber risks in its book of business. The Syndicate retains its focus on complex, open market business, and providing exceptional service to its clients.

The Syndicate anticipates good opportunities for growth across large parts of its portfolio in 2023, and will continue to optimise the shape of the portfolio on both a gross and net basis. The Syndicate expects a high level of business retention in 2023, given that new business in 2022 was written under attractive terms.

Having developed strong producer relationships in 2022, the Syndicate will continue to build on these in the coming year.

The Syndicate will adopt a comprehensive reinsurance purchasing strategy, with the continued aim of minimising volatility.

For the 2020 years of account and prior, SGL No. 1 Limited is the corporate member and capital provider. SGL1 No. 1 Limited is a corporate member within the Enstar Group and is also the corporate member for Syndicate 2008. The 2020 and prior underwriting years will be reinsured to close into Syndicate 2008 at the close of the 2020 underwriting year from 1 January 2023.

Inflation

The current inflationary environment presents the Syndicate with additional uncertainty with respect to pricing, reserving and modelling. The Syndicate has undertaken detailed analysis of the impact of inflation on the business, and continues to review its methodology and assumptions for appropriateness as the inflationary environment develops.

The effect of inflation on reserving is complex for many reasons, including:

- The many types of inflation the Syndicate is affected by, including wage inflation, social inflation, and inflation arising from increasing litigation and ever-higher court awards, amongst others.
- For property claims, whether the loss is total or partial, which affects the part of the supply chain to which the Syndicate is exposed.

Report of the directors of the managing agent (continued)

Inflation (continued)

- For property claims, the portion of the loss that is business interruption as opposed to property damage, as inflation on business interruption claims behave differently.
- The difficulties in precisely understanding how these types of inflation interact to impact claims.
- The uncertainty in timing of events including the date of loss, time to reporting and time to settlement.

The classes Inigo has chosen to write generally experience low frequency, high severity claims. By their nature, the key uncertainties in these classes, particularly those affected by catastrophes, are normally whether an event occurs, and its scale. As a result, the Syndicate's net technical provisions have not been significantly impacted by ongoing inflationary pressures.

From a new business perspective, we mitigate inflationary pressures through a combination of exposure indexation, driving increased premium and continued rate increases. Our current pricing and reserving assumptions incorporate expected inflation which is a multiple of experience in recent times; this is also significantly above our actual claims experience. Therefore, the increased premium we are getting across the Syndicate is keeping pace with or in excess of our current claim inflation assumptions.

Ukraine and Russia geopolitical situation

The directors considered the ongoing geopolitical situation in Ukraine and Russia.

The current events are not clearly timebound nor limited to direct consequences that are easily quantifiable. As a result, the exposure estimates continue to be assessed on an ongoing basis and remain judgmental. The net impact on the Syndicate's financial and capital position to date, from both underwriting and investments, has been limited. The directors continue to closely monitor the situation and actively assess the potential impact to the Syndicate.

The impact of an escalating global conflict may increase the risk of a systemic cyber-attack. The increased cyber risk is, in part, mitigated through regular phishing tests and additional training.

Risk review

A description of the principal risks and uncertainties facing the Syndicate is set out in the notes to the financial statements (Risk and Capital Management review).

Directors

None of the directors of the managing agent who served during the year ended 31 December 2022 were underwriting Names on the Syndicate for the 2020, 2021 or 2022 years of account.

The current directors of the managing agent are set out on page 2.

Report of the directors of the managing agent (continued)

Auditor

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to auditor

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

Syndicate meeting

The managing agent confirms that it does not propose to hold an annual general meeting of the members of the Syndicate.

For and on behalf of the board

S J Bridges
Director
27 February 2023

Statement of managing agent's directors' responsibilities

The directors of the managing agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and regulations.

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

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

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

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of the Syndicate annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Syndicate and to prevent and detect fraud and other irregularities.

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

For and on behalf of the board

S J Bridges
Director
27 February 2023

INIGO

Independent auditor's report to the members of Syndicate 1301

Opinion

We have audited the Syndicate annual accounts of Syndicate 1301 ("the Syndicate") for the year ended 31 December 2022 which comprise the Income statement: Technical account – General business, Income statement: non-technical account, Statement of financial position – Assets, Statement of financial position – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate annual accounts:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The Directors of the Managing Agent ("the Directors") have prepared the Syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year] from the date of approval of the Syndicate annual accounts ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Syndicate's business model and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period, including reviewing correspondence with Lloyd's to assess whether there were any known impediments to establishing a further year of account.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Syndicate annual accounts is appropriate; and
- we have not identified and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for the going concern period.

Independent auditor's report to the members of Syndicate 1301 (continued)

Going concern (continued)

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Syndicate will continue in operation.

Fraud and breaches of laws and regulations-ability to detect

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures at the Syndicate and Managing Agent included:

- Enquiring of directors, the audit committee, internal audit, compliance, legal and risk and inspection of policy documentation as to the Syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Syndicate and Managing Agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee and risk and solvency committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any usual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries, and the risk of bias in accounting estimates and judgements such as the valuation of claims outstanding and the valuation of premium debtors. We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, journals posted without a user identity, those posted to accounts linked to an accounting estimate and those posted with unusual descriptions; and
- Assessing significant accounting estimates for bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Syndicate annual accounts from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Managing Agent's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

Independent auditor's report to the members of Syndicate 1301 (continued)

Fraud and breaches of laws and regulations-ability to detect (continued)

As the Syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Syndicate annual accounts varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the Syndicate annual accounts including financial reporting legislation (including related Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Syndicate annual accounts items.

Secondly, the Syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Syndicate annual accounts, for instance through the imposition of fines or litigation or the loss of the Syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and conduct recognising the financial and regulated nature of the Syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Syndicate annual accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate annual accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Other information – Report of the directors of the Managing Agent

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Independent auditor's report to the members of Syndicate 1301 (continued)

Other information – Report of the directors of the Managing Agent (continued)

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our Syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate annual accounts or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts; and
- in our opinion the information given in the Report of the Directors of the Managing Agent have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept on behalf of the Syndicate; or
- the Syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of Managing Agent's emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the directors of the Managing Agent

As explained more fully in their statement set out on page 7, the Directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; 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; 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 they either intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Syndicate annual accounts.

Independent auditor's report to the members of Syndicate 1301 (continued)

Auditor's responsibilities (continued)

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
27 February 2023

Income statement: technical account – general business

For the year ended 31 December 2022

	Note	2022	2021
		$'000	**$'000**
Earned premiums, net of reinsurance			
Gross premiums written	5	801,250	428,047
Outwards reinsurance premiums		(190,992)	(87,799)
		610,258	**340,248**
Change in the provision for unearned premiums			
Gross amount		(114,258)	(110,794)
Reinsurers' share		21,514	10,330
	16	**(92,744)**	**(100,464)**
Earned premium, net of reinsurance		**517,514**	**239,784**
Allocated investment return transferred from the non-technical account	10	**(5,063)**	**(437)**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(191,456)	(155,835)
Reinsurers' share		31,845	37,015
	5	**(159,611)**	**(118,820)**
Change in the provision for claims			
Gross amount		(256,903)	(44,740)
Reinsurers' share		107,042	(13,397)
	16	**(149,861)**	**(58,137)**
Net operating expenses	7	(167,110)	**(96,659)**
Balance on the technical account - general business		**35,869**	**(34,269)**

All operations relate to continuing activities. The notes on pages 29 to 75 form an integral part of these financial statements.

Income statement: non-technical account

For the year ended 31 December 2022

	Note	2022	2021
		$'000	$'000
Balance on the technical account - general business		**35,869**	**(34,269)**
Investment income	10	1,944	182
Unrealised gains on investments	10	4,857	2,109
Investment expenses and charges	10	(94)	14
Unrealised losses on investments	10	(11,770)	(2,742)
Allocated investment return transferred to technical account	10	5,063	437
(Loss)/gain on foreign exchange		(1,978)	1,863
Non-technical account - other income/charges		4,010	1,444
Profit/(Loss) for the financial year		**37,901**	**(30,962)**
Other comprehensive income		(4,603)	(704)
Total comprehensive profit/(loss) for the financial year		**33,298**	**(31,666)**

All operations relate to continuing activities.

The notes on pages 29 to 75 form an integral part of these financial statements.

