



# ANNUAL ACCOUNTS

---

**Westfield Specialty**

Report and Syndicate Annual Accounts  
For the year ended 31 December 2023

Syndicate 1200





# Contents

## Section 1: Syndicate 1200 Report and Syndicate Annual Accounts

Directors and Advisors	2
Chairman's Statement	3
Report of the Directors of the Managing Agent	5
Statement of Managing Agent's Responsibilities	11
Report of the Independent Auditor	12
Income Statement	15
Statement of Financial Position	16
Statement of Changes in Members' Balances	17
Statement of Cash Flows	17
Notes to the Financial Statements	18

## Section 2: Syndicate 1200 Underwriting Year Accounts

Report of the Directors of the Managing Agent	51
Statement of Managing Agent's Responsibilities	52
Report of the Independent Auditor	53
2021 Year of Account:	
Income Statement	56
Statement of Financial Position	57
Statement of Changes in Members' Balances	58
Statement of Cash Flows	58
Notes to the Underwriting Year Accounts	59



Section 1:

Syndicate 1200

Report and Syndicate Annual Accounts

# Directors and Advisors

## MANAGING AGENT'S REGISTERED OFFICE

Westfield Specialty Managing Agency Ltd  
Camomile Court  
23 Camomile Street  
London EC3A 7LL

## MANAGING AGENT'S REGISTERED NUMBER

03768610

## DIRECTORS

DB Duclos (Chairman)  
D Argyle  
S Chandaria  
GP Evans  
JP Fox  
H-J Guenther  
JA Kuhn  
EJ Largent III  
DA Lehane  
J Zora

## SYNDICATE

Westfield Specialty Syndicate 1200

## ACTIVE UNDERWRITER

J England

## BANKERS

Barclays Bank Plc  
1 Churchill Place  
London E14 5HP

## INVESTMENT MANAGERS

Conning Asset Management Ltd  
24 Monument Street  
London EC3R 8AJ

## AUDITORS

KPMG LLP  
15 Canada Square  
Canary Wharf  
London E14 5GL

# Chairman's Statement



I am pleased to present to you my first report as Chairman of Westfield Specialty Managing Agency Ltd ('WSMA') and its managed Syndicate 1200 since taking over from Dee Lehane in October 2023.

## OWNERSHIP

On 2nd February 2023 Ohio Farmers Insurance Company purchased from Argo Group, their Lloyd's managing agency Argo Managing Agency Ltd. The Agency was subsequently renamed Westfield Specialty Managing Agency Ltd.

## RESULTS SUMMARY

2023 was another excellent year for Syndicate 1200 where continued strong performance of the business was evidenced in an operating profit of £61.9m (£26.7m in 2022) driven by an improved underwriting profit of £53.4m compared to £46.5m in 2022 and improved investment market conditions. The Syndicate took advantage of continued rate strengthening across most lines, however following the acquisition the Syndicate exited Property D&F which was previously underwritten from Argo's Bermuda office as a result of which gross written premiums decreased 8.6% to £582.4m (2022: £637.3m). The Combined Ratio (on a comparable basis) decreased to 87.8% (2022: 88.6%).

The results for 2023 and 2022 continue to bear out the importance of the wide-ranging remedial actions undertaken by syndicate management in recent years. I am pleased to report that for a fourth consecutive year, attritional and underlying losses are within our expectations.

Worldwide natural disasters in 2023 resulted in insured losses of roughly \$95bn compared to the 5 year average of \$105bn. Unlike in previous years there were no mega disasters in the US, instead losses were characterised by a large number of severe regional storms. The impact of these events on Syndicate 1200 was muted as expected following the decision to non-renew the Property D&F book as the combined ratio deterioration was limited to 1.3 percentage points.

Investment market conditions improved in 2023 in comparison to 2022, driven by increased interest rates and severe inflationary pressures. The operating profit benefit swung £25.2m to a benefit of £12.4m total investment income compared to investment losses of £12.8m in 2022.

I am pleased to report a profit from the 2021 and prior years of account of 5% (forecast 4.3% at December 2022). Capital providers will recall that the 2021 year of account was impacted materially by weather related losses (Hurricanes Ian & Ida) and geopolitical events in Ukraine. Generating a 5% return on stamp despite the major events impacting the underwriting year we believe demonstrates the underlying strength of the business.