Statement of financial position: assets

As at 31 December 2022

	Note	2022	2021
		$'000	$'000
Investments			
Other financial investments		472,443	307,272
Deposits with ceding undertakings		591	7,098
	11	**473,034**	**314,370**
Reinsurers' share of technical provisions			
Provision for unearned premiums		43,967	22,614
Claims outstanding		275,973	170,405
	16	**319,940**	**193,019**
Debtors			
Debtors arising out of direct insurance operations	12	105,774	49,524
Debtors arising out of reinsurance operations	13	136,682	93,820
Other debtors		21,329	8,332
		263,785	**151,676**
Other assets			
Cash at bank and in hand	18	**73,472**	**30,641**
Prepayments and accrued income			
Accrued interest		1,058	309
Deferred acquisition costs	14	57,587	31,517
Other prepayments and accrued income		-	130
		58,645	**31,956**
Total assets		**1,188,876**	**721,662**

The notes on pages 29 to 75 form an integral part of these financial statements.

Statement of financial position: liabilities

As at 31 December 2022

	Note	2022	2021
		$'000	**$'000**
Capital and reserves			
Members' balances		**(38,416)**	**(93,572)**
Technical provisions			
Provision for unearned premiums		301,471	187,456
Claims outstanding		786,531	538,214
	16	**1,088,002**	**725,670**
Deposits received from reinsurers		**29,770**	**37,267**
Creditors			
Creditors arising out of direct insurance operations		1,512	-
Creditors arising out of reinsurance operations		84,364	30,171
Other creditors		18,325	17,997
	17	**104,201**	**48,168**
Accruals and deferred income		**5,319**	**4,129**
Total liabilities		**1,227,292**	**815,234**
Total liabilities and equity		**1,188,876**	**721,662**

The notes on pages 29 to 75 form an integral part of these financial statements.

The Syndicate financial statements on pages 23 to 75 were approved by the Board of Inigo Managing Agent Limited and were signed on its behalf by:

S J Bridges
Director
27 February 2023

Statement of changes in members' balances

For the year ended 31 December 2022

	Note	2022	2021
		$'000	$'000
Members' balances brought forward at 1 January		(93,572)	(94,240)
Profit/(loss) for the year		33,298	(31,666)
Contribution to losses	23	21,858	32,334
Members' balances carried forward at 31 December		**(38,416)**	**(93,572)**

The notes on pages 29 to 75 form an integral part of these financial statements.

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

Statement of cash flows

For the year ended 31 December 2022

	Note	2022	2021
		$'000	$'000
Cash flows from operating activities:			
Profit/(loss) for the year		33,298	(31,666)
Adjustments			
Increase in technical provisions		362,332	148,875
(Decrease)/increase in reinsurers' share of technical provisions		(126,921)	3,852
Increase/(decrease) in debtors, subrogation and salvage and prepayments		(138,159)	(54,477)
Increase in creditors		57,223	18,773
Movement in other assets/liabilities		(1,609)	(33,098)
Net interest and dividends receivable		5,063	437
Foreign exchange gains		1,943	529
Net cash inflow from operating activities		**193,170**	**53,225**
Cash flows from investing activities:			
Acquisitions of financial instruments		(233,462)	(51,684)
Proceeds from sale of financial instruments		90,532	50,746
Interest received		2,918	515
Increase in deposits with credit institutions		-	2,730
Other loans		109	(21)
(Increase) in overseas deposits		(15,089)	(792)
Foreign exchange losses		1,566	699
Other		(11,844)	-
Net cash (outflow)/inflow from investing activities		**(165,270)**	**2,193**
Cash flow from financing activities:			
Contribution to losses		21,858	32,334
Other		(951)	-
Net cash inflow from financing activities		**20,907**	**32,334**
Net increase in cash and cash equivalents		**48,807**	**87,752**
Cash and cash equivalents at 1 January		271,543	184,687
Effect of exchange rate changes on cash and cash equivalents		(1,914)	(896)
Cash and cash equivalents at 31 December	18	**318,436**	**271,543**

The notes on pages 29 to 75 form an integral part of these financial statements.

Notes to the financial statements

1. Basis of preparation

The Syndicate is a vehicle on which (re)insurance business is conducted at Lloyd's on behalf of the corporate capital provider, ICML for 2022 and 2021 years of account and SGL 1 for 2020 year of account and each prior year of account.

The underwriting for the 2022 and 2021 years of account is managed by IMAL and the 2020 year of account and each prior year of account is managed by EMAL. The address of the Syndicate's managing agent is 7th Floor, One Creechurch Place, London, EC3A 5AY.

The Syndicate financial statements as at and for the period ended 31 December 2022 report the 2022 and 2021 years of account and the 2020 and each prior year of account combined.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts ("FRS 103") as issued in March 2014.

The financial statements have been prepared on the historical cost basis, except for financial assets which have been recorded at fair value through the statement of profit or loss.

The financial statements are presented in US Dollars ("USD"), which is the Syndicate's functional currency for the 2022 and 2021 years of account. The functional currency for the 2020 year of account and each prior year of account is Pound Sterling ("GBP"). All amounts have been rounded to the nearest thousand, unless otherwise indicated.

As permitted by FRS 103 the Syndicate has continued to apply the accounting policies that existed prior to this standard for its insurance contracts.

The Syndicate has elected to apply paragraph 6.3 of FRS 103 to claims development triangles where the Syndicate need not disclose information that occurred earlier than five years before the end of the first financial year in which this FRS applies, building up to 10 years of development with the introduction of each future period.

Notwithstanding the negative members' balance of $38.4m, the Directors of the managing agent have prepared the annual accounts on a going concern basis. In adopting the going concern basis, the Syndicate's current and forecast solvency and liquidity positions for the next 12 months and beyond has been reviewed. As part of the consideration of the appropriateness of adopting the going concern basis, the Directors used scenario analysis to assess the robustness of the Syndicate's solvency and liquidity positions.

Even in a severe downside scenario, no material uncertainty in relation to going concern has been identified. This is due to the Syndicate's strong capital and liquidity positions, which provide considerable resilience to these shocks, underpinned by the Syndicate's approach to risk management, which is described in note 4.

Notes to the financial statements (continued)

1. Basis of preparation (continued)

In addition to the above, Lloyd's require the Syndicate to perform an assessment of certain events on the financial position of the Syndicate by running specific realistic disaster scenarios (RDS). This is then translated into a capital requirement which the members must adhere to. It can be demonstrated that under the selected RDS scenarios, the Syndicate will continue to operate and any capital requirements can be provided from the members' funds at Lloyd's (FAL).

The capital requirements are set at the member level and a member is not allowed to participate in the Syndicate if they have not met their capital requirement and the capacity of the Syndicate is adjusted down to reflect this.

The Syndicate benefits from being part of the Lloyd's capital structure, often referred to as the chain of security, which provides excellent financial security to policyholders and capital efficiency for members. The three elements that make up the Lloyd's capital structure are:

1. Syndicate assets – all premiums received by the Syndicates are held in trust by the managing agents as the first resource for paying policyholders' claims and to fund regulatory deposits. Until all liabilities have been provided for, no profits can be released. Every year, the Syndicates' reserves for future liabilities are independently audited and subject to an actuarial review.
2. Funds at Lloyd's – each member, whether corporate or individual, must provide sufficient capital to support their underwriting at Lloyd's. Managing agents are required to assess the solvency capital requirement (SCR) for each syndicate that they manage. This sets out how much capital the syndicate requires to cover its underlying business risks at a 99.5% confidence level
3. Lloyd's central capital – Lloyd's central assets, which include the Central Fund, are available, at the discretion of the Council of Lloyd's, to meet any valid claim that cannot be met from the resources of any member.

After making enquiries, the Directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence over a period of at least 12 months from the date of this report. For this reason, the Syndicate continues to adopt the going concern basis in preparing its financial statements.

The accounting policies set out below have, unless otherwise stated, been applied consistently to all periods presented in these financial statements.

Change in presentation currency

From 1 January 2021 the Syndicate changed its presentation currency to US dollars and hence all presentations and disclosures are in US Dollars, unless stated otherwise.

Notes to the financial statements (continued)

2. Use of judgments and estimates

In preparing these financial statements, the directors of the managing agent have made judgments, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

Technical Provisions

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

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate managing agent's in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a management margin is applied over and above the actuarial best estimate. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

Estimates of future premiums

For certain insurance contracts, premium is initially recognised based on estimates of premiums. These estimates are judgemental and could result in misstatements of revenue recorded in the financial statements.

The measurement of premium estimates comprises the estimated gross premium written during the year, that have not yet been notified by the financial year-end.

Fair value of financial assets determined using valuation techniques

Where the fair value of financial assets recorded in the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or other mathematical models. The inputs from these models are derived from

Notes to the financial statements (continued)

2. Use of judgments and estimates (continued)

Fair value of financial assets determined using valuation techniques (continued)

observable market data where possible, but where observable market data is not available, judgment is required to establish fair values. For fixed-income and asset-backed securities the judgments include considerations for liquidity risk, credit risk, and prepayment rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations of specific industries and market liquidity. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in the assumptions about these factors could affect the reported fair value of the financial instruments.

3. Significant accounting policies

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

Insurance Contracts

Product classifications

Insurance contracts are those contracts when the Company (the insurer) has accepted significant insurance risk from another party (the policyholder) by agreeing to compensate the policyholder if a specified uncertain future event (the insured event) adversely affects the policyholders. As a general guideline, the company determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Premiums written

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts incepting during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in the current or prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a re-measurement of the initial premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Insurance Contracts (continued)

Written premiums include an estimate for pipeline premiums (i.e. premiums written but not reported to the Company by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date.

Outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct insurance or inwards reinsurance business.

Managing agent profit commission

The managing agent does not charge profit commission.

Other income

Other income relates to consortium fee and consortium profit commission.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims management costs that have been determined by an apportionment of employment costs, and any adjustments to claims outstanding from previous years.

Internal claims handling costs, including remuneration costs of the claims department, are reclassified from administrative expenses and included within claims incurred.

Debtors arising out of reinsurance operations are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical Provisions

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

Claims outstanding

Full provision is made on an individual case basis for the estimated cost of claims notified but not settled by the balance sheet date after taking into account handling costs and settlement trends. A provision for claims incurred but not reported (IBNR) is established from statistical analysis undertaken by the Syndicate's actuaries. The methods used and the estimates made are reviewed regularly.

Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events. Any differences between provisions and subsequent settlements are dealt with in the technical accounts of later years.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Technical Provisions (continued)

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 current claims will be consistent with past experience.

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

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

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

Large claims impacting each relevant business class are assessed separately where appropriate, 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 the large claims.

The provision for claims outstanding is based on information available at the balance sheet date and is estimated to give a result within a normal range of outcomes.

To the extent that the ultimate cost falls outside this range, for example where assumptions over claims inflation may alter in future, there is a contingent liability in respect of this uncertainty. Provisions are calculated allowing for reinsurance recoveries and a separate asset is recorded for the reinsurers’ share, having regard to collectability.

The reinsurers’ share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year, and the current security rating of the reinsurance companies involved.

Anticipated salvage and subrogation recoveries are calculated on an individual case basis. The level of recovery estimated is set on the basis of information which is currently available, including potential outstanding claims advices and case law. Salvage and subrogation recoveries are included in claims incurred in the income statement.

The liability is not discounted for the time value of money.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Technical Provisions (continued)

Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk. The provision for unearned premiums is calculated on a daily pro rata basis where appropriate. The exception to straight-line earning is the property catastrophe excess of loss reinsurance class, which is earned based on exposure to reflect the seasonality of the business line. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

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

Provision for unexpired risks

Provision is made for unexpired risks arising from general insurance contracts where the expected value of claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premiums provision in relation to such policies (after the deduction of any deferred acquisition costs). The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account the future investment return on investments held to back the unearned premiums and unexpired claims provisions.

Deferred acquisition costs

Acquisition costs, comprising commission and other direct and indirect costs related to the acquisition of new insurance contracts, the renewal of existing insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset. Amortisation is reported in the technical account.

Commissions receivable on outwards reinsurance contracts are amortised over the term of the outwards reinsurance premiums and deferred to the extent that they are attributable to outwards reinsurance premiums unearned as at the balance sheet date.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Technical Provisions (continued)

Reinsurance assets

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

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

Debtors arising from direct insurance and reinsurance operations

Debtors arising from direct insurance and reinsurance operations are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, they are measured at amortised cost less any provision for impairment in value.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the statement of profit or loss. Insurance receivables are derecognised when the de-recognition criteria for financial assets have been met.

Creditors arising from direct insurance and reinsurance operations

Creditors arising from direct insurance and reinsurance operations are recognised when due and measured on initial recognition at the fair value of the consideration paid or payable less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost.

Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Financial Investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 *Financial Instruments: Recognition and Measurement* (as adopted for use in the EU) to account for all of its financial instruments.

Classification

The Syndicate classifies its financial investments into the following categories: Redeemable fixed interest securities, other loans, deposits with credit institutions and shares and other variable yield securities. All of these assets are classified as fair value through profit and loss.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Financial Investments (continued)

The Syndicate determines the classification of its financial assets on initial recognition.

Recognition

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset.

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

Measurement

Redeemable debt securities and other fixed-income securities are classified as fair value through profit or loss and are initially measured at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Deposits with credit institutions are also classified at fair value through profit or loss and are held at cost as the best measure for fair value. These typically consist of callable on-demand deposits with very short maturities, which are not always held to maturity, and cash letters of credit (LOCs).

Shares and other variable yield securities and units in unit trusts consist of collective investment schemes and private equity investments.

These are also designated on initial recognition as an asset to be measured at fair value with fair value changes recognised in profit or loss account at subsequent reporting periods. Realised gains and losses are also recognised through profit and loss account.

Offsetting

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

Deposits with ceding undertakings

Deposits with ceding undertakings are funds held by Lloyd’s Europe on behalf of the Syndicate to settle Part VII claims. These funds are measured at amortised cost.

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Cash and cash equivalents

Cash and cash equivalents includes cash at bank and in hand as well as short-term deposits with credit institutions. These consist of highly liquid short-term investments with maturity of less than 90 days from the date of acquisition.

Cash at bank and in hand on the statement of financial position includes only cash and balances at central banks and loans and advances to banks repayable on demand.

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

Investment return

Investment income comprises interest income, dividends receivable and realised investment gains and losses. Investment return comprises investment income and movements in unrealised gains and losses on financial instruments at fair value through profit or loss, less investment management expenses, interest payable, realised losses and impairment losses.

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been allocated to the technical account in respect of actual investment return on investments supporting the general insurance technical provisions and member balances. Any investment returns on investments that relate to undistributed profits on closed years remain in the non-technical account.

Financial liabilities

The Syndicate's financial liabilities consist of insurance creditors, intercompany balances and trade payables.

All financial liabilities are recognised initially at fair value. Intercompany balances are repayable on demand and are typically settled within one year. Intercompany balances are subsequently measured at amortised cost should they remain unsettled over a year. A financial liability is derecognised when the obligation under the liability is discharged or expires.

Foreign currencies

The Syndicate's functional currency for the 2022 and 2021 years of account is USD and for the 2020 year of account and each prior year of account is GBP. Transactions in foreign currencies are translated to the functional currency at the exchange rates ruling at the date of the transactions, or at an appropriate average rate. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities

Notes to the financial statements (continued)

3. Significant accounting policies (continued)

Foreign currencies (continued)

denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction.

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

From 1 January 2021 the Syndicate has changed its presentational currency to US dollars, hence all presentations and disclosures are in US dollars, unless stated otherwise.

The results and financial position for the 2020 year of account and each prior year of account are translated from functional currency of GBP into the presentation currency of USD as follows:

- Assets and liabilities are translated at the closing rate at the balance sheet date;
- Income and expenses are translated at the average rate of exchange during the year; and
- All resulting exchange differences are recognised in other comprehensive income and members' balances.

Taxation

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

Pension costs

Inigo operates a defined contribution scheme. Pension contributions relating to staff working on behalf of the Syndicate are charged to the Syndicate when incurred and are included within net operating expenses.

Notes to the financial statements (continued)

4. Risk and capital management

Introduction and overview

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

Risk management framework

The Board of directors of the managing agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk & Investment Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. The Risk & Investment Committee has delegated oversight of the day-to-day management of risk to the Executive Committee with support from its management level Committees. Their responsibility includes developing risk appetite and risk policies for Board approval and the monitoring of the risk and control profile with reporting to the Risk & Investment Committee. IMAL have established an Enterprise Risk Management Framework ("ERMF"), which sets out the principles, concepts, processes and accountabilities which govern how risk is managed across the business.

IMAL operates a Three Lines Model which sets out clear responsibilities between the first, second and third lines to ensure that there is consistent understanding of the way that risks are identified and controlled in the relevant business area in the first line, with the second and third lines having a clear separation allowing ongoing independence and therefore the ability to provide effective oversight and assurance. The first line incorporates the risk and controls owners for the business areas with responsibility and accountability for day-to-day identification, measurement, monitoring, management and reporting of risk. The second line includes the risk and compliance functions with reporting through to the Risk & Investment Committee and Board. The third line is Internal Audit which provides independent assurance covering the first and second lines to the Audit Committee and Board.