## PORTFOLIO & EXPERTISE

Over previous years we have commented on the fact that the market has seen cumulative rate increases across the business. This momentum has continued through 2023 driven largely by the effects of high inflation and growing geopolitical concerns including the continuing conflict in Ukraine. This has produced differing rate increases across our lines of business with some slowing of momentum in certain lines. We are determined to remain disciplined in the execution of our underwriting plans, obtaining rate increases where needed and having the discipline to decline risks where rating is inadequate.

The cost of acquiring business continues to remain high across the market. Reducing this further continues to be a matter of critical importance. We also note the Blueprint II implementation plans from Lloyd's which are in time expected to have a material impact on market costs and efficiency.

In the event that market conditions do not allow the achievement of the right levels of profitability then further action will be taken.

## OPERATIONS

We place continued emphasis on our operational efficiency that produces benefits in terms of reduced costs and quality of work, leading to lower expense ratios. We benchmark our costs and Syndicate 1200 compares favourably with our Lloyd's peers.

I would like to recognise the successful migration of our systems and IT platform to the new Westfield environment, a significant body of work that was managed by the Syndicate 1200 team.

# Chairman's Statement

## THIRD PARTY CAPITAL

During 2023 the Agency completed a minority buyout of the outstanding capacity of the Syndicate. We would like to thank all our capital providers for their support of the Syndicate over a number of years.

## Staff commitment

I would like to express my thanks to our employees for their continued hard work and dedication. They have remained resilient through the period of ownership uncertainty in recent years and have worked diligently during the year to ensure a smooth transition to the Westfield organisation. Following the acquisition of the Agency there is a renewed optimism around longevity and potential investment. The high levels of staff retention following the acquisition and the addition of new talent to the organisation positions Syndicate 1200 to achieve further success.

On behalf of all capital providers and the Board I would like to thank Dee Lehane who has stood down as Chair of the Agency. Her contribution has been invaluable and we look forward to her continued involvement as a Director of the Agency.

**David Duclos**

*Chairman*

27 February 2024



# Report of the Directors of the Managing Agent

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

## REPORTING BASIS

These Syndicate annual accounts are prepared using the annual basis of accounting, as required by Statutory Instrument 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. The underwriting results have been determined on an annual accounting basis.

Separate underwriting year accounts, prepared on the three-year funded basis, show the cumulative result for the closed 2021 year of account, and are set out on pages 51 to 70.

## CALENDAR YEAR RESULTS

The table below sets out the calendar year results of Syndicate 1200:

	2023 £m	2022 incl. LPT £m	2022 excl. LPT £m
Gross written premium	582.4	637.3	637.3
Profit for the financial year	61.9	26.7	31.1
Loss ratio %	48.2	(6.6)	51.4
Expense ratio %	39.6	82.1	37.2
Combined ratio %	87.8	75.5	88.6

## UNDERWRITING YEARS OF ACCOUNT SUMMARY

The tables below show Syndicate 1200's actual (A) results for the closed 2021 year of account and the forecast (F) results for open years of account 2022 and 2023:

Year of account summary	2023 F £m	2022 F £m	2021 A £m
Stamp capacity	550.0	500.0	500.0
Stamp premium income	441.2	479.5	461.4
Stamp utilisation	80.2%	98.4%	92.3%
Gross written premium	568.2	612.0	616.3
Profit	–	40.1	25.0
Return on stamp	–	8.0%	5.0%

\* A formal forecast range for the 2023 year of account will be released at the time of publishing results for the 15 months to 31 March 2024.

## PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The principal activity of the business is that of underwriting general insurance risks, conducted through the Lloyd's market in the United Kingdom on behalf of the members of Syndicate 1200.

## CHANGE IN OWNERSHIP

On 2 February 2023, Argo Group sold its ownership in the managing agent and Syndicate 1200 to Ohio Farmers Insurance Company, the holding company of Westfield Insurance Company.

## LOSS PORTFOLIO TRANSFER (LPT)

Syndicate 1200 entered into a loss portfolio transaction with Syndicate 3500 managed by Riverstone Managing Agency Ltd in 2022. The transaction materially impacted the syndicate's combined ratio as reflected in the table below. The result for the 2022 calendar year is shown both with and without the impact of the LPT.