Insurance risk

The predominant risk to which the Syndicate is exposed is insurance risk which is assumed through the underwriting process. Insurance risk can be subcategorised into: (i) underwriting risk, and (ii) reserve risk.

Underwriting Risk

Underwriting (premium) risk relates to the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities we assume through our underwriting process. The Board manages underwriting risk by agreeing its risk appetite annually and ensuring that the business plan is consistent with the agreed appetite. The Underwriting and Claims Committee supports the Board by overseeing the management of underwriting risk. The Syndicate utilises pricing models to assist in the pricing of risks and has in place an exposure management process to ensure aggregations of exposure are understood and can both be priced for and reported on.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Insurance risk (continued)

Underwriting Risk (continued)

Contracts can contain a number of features which help to manage underwriting risk such as the use of deductibles, or capping the maximum permitted loss or number of claims (subject to local regulatory and legislative requirements).

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant claims linked to one event or catastrophe, including excess of loss and quota share reinsurance. The Syndicate also has in place two catastrophe bonds. If an individual exposure is deemed surplus to the Syndicate's appetite additional facultative reinsurance may also be purchased.

Reserve Risk

Reserve risk is the risk that the Syndicate’s reserves are not sufficient to cover its unpaid loss and loss adjustment expense costs. The Reserving Committee oversees the management of reserve risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserve risk.

The managing agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and outwards reinsurance technicians and include input from the large loss claims review meeting. This produces a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous ‘best estimate’ projections. The output of the reserving analysis is reviewed by external consulting actuaries annually.

The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the Reserving Committee makes recommendations to the Executive Committee and Audit Committee for review prior to approval by the managing agent’s Board of directors of the amount of claims provisions to be established.

Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified. The Underwriting and Claims Committee has oversight of the management of the Syndicate’s exposures across perils and geographies compared to agreed risk appetite. The Syndicate uses an external catastrophe model as part of its management of its exposures. The following table provides an analysis of the geographical breakdown of its written premiums by class of business.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Concentration of insurance risk (continued)

2022	Accident and health $'000	Marine, aviation and transport $'000	Fire and other damage to property $'000	Third party liability $'000	Misc $'000	Reinsurance $'000	Total $'000
UK	-	649	1,649	9,684	-	3,520	15,502
France	-	-	-	131	-	1,054	1,185
Germany	-	57	44	992	-	2,858	3,951
Other Europe	-	(21)	262	16,080	-	20,688	37,009
US	-	8,360	103,391	95,677	-	236,716	444,144
Other	438	8,141	38,215	40,042	-	212,623	299,459
Total	**438**	**17,186**	**143,561**	**162,606**	**-**	**477,459**	**801,250**

2021	Accident and health $'000	Marine, aviation and transport $'000	Fire and other damage to property $'000	Third party liability $'000	Misc $'000	Reinsurance $'000	Total $'000
UK	-	44	1,041	12,759	66	7,917	21,827
France	-	-	-	-	-	242	242
Germany	-	(11)	-	3,193	-	2,086	5,268
Other Europe	-	(7)	1,201	22,401	14	5,260	28,869
US	-	818	39,905	69,216	-	133,065	243,004
Other	9,369	5,494	21,867	33,406	676	58,025	128,837
Total	**9,369**	**6,338**	**64,014**	**140,975**	**756**	**206,595**	**428,047**

The Other category includes policies with worldwide risk exposures.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Sensitivity to insurance risk

The liabilities established, which includes claims outstanding and claims incurred but not reported (IBNR), could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large claims and catastrophes, or from changes in estimates of IBNR. An increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date.

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

	2022		2021	
	5 percent increase	5 percent decrease	5 percent increase	5 percent decrease
	$'000	$'000	$'000	$'000
Accident and health	(410)	410	(885)	885
Marine, aviation and transport	(4,647)	4,647	(5,378)	5,378
Fire and other damage to property	(4,493)	4,493	(3,492)	3,492
Third party liability	(7,477)	7,477	(5,077)	5,077
Miscellaneous	-	-	-	-
Reinsurance	(8,365)	8,365	(3,103)	3,103
Total	**(25,392)**	**25,392**	**(17,935)**	**17,935**

Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to perform its financial obligations or fails to perform them in a timely fashion.

The Syndicate is exposed to credit risk through its day to day (re) insurance activities principally through payments due for the (re) insurance coverages provided by the Syndicate and collections from its outwards reinsurance counterparties and also through the credit risk associated with the Syndicate’s investment and banking counterparties. This includes:

- debt securities;
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- cash and cash equivalents; and
- other debtors and accrued interest.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Credit risk (continued)

For the 2020 and prior years of account, the nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

For the 2022 and 2021 years of account, the IMAL Credit risk policy outlines its approach to credit risk and the IMAL Broker and Reinsurance Security Committee is responsible for overseeing the management of credit risk from brokers and reinsurers.

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored as part of their credit control processes. All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis. The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly.

Management of credit risk associated with financial assets

Credit risk in respect of debt securities is managed by the establishment and monitoring of single counterparty limits, credit rating concentration limits and minimum credit rating requirements at both the per-asset and aggregate portfolio level. Any asset rated outside of these requirements by an External Credit Assessment Institution (ECAI) is subject to a strict exceptions monitoring process and reported to the Risk and Investment Committees.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

The Syndicate benefits from collateral pledged by ceded reinsurance counterparties. At the balance sheet date, the Syndicate obtained $72.8m (2021: $43.5m) in collateral, which acts as additional security in the event of failure of those counterparties to meet their contractual obligations.

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

Not rated balances represent assets for which rating information is not readily available. Reinsurers' share of claims outstanding with unrated counterparties are fully collateralised. Debtor arising out of direct insurance operations that are past due are still expected to be received in full.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Exposure to credit risk (continued)

2022	AAA $'000	AA $'000	A $'000	BBB $'000	<BBB $'000	Not rated $'000	Total $'000
Financial investments							
Shares and other variable yield securities and units in unit trusts	160,351	2,992	55,503	12,476	82	13,560	244,964
Debt securities and other fixed income securities	35,738	102,757	44,220	8,201	291	-	191,207
Other loans	-	-	1,622	-	-	-	1,622
Deposits with credit institutions	-	-	-	-	-	-	-
Overseas deposits	18,910	8,323	3,551	2,601	872	393	34,650
Deposits with ceding undertakings	-	-	-	-	-	591	591
Reinsurers' share of claims outstanding	-	9,338	181,829	39,133	-	45,673	275,973
Debtors arising out of direct insurance operations	-	-	-	-	-	105,774	105,774
Debtors arising out of reinsurance operations	-	3,881	13,551	1,294	-	2,104	20,830
Cash at bank and in hand	-	1	73,471	-	-	-	73,472
Other debtors and accrued interest	-	-	-	-	-	22,387	22,387
Total	**214,999**	**127,292**	**373,747**	**63,705**	**1,245**	**190,482**	**971,470**

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Exposure to credit risk (continued)

2021	AAA $'000	AA $'000	A $'000	BBB $'000	<BBB $'000	Not rated $'000	Total $'000
Financial Investments							
Shares and other variable yield securities and units in unit trusts	163,871	3,179	41,115	10,520	9,806	12,407	240,898
Debt securities and other fixed income securities	4,534	14,638	13,916	9,263	1,220	-	43,571
Other loans	-	-	1,936	-	-	-	1,936
Deposits with credit institutions	-	-	-	-	-	-	-
Overseas deposits	10,314	3,341	2,795	1,805	2,612	-	20,867
Deposits with ceding undertakings	-	-	-	7,098	-	-	7,098
Reinsurers' share of claims outstanding	-	6,578	153,011	195	-	10,621	170,405
Debtors arising out of direct insurance operations	-	-	-	-	-	21,888	21,888
Debtors arising out of reinsurance operations	-	1,100	16,549	235	-	708	18,592
Cash at bank and in hand	-	30,641	-	-	-	-	30,641
Other debtors and accrued interest	-	-	-	-	-	8,641	8,641
Total	**178,719**	**59,477**	**229,322**	**29,116**	**13,638**	**54,265**	**564,537**

At 31 December 2022, the largest concentration of credit risk in the Syndicate's debt security portfolio was in government bonds amounting to $111.4m (2021: $22.6m relating to corporate bonds).

The Syndicate has introduced additional concentration, and other restrictions where there is a development of a risk profile that is out of appetite. These restrictions are reviewed regularly.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Financial assets that are past due or impaired

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date.

These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

An analysis of the carrying amounts of past due or impaired debtors arising from direct insurance operations and debtors arising from reinsurance operations relating to outward reinsurance is presented in the table below.

2022	Debtors arising from direct insurance operations $'000	Debtors arising from reinsurance operations $'000
Past due but not impaired financial assets		
Past due by:		
Up to three months	21,933	-
Three to six months	10,167	-
Six months to one year	5,845	-
Greater than one year	6,622	-
Past due but not impaired financial assets	44,567	-
Impaired financial assets	-	-
Gross value of past due and impaired financial assets	44,567	-
Less: individually assessed impairment allowance	-	-
Net carrying value of past due and impaired financial assets	44,567	-
Neither past due nor impaired financial assets	61,207	20,830
Net carrying value	**105,774**	**20,830**

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Financial assets that are past due or impaired (continued)

2021	Debtors arising from direct insurance operations $'000	Debtors arising from reinsurance operations $'000
Past due but not impaired financial assets		
Past due by:		
Up to three months	11,792	-
Three to six months	2,955	-
Six months to one year	4,954	-
Greater than one year	7,935	-
Past due but not impaired financial assets	27,636	-
Impaired financial assets	-	-
Gross value of past due and impaired financial assets	27,636	-
Less: individually assessed impairment allowance	-	-
Net carrying value of past due and impaired financial assets	27,636	-
Neither past due nor impaired financial assets	21,888	18,592
Net carrying value	**49,524**	**18,592**

The debtors arising from reinsurance operations relating to inwards reinsurance of $115.9m (2021: $75.2m) are excluded from the table above.

Financial risk

The focus of investment risk management for the Syndicate is to ensure that the management of invested assets sufficiently ensures the ability to fund obligations arising from the Syndicate's insurance contracts and other liabilities, as they are expected to fall due. The investment management process aims to achieve an appropriate level of risk adjusted investment returns as is consistent with the preservation of capital, liquidity and prudent diversification of portfolio assets and achievement of the investment objectives.

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Notes to the financial statements (continued)

4. Risk and capital management (continued)

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.
For the 2020 and prior years of account, the nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

For the 2022 and 2021 years of account, IMAL have in place a Liquidity risk policy which details its approach to liquidity risk management. The IMAL Risk & Investment Committee is responsible for overseeing the management of liquidity risk, with management level oversight provided by the IMAL Investment Committee.

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation. The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts over the short, medium and long term;
- The liquidity profile of assets purchased by the Syndicate are required to be consistent with the stated liquidity risk appetite.
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts;
- The Syndicate maintains, and reports against, liquidity risk appetite measures.
- The Syndicate regularly reviews its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

The maturity analysis presented in the table below shows the remaining contractual maturities for the Syndicate’s insurance contracts and financial instruments. For insurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. For financial assets and liabilities it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date. The actual timing of future settlement cash flows may differ materially from the disclosure below. Contingent liquidity also exists for the 2022 and 2021 years of account in the form of the Syndicate’s credit facility, which has not been called upon during FY22.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Management of liquidity risk (continued)

2022	Carrying amount $'000	Total cash flows $'000	0-1 year $'000	1-3 years $'000	3-5 years $'000	More than 5 years $'000
Financial investments						
Shares and other variable yield securities and units in unit trusts	244,964	244,964	244,964	-	-	-
Debt securities	191,207	191,207	52,674	95,341	22,013	21,179
Other loans	1,622	1,622	1,622	-	-	-
Deposits with credit institutions	-	-	-	-	-	-
Overseas deposits	34,650	34,650	12,677	18,143	3,503	327
Reinsurers' share of technical provisions	319,940	319,940	127,524	138,942	36,141	17,333
Debtors and accrued interest	323,021	323,021	316,340	3,737	2,691	253
Cash at bank and in hand	73,472	73,472	73,472	-	-	-
Total assets	**1,188,876**	**1,188,876**	**829,273**	**256,163**	**64,348**	**39,092**
Technical provisions	1,088,002	1,088,002	515,638	408,968	113,705	49,691
Deposits received from reinsurers	29,770	29,770	29,770	-	-	-
Creditors	109,520	109,520	109,169	210	108	33
Total liabilities	**1,227,292**	**1,227,292**	**654,577**	**409,178**	**113,813**	**49,724**

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Management of liquidity risk (continued)

2021	Carrying amount $'000	Total cash flows $'000	0-1 year $'000	1-3 years $'000	3-5 years $'000	More than 5 years $'000
Financial investments						
Shares and other variable yield securities and units in unit trusts	240,898	240,898	240,898	-	-	-
Debt securities	43,571	43,571	210	6,486	27,059	9,816
Other loans	1,936	1,936	1,936	-	-	-
Deposits with credit institutions	-	-	-	-	-	-
Overseas deposits	20,867	20,867	20,867	-	-	-
Reinsurers' share of technical provisions	193,019	193,019	69,824	77,428	27,429	18,338
Debtors and accrued interest	190,730	190,730	188,591	1,489	389	261
Cash at bank and in hand	30,641	30,641	30,641	-	-	-
Total assets	**721,662**	**721,662**	**552,967**	**85,403**	**54,877**	**28,415**
Technical provisions	725,670	725,670	342,743	239,129	86,465	57,333
Deposits received from reinsurers	37,267	37,267	37,267	-	-	-
Creditors	52,297	52,297	51,577	544	95	81
Total liabilities	**815,234**	**815,234**	**431,587**	**239,673**	**86,560**	**57,414**

In the above tables, the majority of debt securities, are included in the '1-2 years' column. In practice cash could be realised through the sale of the Syndicate's investments in debt securities. The disclosure does not take account of premiums received from new business written which can be used to pay claims arising.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Market risk

Market risk is the risk arising from the level or volatility of economic variables which have an impact upon the value of the assets and, where impacted, liabilities of the Syndicate. Further details on the associated interest rate and currency risks are detailed further below. The credit risk related to investment and banking counterparties is covered within the credit risk section above.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

For the 2020 and prior years of account, the nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

For the 2022 and 2021 years of account, IMAL has a Market risk policy which details its approach to market risk. The IMAL Risk & Investment Committee is responsible for overseeing the management of market risk, with management level oversight provided by the IMAL Investment Committee.

Management of market risks

For each of the major components of market risk the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of major risk and the exposure of the Syndicate at the reporting date to each major risk are addressed on pages 52 to 55.

Interest rate risk

Interest rate risk is the risk that the value of future cash flows of a financial instrument will fluctuate because of changes in interest rates.

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by investing in short-duration financial investments and cash and cash equivalents. The Inigo Risk and Investment Committee monitors the duration of these assets on a regular basis.

Currency risk

The Syndicate writes business primarily in Sterling, Euro, Australian dollar, Canadian dollar, Japanese Yen and US dollar and is therefore exposed to currency risk arising from fluctuations in the exchange rates of US dollars against these currencies. The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled. Where liabilities in any currency exceed 5% of total liabilities, the policy is to maintain assets in that currency to the level of at least 80% of the value of liabilities.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Currency risk (continued)

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

2022	GBP $'000	EUR $'000	USD $'000	CAD $'000	AUD $'000	JPY $'000	Total $'000
Financial investments							
Shares and other variable yield securities and units in unit trusts	3	36,732	184,421	23,808	-	-	244,964
Debt securities and other fixed income securities	493	-	190,714	-	-	-	191,207
Other loans	1,622	-	-	-	-	-	1,622
Deposits with credit institutions	-	-	-	-	-	-	-
Overseas deposits	9,408	-	2,137	5,929	17,176	-	34,650
	11,526	**36,732**	**377,272**	**29,737**	**17,176**	**-**	**472,443**
Reinsurers' share of technical provisions	4,503	14,339	292,578	4,586	3,574	360	319,940
Insurance and reinsurance receivables	12,547	(11,493)	224,165	256	12,562	4,419	242,456
Cash at bank and in hand	18,108	20,584	1,079	-	28,760	4,941	73,472
Other assets	1,899	3,923	69,761	931	3,548	503	80,565
Total assets	**48,583**	**64,085**	**964,855**	**35,510**	**65,620**	**10,223**	**1,188,876**
Technical provisions	29,615	63,780	909,133	19,306	49,044	17,124	1,088,002
Deposits received from reinsurers	-	-	29,770	-	-	-	29,770
Insurance and reinsurance payables	(2,169)	553	83,967	1,467	1,928	130	85,876
Other creditors	(14,676)	(1,346)	38,018	1,479	169	-	23,644
Total liabilities	**12,770**	**62,987**	**1,060,888**	**22,252**	**51,141**	**17,254**	**1,227,292**
Net liabilities	**35,813**	**1,098**	**(96,033)**	**13,258**	**14,479**	**(7,031)**	**(38,416)**