# Report of the Directors of the Managing Agent

## 2021 YEAR OF ACCOUNT – CLOSING YEAR

We are pleased to report a profit for the 2021 closed year of account with a return on capacity of 5% and a profit of £25.0m. This is an improvement on the forecast result last year end of £21.4 a 4.3% projected return on stamp.

Encouragingly we saw that much needed rating momentum that started in 2019 continued throughout the year. In anticipation of this, the syndicate capacity was raised to £500m.

The 2021 calendar year was yet another year of severe weather losses. The year started with the very unusual Storm Uri and continued with a very active Atlantic storm season. This year was rated the second largest natural catastrophe year for insured losses by Munich Re. Following this further year of heightened weather losses in the final quarter we took the decision to reduce future volatility in the Syndicate further and exited London D&F Property and our North American Binder businesses.

We are very pleased to see that following the major underwriting actions taken over the last few years that our underlying attritional losses are developing within our expectations.

The 2020 and prior years of account were reinsured externally via a reinsurance to close with Riverstone Syndicate 3500 in 2023.

## 2022 YEAR OF ACCOUNT

We expected the favourable underwriting environment to continue into 2022, although rate increases were expected to vary in strength by individual line of business.

Despite this expected increasing rate environment, we held capacity at £500m as we had taken the decision to reduce volatility by exiting certain property lines.

The recent trend of climate related losses continued into 2022 with market losses above the 5-year average. Notable events included Hurricane Ian, Winter storm Elliott and Hawaii wildfires.

For the third year in a row underlying attritional losses have continued to develop within our expectations.

## 2023 YEAR OF ACCOUNT

The favourable underwriting environment continued into 2023, although rate increases varied in strength by individual line of business.

Given another year of expected rate increases we increased capacity to £550m.

However, following the acquisition of the Agency by Westfield the decision was taken to exit the Bermuda Property D&F class and as such it was expected that we would not meet the increased capacity limit for the year.

2023 was also the year where the reinsurance market finally hardened particularly in property. The impact of this property hardening was mitigated by the decision described above to exit Bermuda D&F Property further reducing the volatility of the Syndicate.

2023 has seen market losses below the 5-year average with events related to severe regional storms rather than major US Hurricanes.

For the fourth year in a row underlying attritional losses have continued to develop within our expectations.

The syndicate continues to underwrite judiciously taking advantage of rate rises to grow selectively whilst reducing exposures in areas where rates are inadequate.

The Syndicate's gross written premium income by class of business comprises:

Year of account	2023 F %	2022 F %	2021 A %
<b>Short tail</b>			
Marine Cargo	5.0	5.1	5.2
Yachts & Hull	0.7	0.5	0.4
Offshore Energy	6.1	5.5	5.5
Renewable Energy	0.2	0.1	–
Power Outage	0.6	2.7	3.7
North American and International Property Binding Authorities	–	–	4.9
Personal Accident	3.2	3.6	3.7
Real Estate Owned and Forced Placed	7.5	5.3	5.2
Contingency	–	–	0.2
Property Facultative	0.1	16.3	19.2
Political Risk and Contract Frustration	8.0	7.3	5.5
Cyber Risks	–	–	0.8
Political Violence and War	7.6	4.8	2.3
Marine Re	7.2	3.5	2.9
	<b>46.2</b>	<b>54.7</b>	<b>59.5</b>

# Report of the Directors of the Managing Agent

Year of account	2023 F %	2022 F %	2021 A %
<b>Longer-tail</b>			
Directors and Officers	<b>4.6</b>	4.4	4.9
General Liability	<b>12.0</b>	9.7	8.5
International Casualty Treaty Liability	<b>8.7</b>	7.3	5.8
International Casualty Treaty Motor	<b>-</b>	2.1	3.3
Medical Malpractice	<b>2.7</b>	2.2	2.1
Marine Liability	<b>8.2</b>	6.5	4.9
Professional Indemnity	<b>17.6</b>	13.1	11.0
	<b>53.8</b>	45.3	40.5
	<b>100.0</b>	100.0	100.0

The Syndicate's gross written premium income by geographical region comprises:

Year of account	2023 F %	2022 F %	2021 A %
North America	<b>36.2</b>	39.0	45.1
Caribbean and Latin America	<b>2.5</b>	10.6	12.0
UK	<b>14.7</b>	16.1	13.0
Rest of Europe	<b>11.4</b>	8.2	5.7
Oceania	<b>14.3</b>	13.0	13.0
Rest of the world	<b>20.9</b>	13.1	11.2
Total	<b>100.0</b>	100.0	100.0

## REINSURANCE PROGRAMME PURCHASE

Westfield Specialty purchases reinsurance to assist in achieving its strategic objectives by managing risk aggregation and improving the return on capital of the Syndicate as a whole. The use of proportional and excess of loss protection varies by class depending on the characteristics and performance of the line of business. The 2024 reinsurance strategy remained in line with 2023 focusing on further reducing the ceded margin whilst maintaining the Syndicate's risk profile within appetite. The Syndicate continued to place the reinsurance programme with high quality reinsurers; 99% (2022: 97%) with Tier 1 reinsurers rated A- to AAA by Standard & Poor's.

## INVESTMENTS

Allocation of investments is conservative and is predominantly in cash and fixed interest securities of high credit quality with little exposure to volatile asset classes. This satisfies the Syndicate's liquidity requirements in respect of routine claim and expense payments. In addition, Lloyd's centrally manages various overseas funds and deposits on behalf of the Syndicate. However, by far the largest element of the Syndicate's funds 77.0% (2022: 74.2%) is held in fixed interest portfolios that are managed by Conning Investment Management Ltd which therefore has a dominant influence on the overall investment return. All investments are managed within risk constraints and duration, liquidity and credit limits (average must be A/A2 or above) are approved by the Board of Directors of the Managing Agent. The investment benchmarks set for the fixed income portfolios are predominantly a combination of the Barclays 1-3 year government and corporate indices and the investment manager's performance is compared to these benchmarks.

## INVESTMENT YIELD

	2023 %	2022 %
Sterling	0.4	–
United States dollars	3.4	(3.1)
Canadian dollars	2.6	(1.9)

## FOREIGN EXCHANGE EXPOSURE POLICY

The aim of our policy is to manage foreign exchange volatility within appetite. To achieve this, we aim to match our assets and liabilities in currency. It is Syndicate policy to hold its surplus assets (profits) in US Dollars. The Syndicate has authority to use a derivative in the form of a forward currency contract to limit exposure to adverse movement in non-US\$ currencies when it is considered desirable to do so.

## PRINCIPAL RISKS AND UNCERTAINTIES

Note 25 in the notes to the financial statements provides an analysis of the key insurance and financial risks to which the Syndicate is exposed.

## RESEARCH AND DEVELOPMENT

The Syndicate has not participated in any research and development activity during the period.

## DONATIONS

Charitable donations during the year amounted to £nil (2022: £nil).

## OUTLOOK

We remain positive around the outlook for 2024. We see favourable market dynamics in terms of our continued ability to increase rates across a number of classes, influence terms and conditions and to reduce acquisition costs further. We are taking the necessary steps to manage the impact of the current inflationary environment within the insurance market. Despite improving market conditions, we will focus not on growth in written premiums but on profitability. We will continue to target specific areas where we believe that we can obtain an adequate return and will exit areas where we do not believe long term profitability can be achieved. We will operate with absolute focus in executing our underwriting plans as we focus on continued underwriting profitability.

## 2020 & PRIOR REINSURANCE TO CLOSE

During 2022, the Syndicate entered into a Loss Portfolio Transfer reinsurance arrangement with Riverstone (Syndicate 3500) for the 2018 and 2019 years of account. These arrangements have now been incorporated in the Reinsurance To Close of the 2020 and prior years of account with Riverstone. As a result liabilities totalling £273.0m have transferred to Syndicate 3500.

# Report of the Directors of the Managing Agent

## DIRECTORS AND OFFICERS SERVING IN THE YEAR

The directors of the managing agent, who served during the year ended 31 December 2023 and to the date of this report, were:

Directors and officers

D B Duclos (independent non-executive chairman)	Appointed 27 October 2023
D Argyle	
S Chandaria (independent non-executive)	
G P Evans	Appointed 23 May 2023
J P Fox (independent non-executive)	
H-J Guenther (independent non-executive)	
D J Kirby	Resigned 23 May 2023
J A Kuhn	Appointed 14 August 2023
E J Largent III	Appointed 23 April 2023
D A Lehane (independent non-executive)	Resigned as Chairman 27 October 2023
J Moffatt	Resigned 1 May 2023
J Zora	Appointed 10 August 2023
T Mills (company secretary)	

## SYNDICATE AUDITOR

On 15 March 2023 Ernst & Young LLP resigned as the Syndicate's auditor, following which KPMG LLP was appointed as the Syndicate's auditor on 21 July 2023. The Board has confirmed that it is satisfied with the independence, objectivity and effectiveness of KPMG LLP during its first year as syndicate auditor.