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Currency risk (continued)

2021	GBP $'000	EUR $'000	USD $'000	CAD $'000	AUD $'000	JPY $'000	Total $'000
Financial investments							
Shares and other variable yield securities and units in unit trusts	1,218	41,487	179,002	19,191	-	-	240,898
Debt securities and other fixed income securities	579	-	42,992	-	-	-	43,571
Other loans	1,936	-	-	-	-	-	1,936
Deposits with credit institutions	-	-	-	-	-	-	-
Overseas deposits	4,325	-	1,860	3,958	10,724	-	20,867
	8,058	**41,487**	**223,854**	**23,149**	**10,724**	**-**	**307,272**
Reinsurers' share of technical provisions	7,267	10,036	166,709	5,269	3,369	369	193,019
Insurance and reinsurance receivables	2,384	(22,714)	148,006	3,440	8,481	3,747	143,344
Cash at bank and in hand	6,256	4,108	1,351	-	18,926	-	30,641
Other assets	1,084	5,366	36,583	880	2,913	560	47,386
Total assets	**25,049**	**38,283**	**576,503**	**32,738**	**44,413**	**4,676**	**721,662**
Technical provisions	32,613	49,984	581,549	20,582	33,585	7,357	725,670
Deposits received from reinsurers	(18,766)	(2,713)	56,922	1,824	-	-	37,267
Insurance and reinsurance payables	(4,197)	(971)	31,490	1,526	2,323	-	30,171
Other creditors	5,929	390	15,435	189	183	-	22,126
Total liabilities	**15,579**	**46,690**	**685,396**	**24,121**	**36,091**	**7,357**	**815,234**
Net liabilities	**9,470**	**(8,407)**	**(108,893)**	**8,617**	**8,322**	**(2,681)**	**(93,572)**

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Sensitivity analysis to market risks

An analysis of the Syndicate's sensitivity to interest rate and other price risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

	2022	2021
	Profit or loss for the year	**Profit or loss for the year**
	$'000	**$'000**
Interest rate risk		
+ 50 basis points shift in yield curves	(1,722)	(917)
- 50 basis points shift in yield curves	1,722	917
Currency risk		
10 percent increase in GBP/EUR exchange rate	(88)	764
10 percent decrease in GBP/EUR exchange rate	108	(934)
10 percent increase in GBP/USD exchange rate	7,215	9,899
10 percent decrease in GBP/USD exchange rate	(8,819)	(12,099)
Market price risk		
5 percent increase in market prices	20,814	9,032
5 percent decrease in market prices	(20,814)	(9,032)

The impact of possible changes in the risk variables on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in profit or loss.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

The sensitivity analyses do not take into consideration that the Syndicate's financial investments are actively managed. Additionally, the sensitivity analysis is based on the Syndicate's financial position at the reporting date and may vary at the time that any actual market movement occurs. As investment markets move past pre-determined trigger points, action would be taken which would alter the Syndicate's position.

Operational risk

This is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Should they crystalise, operational risks are likely to disrupt the normal flow of business processes and generate customer harm, financial loss or damage to the reputation of the firm. Operational risk is inherent in all of Inigo's business activities and as such Inigo's suite of risk categories and associated

Notes to the financial statements (continued)

4. Risk and capital management (continued)

Operational risk (continued)

business policies cover the control environment in place to mitigate those risks and the control environment is assessed through the risk and control self-assessment process. At a management level oversight of operational risk is by the Operations and Executive Committees. Inigo has a Board approved Operational Resilience framework, which has been developed to meet regulatory expectations and to mitigate Inigo's operational risk exposure. Important Business Services and their respective Impact Tolerances have been identified, mapped, and tested. No breaches of our Impact Tolerances have been reported to-date.

A key operational risk is in relation to regulatory risk. The managing agent is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include oversight principles and those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to a regulatory change. The managing agent monitors regulatory developments and assesses their impact on agency policy and procedures. In addition, the agency carries out a compliance monitoring programme which is aligned to the Lloyd's Principles and considers Inigo's adherence to its policies and procedures.

Strategic risk

This is the risk of unintended adverse impact on the business plan objectives arising from business decisions, improper implementation of those decisions, ability to adapt to changes in the external environment, or circumstances that are beyond the control of the Syndicate. IMAL has a strategic risk policy in place with management level oversight by the Executive Committee.

Capital management

Capital framework at Lloyd's

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

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

Although, Lloyd's capital setting processes use a capital requirement set at a Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at a Syndicate level. Accordingly, the capital requirement in respect of Syndicate 1301 is not disclosed in these financial statements.

Notes to the financial statements (continued)

4. Risk and capital management (continued)

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.

The capital for new Syndicates is set by Lloyd’s for the first three years of underwriting. The 2022 year of account was considered a new Syndicate by Lloyd’s for capital setting purposes who have set the capital for the 2022 year of account for the Syndicate based on the Lloyd’s Benchmark Model. The Syndicate is utilising the new Lloyd’s Standard Model for capital setting for the 2023 year of account and shall use the Inigo internal model for 2024 and onwards.

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

Provision of capital by members

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

Notes to the financial statements (continued)

5. Analysis of underwriting result

An analysis of the underwriting result before investment return and profit/(loss) on foreign exchange is presented in the table below:

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
2022	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Direct insurance						
Accident and health	438	2,115	4,152	343	(399)	6,211
Marine, aviation and transport	17,186	5,877	(13,519)	(9,468)	7,939	(9,171)
Fire and other damage to property	143,561	106,575	(60,955)	(30,459)	(47,692)	(32,531)
Third party liability	162,606	138,128	(49,119)	(32,759)	(47,006)	9,244
Miscellaneous	-	-	-	-	-	-
	323,791	**252,695**	**(119,441)**	**(72,343)**	**(87,158)**	**(26,247)**
Reinsurance	477,459	434,297	(328,918)	(97,508)	64,632	72,503
Total	**801,250**	**686,992**	**(448,359)**	**(169,851)**	**(22,526)**	**46,256**

Notes to the financial statements (continued)

5. Analysis of underwriting result (continued)

2021	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance balance $'000	Total $'000
Direct insurance						
Accident and health	9,369	11,347	(964)	(4,848)	(2,373)	3,162
Marine, aviation and transport	6,338	14,758	11,720	(4,652)	(995)	20,831
Fire and other damage to property	64,081	51,733	(56,882)	(19,336)	(3,666)	(28,151)
Third party liability	140,974	65,679	(44,853)	(22,205)	706	(673)
Miscellaneous	690	6,646	(16,845)	(1,552)	8,269	(3,482)
	221,452	150,163	(107,824)	(52,593)	1,941	(8,313)
Reinsurance	206,595	167,090	(92,751)	(45,132)	(54,726)	(25,519)
Total	**428,047**	**317,253**	**(200,575)**	**(97,725)**	**(52,785)**	**(33,832)**

The gross premiums written for direct insurance by geographical risk exposure is presented in the table below:

	2022 $'000	2021 $'000
United Kingdom	11,983	13,910
Other Europe	17,544	26,791
US	207,428	109,939
Other countries	86,836	70,812
Total gross premiums written	**323,791**	**221,452**

The Other countries category includes policies with worldwide risk exposures.

Notes to the financial statements (continued)

6. Claims

Favourable movements of $34.4m (2021: $8.6m favourable) in the past year's provision for claims outstanding, net of expected reinsurance recoveries, are included in claims incurred, net of reinsurance. These arose in respect of the following classes of business:

	2022	2021
	$'000	**$'000**
Accident and health	-	7,953
Marine, aviation and transport	9,615	17,227
Fire and other damage to property	(733)	(30,681)
Third party liability	23,391	(7,274)
Miscellaneous	(1,386)	(19,501)
Reinsurance	3,517	40,852
Total	**34,404**	**8,576**

7. Net operating expenses

	2022	2021
	$'000	**$'000**
Acquisition costs:		
Brokerage and commissions	124,780	59,000
Other acquisition costs	11,438	9,229
	136,218	**68,229**
Change in deferred acquisition costs	(25,663)	(12,585)
Administrative expenses	57,016	41,384
Members' standard personal expenses	5,268	3,069
Reinsurance commissions and profit participation	(5,729)	(3,438)
Net operating expenses	**167,110**	**96,659**

Total written commissions for direct insurance business for the year amounted to $45.5m (2021: $28.6m).

The majority of administrative expenses are incurred by Inigo Limited and are recharged to the Syndicate in line with Group policy.

The member's standard personal expenses are included within administrative expenses and include Lloyd's subscriptions, New Central Fund contributions and managing agent's fees.

Notes to the financial statements (continued)

7. Net operating expenses (continued)

Administrative expenses include:

	2022	2021
	$'000	$'000
Auditors' remuneration:		
Fees payable to the Syndicate's auditor for the audit of these financial statements	1,140	817
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	97	81

8. Key management personnel compensation

The directors of Inigo Managing Agent Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2022	2021
	$'000	$'000
Directors' emoluments and fees	420	1,588

The directors of the managing agent, except for the active underwriter, received remuneration from the managing agent for the year ended 31 December 2022 and from 15 March 2021 (managing agency acquisition date by Inigo) for the year ended 31 December 2021. None of this remuneration was recharged to the Syndicate and is therefore not included within directors' emoluments above.

The active underwriter received the following remuneration charged to the Syndicate and included within directors' emoluments above:

	2022	2021
	$'000	$'000
Emoluments	420	381

Notes to the financial statements (continued)

9. Staff numbers and costs

All staff for the 2022 and 2021 years of account are employed by Inigo Limited and all staff for the 2020 and prior years of account are employed by Enstar (EU) Limited, a company within the Enstar Group. The average number of persons employed by Inigo Limited and Enstar (EU) Limited, but working for the Syndicate during the year, analysed by category, was as follows:

	2022	2021
	$'000	$'000
Administration and finance	68	32
Underwriting	40	27
Claims	8	18
	116	**77**

The following amounts were recharged by Inigo Limited and Enstar (EU) Limited to the Syndicate in respect of payroll costs:

	2022	2021
	$'000	$'000
Wages and salaries	29,535	26,149
Social security costs	3,938	2,484
Other pension costs	1,402	1,108
Other	782	811
	35,657	**30,552**

Of the $35.7m incurred, $34.6m pertained to Inigo, and $1.1m pertained to Enstar (EU) Limited.

Notes to the financial statements (continued)

10. Investment return

The investment return transferred to the technical account from the non-technical account comprises the following:

	2022	2021
	$'000	$'000
Investment income:		
Interest and dividend income	4,986	1,077
Realised gains	99	161
Unrealised gains on investments	4,857	2,109
Investment expenses and charges:		
Investment management expenses, including interest	(94)	14
Losses on the realisation of investments	(3,141)	(1,056)
Unrealised losses on investments	(11,770)	(2,742)
Investment return transferred to the technical account from the non-technical account	5,063	437
Total investment return	**-**	**-**

The Syndicate's investment objective is to maintain suitable levels of liquidity whilst implementing an investment strategy targeting capital preservation and income return. The Syndicate will construct a predominantly high quality, diversified portfolio with a maturity profile and currency mix complementary to that of the liabilities.

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2022	2021
	$'000	$'000
Financial assets at fair value through profit or loss	(9,955)	(1,528)
Financial assets at amortised cost:		
Interest income	4,986	1,077
Impairment losses on debtors	-	-
Financial liabilities at amortised cost:		
Interest expense	-	-
Investment management expenses, excluding interest	(94)	14
Total investment return	**(5,063)**	**(437)**

Notes to the financial statements (continued)

10. Investment return (continued)

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

	2022	2021
	$'000	**$'000**
Average amount of syndicate funds available for investment during the year		
Sterling	21,215	17,602
Euro	49,039	49,621
US Dollar	127,847	82,432
Canadian Dollar	8,012	6,058
Australian Dollar	36,222	24,480
Total funds available for investment, in dollars	**242,335**	**180,193**
Total investment return	**(5,063)**	**(437)**
Annual investment yield		
Sterling	0.48%	1.52%
Euro	(0.03)%	(0.14)%
US Dollar	1.80%	0.62%
Canadian Dollar	2.88%	1.20%
Australian Dollar	0.76%	1.10%
Total annual investment yield, in dollars	**1.42%**	**0.58%**

Annual investment yield excludes investment management charges, and realised and unrealised gains and losses on investments.

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Notes to the financial statements (continued)

11. Financial investments

	Carrying Value		Cost	
	2022	2021	2022	2021
	$'000	$'000	$'000	$'000
Shares and other variable yield securities and units in unit trusts	244,964	240,898	246,688	238,932
Debt securities and other fixed income securities	191,207	43,571	193,650	44,760
Government and supranational securities	111,408	13,981	112,551	14,420
Asset backed securities	16,223	-	16,438	-
Mortgage backed securities	10,956	6,928	11,221	7,094
Corporate bonds	52,620	22,662	53,440	23,246
Other loans	1,622	1,936	1,622	1,944
Deposits with credit institutions	-	-	-	-
Overseas deposits as investments	34,650	20,867	35,491	17,990
Total financial investments	**472,443**	**307,272**	**477,451**	**303,626**

The financial investments presented in the table above are measured at fair value through profit or loss.

The Syndicate classifies its financial instruments held at fair value in its statement of financial position using a fair value hierarchy, as follows:

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

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

2022	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Shares and other variable yield securities and units in unit trusts	126,641	118,323	-	244,964
Debt securities and other fixed income securities	101,575	89,632	-	191,207
Other loans	-	-	1,622	1,622
Loans and deposits with credit institutions	-	-	-	-
Overseas deposits	6,882	27,768	-	34,650
Total investment return	**235,098**	**235,723**	**1,622**	**472,443**

Notes to the financial statements (continued)

11. Financial investments (continued)

2021	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
Shares and other variable yield securities and units in unit trusts	59,510	181,388	-	240,898
Debt securities and other fixed income securities	-	43,571	-	43,571
Other loans	-	-	1,936	1,936
Loans and deposits with credit institutions	-	-	-	-
Overseas deposits	3,573	17,294	-	20,867
Total investment return	**63,083**	**242,253**	**1,936**	**307,272**

The following table provides an analysis of investments valued with reference to level 3 inputs.

	2022	2021
	$'000	$'000
At 1 January	1,936	1,933
Purchase	-	-
Disposal	-	-
Fair value (losses)/gains recognised in profit or loss	(111)	21
Foreign exchange	(203)	(18)
	1,622	**1,936**

The Syndicate loans to the central fund remains categorized as a Level 3 investment for 2022.

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

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

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Notes to the financial statements (continued)

11. Financial investments (continued)

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

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

The fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilise internationally recognised independent pricing services.

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. The funds are required in order to protect policyholders in overseas markets and enable the Syndicate to operate in those markets. The access to those funds is restricted and the Syndicate cannot influence the investment strategy.

The Syndicate reports the unadjusted price provided by the investment accounting service providers, investment managers or investment custodians and validate this price through a process that includes, but is not limited to:

(i) quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark);

(ii) evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing;

(iii) comparing the price to managing agent's knowledge of the current investment market.

At the reporting date all debt instruments were valued using valuation techniques based on observable market data.

Notes to the financial statements (continued)

12. Debtors arising out of direct insurance operations

	2022	2021
	$'000	$'000
Amounts due from intermediaries:		
Due within one year	105,774	49,524
Due after one year	-	-
	105,774	**49,524**

13. Debtors arising out of reinsurance operations

	2022	2021
	$'000	$'000
Due within one year	136,672	93,816
Due after one year	10	4
	136,682	**93,820**

14. Deferred acquisition costs

	2022	2021
	$'000	$'000
Balance at 1 January	31,517	18,932
Incurred costs deferred	136,218	59,000
Amortisation	(109,246)	(46,955)
Effect of movements in exchange rates	(902)	540
	57,587	**31,517**

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Notes to the financial statements (continued)