KPMG LLP has indicated its willingness to continue in the office of syndicate auditor.

Approved by the Board of Westfield Specialty Managing Agency Ltd and signed on its behalf:

GP Evans  
*Chief Executive*

27 February 2024

## DISCLOSURE OF INFORMATION TO AUDITORS

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

## ANNUAL GENERAL MEETING

The directors do not propose to hold an annual general meeting for the Syndicate. If any members' agent or direct corporate supporter of the Syndicate wishes to meet with them, the directors will be happy to do so.

# Statement of Managing Agent's Responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") requires the managing agent to prepare Syndicate annual accounts at 31 December each year, in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law), which give a true and fair view of the state of affairs of the Syndicate and of its profit or loss for that year.

In preparing these Syndicate annual accounts, the managing agent is required to:

- select suitable accounting policies, and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- present information, including accounting policies, in a manner that provides relevant, reliable, comparable and understandable information;
- provide additional disclosures when compliance with the specific requirements in applicable law and regulations is insufficient to enable users to understand the impact of particular transactions, other events and conditions on the Syndicate's financial position and financial performance;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the Syndicate annual accounts; and
- prepare the Syndicate annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information relating to the Syndicate included on the managing agent's website. Legislation in the United Kingdom governing the preparation and dissemination of financial information may differ from legislation in other jurisdictions.

# Report of the Independent Auditor

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1200

### OPINION

We have audited the Syndicate annual accounts of Syndicate 1200 ("the Syndicate") for the year ended 31 December 2023 which comprise the Income Statement: Technical account – General business, Income Statement: non-technical account, Statement of Financial Position, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 1.

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 2023 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.

### CONCLUSIONS RELATING TO 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.

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

#### Identifying and responding to risks of material misstatement due to fraud

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 included:

- Enquiring of directors, internal audit, head of compliance and inspection of policy documentation as to the Syndicate's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Syndicate channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, audit committee, risk capital committee, claims reserving committee minutes;
- Considering remuneration incentive schemes and performance targets for management and directors; and
- 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 considering possible pressures to meet profit targets, 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 estimated premium debtors.

We identified fraud risks related to the valuation of claims outstanding, specifically over incurred but not reported claims, and the valuation of residual estimated premium debtors.

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 any posted by senior management, and those posted to accounts linked to an accounting estimate from unexpected sources; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

#### Identifying and responding to risks of material misstatement related to 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 discussion with the directors and other management the policies and procedures regarding compliance with laws and regulations.

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 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.

# Report of the Independent Auditor

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1200

### OTHER INFORMATION

The directors are responsible for the other information, which comprises the Chairman's Statement, the Report of the Directors of the Managing Agent, and the Statement of Managing Agent's Responsibilities. Our opinion on the Syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

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

- we have not identified material misstatements in the other information;
- in our opinion the information given in Report of the Directors of the Managing Agent for the financial year is consistent with the Syndicate annual accounts; and
- in our opinion that report has been prepared in accordance with the Companies Act 2006.