15. Claims development

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

Pure underwriting estimate – gross	**2013**	**2014**	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	$'m	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**	**$'m**
Estimate of gross claims at end of underwriting year	65.9	64.6	81.6	91.8	153.8	129.2	70.4	105.3	168.3	393.3	
one year later	109.0	113.2	139.0	186.7	306.0	234.6	135.8	113.1	252.1	-	
two years later	104.6	112.2	151.5	210.3	336.6	260.2	148.3	81.6	-	-	
three years later	103.1	108.1	166.0	218.0	337.3	257.5	143.9	-	-	-	
four years later	104.0	117.3	181.0	217.5	341.6	253.3	-	-	-	-	
five years later	102.5	116.7	175.3	214.3	347.0	-	-	-	-	-	
Six years later	108.3	115.9	173.1	217.4	-	-	-	-	-	-	
Seven years later	105.0	119.3	172.8	-	-	-	-	-	-	-	
Eight years later	107.7	118.4	-	-	-	-	-	-	-	-	
Nine years later	106.9	-	-	-	-	-	-	-	-	-	
Less gross claims paid	104.4	102.9	152.7	195.2	295.6	188.7	86.6	35.7	74.6	68.5	
Gross claims reserve	2.5	15.5	20.1	22.2	51.4	64.6	57.3	45.9	177.5	324.8	781.8
Gross claims reserve for 2012 and prior years											4.7
Gross claims reserves											786.5

Notes to the financial statements (continued)

15. Claims development (continued)

Pure underwriting estimate - net	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m	$'m
Estimate of net claims at end of underwriting year	62.3	64.0	70.1	84.9	100.0	81.2	62.6	56.9	140.0	254.8	
one year later	100.2	104.8	125.5	174.6	185.9	137.0	114.4	81.2	202.4	-	
two years later	93.3	104.5	134.1	192.7	200.2	147.6	122.0	73.3	-	-	
three years later	89.3	101.5	143.7	197.2	203.6	144.2	117.1	-	-	-	
four years later	90.0	108.6	155.1	197.9	204.8	142.4	-	-	-	-	
five years later	88.7	108.5	150.2	194.5	207.7	-	-	-	-	-	
Six years later	92.8	108.4	146.9	195.9	-	-	-	-	-	-	
Seven years later	90.3	110.6	145.9	-	-	-	-	-	-	-	
Eight years later	92.0	109.9	-	-	-	-	-	-	-	-	
Nine years later	91.1	-	-	-	-	-	-	-	-	-	
Less net claims paid	89.8	98.2	129.8	180.5	180.0	113.1	75.1	29.8	72.4	65.4	
Net claims reserve	1.3	11.7	16.1	15.4	27.7	29.3	42.0	43.5	130.0	189.4	506.4
Net claims reserve for 2012 and prior years											4.1
Net claims reserves											510.5

Notes to the financial statements (continued)

16. Technical provisions

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

	2022			2021		
	Gross provisions	**Reinsurance assets**	**Net**	**Gross provisions**	**Reinsurance assets**	**Net**
	$'000	**$'000**	**$'000**	**$'000**	**$'000**	
Incurred claims outstanding:						
Balance at 1 January	538,214	(170,405)	367,809	498,144	(184,442)	313,702
Change in provisions	256,903	(107,042)	149,861	44,740	13,397	58,137
Effect of movements in exchange rates	(8,586)	1,474	(7,112)	(4,670)	640	(4,030)
Balance at 31 December	**786,531**	**(275,973)**	**510,558**	**538,214**	**(170,405)**	**367,809**
Unearned premiums						
Balance at 1 January	187,456	(22,614)	164,842	78,651	(12,429)	66,222
Premiums written during the year	801,250	(190,992)	610,258	428,047	(87,799)	340,248
Premiums earned during the year	(686,992)	169,478	(517,514)	(317,253)	77,469	(239,784)
Effect of movements in exchange rate	(243)	161	(82)	(1,989)	145	(1,844)
Balance at 31 December	**301,471**	**(43,967)**	**257,504**	**187,456**	**(22,614)**	**164,842**

Notes to the financial statements (continued)

17. Creditors

(i) Creditors arising out of direct insurance operations

	2022	2021
	$'000	**$'000**
Due within one year	1,512	-
Due after one year	-	-
	1,512	**-**

(ii) Creditors arising out of reinsurance operations

	2022	2021
	$'000	**$'000**
Due within one year	84,364	30,171
Due after one year	-	-
Other	**84,364**	**30,171**

18. Cash and cash equivalents

	2022	2021
	$'000	**$'000**
Short term deposits with credit institutions	244,964	240,902
Cash at bank and in hand	73,472	30,641
Total cash and cash equivalents	**318,436**	**271,543**

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

Notes to the financial statements (continued)

19. Related parties

ICML is the corporate capital provider for the 2021 & post years of account and SGL 1 is the corporate capital provider for the 2020 & prior years of account.

The 2021 & post underwriting years is managed by IMAL and the 2020 & prior years of account is managed by EMAL.

Inigo related parties

ICML and IMAL are wholly owned subsidiaries of the holding company Inigo Limited.

IMAL charged a managing agency fee of $7.0m (2021: $2.9m) to the Syndicate for its services for the 2022 calendar year. At the balance sheet date, the Syndicate owed IMAL $1.8m (2021: $3.4m).

Inigo Limited employs the staff for Inigo Group and provides services to the Syndicate, for which costs are incurred and recharged to the Syndicate. Inigo Limited charged a total of $58.4m (2021: $40.0m) to the Syndicate. At the balance sheet date, the Syndicate owed Inigo Limited $13.0m (2021: $9.0m).

Enstar related parties

StarStone Insurance Holdings Limited, a company incorporated in Bermuda, is the immediate parent company. Enstar Group Limited, a company incorporated in Bermuda, is the ultimate parent company and ultimate controlling party.

The Syndicate's corporate member for the 2020 and prior years of account is SGL No.1 Limited, who provided 100% of its underwriting capacity for these years.

Cavello Bay Reinsurance Limited ("Cavello Bay") is a wholly owned subsidiary of Enstar Group Limited. The Syndicate has a quota share agreement with Cavello Bay for the 2017 and 2018 underwriting year of accounts, in which Cavello Bay reinsures 35% of business written by the Syndicate.

During the year, the Syndicate ceded $0.3m (2021: $0.1m) of outward reinsurance premiums with Cavello Bay and recoveries (including ceded ULAE) was ($0.4m) (2021: ($1.1m)). The Syndicate has not remitted any funds in respect of premiums (net of commission) to Cavello Bay during the year and has an outstanding balance at the 2022 year-end of ($1.8m) in respect of the net amount due to Cavello Bay (2021: ($1.8m)).

StarStone Insurance SE (SISE) is a company domiciled in Lichtenstein that operates under the StarStone umbrella, and underwrote insurance and reinsurance business from London and its branches across Europe. The 2022 year-end balance due from SISE in respect of recoveries is $0.9m (2021: $0.7m).

StarStone Insurance Services Limited (SISL), a company domiciled in the United Kingdom, is a wholly owned subsidiary of StarStone Insurance Bermuda Limited (SIBL). SISL was an approved Lloyd's coverholder, whose license was revoked in 2020. The Company also provides services to EMAL to perform Syndicate activities for and behalf of the corporate member, for which costs are incurred and re-charged to the Syndicate.

Notes to the financial statements (continued)

19. Related parties (continued)

During the year, SISL charged the Syndicate $2.0m (2021: $10.7m) in recharged expenses. At the balance sheet date, the balance due from SISL $4.0m (2021: $1.1m due to SISL).

StarStone Underwriting Services B.V. (SUSBV), a company domiciled in the Netherlands, is a wholly owned subsidiary of StarStone Insurance Bermuda Limited (SIBL). SUSBV was an approved Lloyd's coverholder and acted as a coverholder for the Syndicate. During the year, SUSBV charged the Syndicate $nil (2021: $0.1m) in commissions. At the balance sheet date, the Syndicate owed SUSBV $nil (2021: $0.1m).

20. Foreign exchange rates

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

	2022		2021	
	Year-end Rate	**Average rate**	**Year-end Rate**	**Average rate**
Euro	1.13	1.17	1.19	1.16
US dollar	1.20	1.24	1.35	1.38
Canadian dollar	1.63	1.61	1.71	1.72
Australian dollar	1.77	1.78	1.86	1.83

21. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority requirements and resource criteria. The determination of FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members FAL to meet liquidity requirements or to settle claims.

22. Change in presentation currency

From 1 January 2021 the Syndicate changed its presentation currency to US dollars and hence all presentations and disclosures are in US Dollars, unless stated otherwise.

Notes to the financial statements (continued)

23. Members' balances

During the period, for the 2020 and prior years of account, the Syndicate received contribution to losses of $21.9m (2021: $32.3m contribution to losses) from SGL1, its corporate member.

24. Ultimate Parent Company

Inigo Limited, a company incorporated in the United Kingdom, is the immediate and ultimate parent company of ICML and IMAL.

Copies of the consolidated financial statements of Inigo Limited can be obtained from The Secretary, One Creechurch Place, 7th Floor, London, United Kingdom, EC3A 5AY.