### 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 11, 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.

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

**Shaun Gealy**  
(Senior statutory auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

27 February 2024

# Income Statement

Year ended 31 December 2023

	Note	2023 £m	2022 £m
<b>Technical account – general business</b>			
Earned premiums, net of reinsurance			
Gross premiums written	2, 4	<b>582.4</b>	637.3
Outward reinsurance premiums	4	<b>(133.6)</b>	(434.1)
Net premiums written		<b>448.8</b>	203.2
Change in the provision for unearned premiums			
– Gross amount	2, 4	<b>9.7</b>	(1.6)
– Reinsurers' share	4	<b>(21.5)</b>	(11.5)
Change in the net provision for unearned premiums		<b>(11.8)</b>	(13.1)
Earned premiums, net of reinsurance		<b>437.0</b>	190.1
Allocated investment return transferred from the non-technical account		<b>12.4</b>	(12.8)
Claims incurred, net of reinsurance			
Claims paid			
– Gross amount	3	<b>(172.3)</b>	(247.2)
– Reinsurers' share	3	<b>64.2</b>	139.1
Net claims paid		<b>(108.1)</b>	(108.1)
Change in the provision for claims			
– Gross amount	3	<b>(94.8)</b>	(112.1)
– Reinsurers' share	3	<b>(7.8)</b>	232.8
Change in the net provision for claims		<b>(102.6)</b>	120.7
Claims incurred, net of reinsurance		<b>(210.7)</b>	12.6
Net operating expenses	6	<b>(172.9)</b>	(156.2)
Balance on the technical account for general business		<b>65.8</b>	33.7
<b>Non-technical account</b>			
Balance on the technical account for general business		<b>65.8</b>	33.7
Loss on exchange		<b>(3.9)</b>	(7.0)
Investment income/(expense)	9	<b>10.1</b>	(1.5)
Investment expenses and charges	9	<b>(0.2)</b>	(0.1)
Unrealised gains/(losses) on investments	9	<b>2.5</b>	(11.2)
Allocated investment return transferred to the technical account for general business	9	<b>(12.4)</b>	12.8
Profit for the financial year	16	<b>61.9</b>	26.7

There are no gains or losses in the accounting period other than those dealt with in the income statement and so no separate statement of comprehensive income has been prepared.

All items relate only to continuing operations.

# Statement of Financial Position

at 31 December 2023

	Note	2023 £m	2022 £m
<b>Investments</b>			
Financial investments at fair value through profit or loss	10	<b>326.6</b>	373.6
Deposits with ceding undertakings		<b>2.1</b>	2.1
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	4	<b>37.4</b>	60.6
Claims outstanding	3	<b>156.3</b>	419.7
		<b>193.7</b>	480.3
<b>Debtors</b>			
Debtors arising out of direct insurance operations	11	<b>262.7</b>	289.2
Debtors arising out of reinsurance operations	12	<b>28.8</b>	68.9
Other debtors	13	<b>7.1</b>	7.1
		<b>298.6</b>	365.2
<b>Cash and other assets</b>			
Cash at bank and in hand	15	<b>41.0</b>	76.6
Other assets	10, 14	<b>46.7</b>	71.2
		<b>87.8</b>	147.8
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	5	<b>77.6</b>	74.6
Total assets		<b>986.3</b>	1,443.6
<b>Members' balances and liabilities</b>			
Members' balances	16	<b>41.1</b>	(5.6)
<b>Technical provisions</b>			
Provision for unearned premiums	4	<b>288.0</b>	307.8
Claims outstanding	3	<b>533.3</b>	811.6
		<b>821.3</b>	1,119.4
<b>Creditors</b>			
Creditors arising out of direct insurance operations	17	<b>13.8</b>	10.5
Creditors arising out of reinsurance operations	18	<b>73.6</b>	275.8
Other creditors including taxation and social security	19	<b>28.2</b>	30.0
		<b>115.6</b>	316.3
<b>Accruals and deferred income</b>			
		<b>8.3</b>	13.5
Total members' balances and liabilities		<b>986.3</b>	1,443.6

Approved by the Board of Westfield Specialty Managing Agency Ltd on 27 February 2024 and signed on its behalf by:

**GP Evans**  
Director

**D Argyle**  
Director

# Statement of Changes in Members' Balances

Year ended 31 December 2023

	2023 £m	2022 £m
Members' balances brought forward at 1 January	(5.6)	(73.0)
Profit for the financial year	61.9	26.7
Transfers (to)/from members' personal reserve funds	(15.2)	40.7
Members' balances carried forward at 31 December	41.1	(5.6)

Members participate on Syndicates by years of account and their ultimate results, assets and liabilities are assessed on policies incepting in that year of account for their membership of a particular year.

# Statement of Cash Flows

Year ended 31 December 2023

	Note	2023 £m	2022 £m
Profit for the financial year		61.9	26.7
Movement in general insurance unearned premiums and outstanding claims		(259.3)	184.9
Movement in reinsurers' share of unearned premiums and outstanding claims		269.5	(227.8)
Investment return		(12.4)	12.8
Movements in other (assets)/liabilities		(145.9)	95.5
Net cash (outflow)/inflow from operating activities		(86.2)	92.1
Investing activities			
Investment income/(expense)		10.1	(1.4)
Purchases of debt and equity instruments		(263.3)	(204.5)
Sales of debt and equity instruments		326.6	124.7
Sales of deposits with ceding undertakings		-	1.4
Foreign exchange		-	(20.7)
Net cash inflow/(outflow) from investing activities		73.4	(100.5)
Financing activities			
(Payments to)/receipts from members in respect of underwriting participations	16	(15.2)	40.7
Net cash flow from financing activities		(15.2)	40.7
(Decrease)/increase in cash and cash equivalents		(28.0)	32.3
Cash and cash equivalents at 1 January		112.3	73.2
Exchange differences on opening cash		(4.1)	6.8
Cash and cash equivalents at 31 December	15	80.2	112.3

# Notes to the Financial Statements

Year ended 31 December 2023

## 1. ACCOUNTING POLICIES STATEMENT OF COMPLIANCE

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

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

### BASIS OF PREPARATION

The financial statements for the year ended 31 December 2023 were approved for issue by the Board of Directors on 27 February 2024.

Having considered the solvency and liquidity position of the Syndicate, the directors of the managing agent consider it appropriate to prepare the accounts on a going concern basis.

The financial statements are prepared in sterling which is the functional and presentational currency of the Syndicate and rounded to the nearest £0.1m.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts. The Syndicate annual accounts have been prepared on the basis that the Syndicate will continue to write future business unless it is inappropriate to do so.

### JUDGEMENT AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

#### Premiums written

Estimates are made at the date of inception for premiums written through third parties, including amounts due to the Syndicate not yet notified. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

#### Claims incurred and reinsurers' share

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount of IBNR, which is based on statistical techniques of estimation applied by the Syndicate's in-house actuaries and reserving team, is reviewed by external consulting actuaries. These statistical techniques generally involve projecting, from past experience, the development of claims over time to form a view of the likely ultimate claims to be expected for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts for internal and external claims handling costs.

For the most recent years, where a higher degree of volatility may arise from projections, estimates may partly be based on rating and other models of the business accepted, and assessments of underwriting conditions.

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

Hence the two most critical assumptions for claims provisions are that the past is a reasonable predictor of future claims development, and that rating and other models used, including pricing models for recent business, are fair indicators of the ultimate claims that will be incurred.

The uncertainty of such estimations generally decreases with the time that has elapsed since policy inception. In addition short tail claims such as property, where claims are typically notified and settled quickly, will normally have less uncertainty after a few years than long tail risks, such as some liability business, where it may be several years before claims are fully advised and settled. Where disputes exist over coverage under policies, or the relevant law governing a claim changes, uncertainty in the estimation of outcomes may increase.

The assessment of these provisions can be the most subjective aspect of an insurer's accounts, and may result in greater uncertainty than found within the financial statements of other businesses. The directors of the managing agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability can be varied by further information and events and this may result in significant adjustments to the provisions. Modifications to claims provisions established in prior years are shown in the financial statements for the period in which the adjustments are made. Provisions are not discounted for investment earnings that may arise on funds retained to meet future liabilities. The methods used, and the estimates made, are reviewed regularly.

### Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- a. Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- b. Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- c. Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

See Note 10 for details of financial instruments classified by fair value hierarchy.

### BASIS OF ACCOUNTING

Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

#### Product classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect.

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.

#### Premiums written

Premiums written comprise premiums on contracts of insurance incepted during the financial year and any adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of commission payable and exclude taxes and duties levied on them.

#### Unearned premiums

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

### Reinsurance premium ceded

Outward reinsurance premiums are accounted for on an earned basis in the same accounting period as the premiums for the related direct or inwards business being reinsured, except Losses Occurring During Treaty reinsurance which is earned from the start of the reinsurance policy over the life of the policy.

#### Claims incurred and reinsurers' share

Gross claims incurred comprise claims and settlement expenses (both internal and external) occurring during the year, and the movement in provision for outstanding claims and settlement expenses brought forward. Allowance is made for the cost of claims incurred by the reporting period end date but not reported until after the reporting period end. Incurred claims outstanding are reduced by anticipated salvage and other recoveries from third parties.

#### Unexpired risks provision

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

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

At 31 December 2023 and 31 December 2022 the Syndicate did not have an unexpired risks provision.

#### Reinsurance assets

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

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



# Notes to the Financial Statements

Year ended 31 December 2023

## 1. ACCOUNTING POLICIES (CONTINUED)

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2023 or 2022.

Reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

### Net operating expenses (including acquisition costs)

Net operating expenses include acquisition costs and amounts charged to members through the Syndicate.

Where expenses are incurred by or on behalf of the managing agent for the administration of the managed Syndicate, they are apportioned using methods appropriate to the type of expense. Expenses which are incurred jointly for the managing agent and managed Syndicate are apportioned between the managing agent and Syndicate on bases dependant on the amount of work performed, resources used and the volume of business transacted.

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are recognised by reference to premium written. They are deferred to the extent that they are attributable to and recoverable against premiums unearned at the reporting period end date. All other operating expenses are accounted for on an accruals basis.

### Profit commission

Profit commission within these financial statements is charged at a rate of 15% on the first 15% of the return on stamp and 20% thereafter. Profit commission is payable on distributed results and is subject to the operation of a three year deficit clause.

### Exchange rates

The rates of exchange used in preparing the financial statements were:

	2023		2022	
	Average	Closing	Average	Closing
Euro	<b>1.15</b>	<b>1.16</b>	1.17	1.14
US dollar	<b>1.24</b>	<b>1.27</b>	1.25	1.21
Canadian dollar	<b>1.68</b>	<b>1.70</b>	1.62	1.65
Japanese yen	<b>175.44</b>	<b>181.82</b>	160.78	160.13
Australian dollar	<b>1.87</b>	<b>1.88</b>	1.79	1.81

### Distribution of profits and collection of losses

Lloyd's has regulations on solvency and the distribution of profits and payment of losses between a Syndicate and its members. Lloyd's continues to require Syndicate membership to be on an underwriting year basis, and profits and losses belong to members according to their membership. Normally profits and losses are transferred between a Syndicate and its members after results for an underwriting year are finalised after 36 months. This period may be extended if an underwriting year is placed in run-off. The Syndicate may make earlier on account distributions or cash calls according to the cash flow of that underwriting year, subject to Lloyd's regulations.

### Foreign currencies

The Syndicate's functional currency and presentational currency is Sterling.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-technical account.



### Financial investments

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

The Syndicate classifies its financial investments as financial assets at fair value through profit or loss.

The Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date on which the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

### Derivative financial instruments

The Syndicate uses derivatives in the form of forward foreign currency contracts. Such derivative financial instruments are initially recognised at fair value on the date that the derivative contract is entered into and are subsequently re-measured at fair value through the profit or loss at each reporting period end date. The Syndicate has not used hedge accounting for any of its derivatives.

Financial assets at fair value through profit or loss have two sub categories namely financial assets held for trading and those designated at fair value through profit or loss at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading as are all derivatives, including embedded derivatives, that are not designated as hedging instruments. For investments designated as at fair value through profit or loss, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets, financial liabilities or both which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded 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.

### Overseas deposits

Overseas deposits are stated at market value as at the reporting period end date.

### Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

### Investment return

Dividends are recognised when the investments to which they relate are declared 'ex-dividend'. Interest income is recognised on a time proportionate basis taking into account effective interest yield.

Unrealised and realised gains and losses on financial investments are recognised based on the appropriate classification of financial investments and are covered in detail under the accounting policy for financial investments.

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

### Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. Managing agents can recover UK basic rate income tax deducted from Syndicate investment income, and consequently any distribution to members or members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for United States federal income tax or Canadian 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 foreign taxes payable by members on underwriting results.

### Pension costs

Westfield Specialty Management Services Ltd is a service company (a fellow group company of the managing agent) which operates a defined contribution pension scheme. Pension contributions are recharged to group companies and the Syndicate based on employees' time. The amounts allocated to the Syndicate for employee time spent working on the Syndicate are included within net operating expenses.

# Notes to the Financial Statements

Year ended 31 December 2023

## 2. SEGMENTAL ANALYSIS

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

2023	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	£m
Direct insurance: Accident and health	6.1	6.9	(4.7)	(2.5)	–	(0.3)
Marine	44.6	40.2	(15.4)	(14.2)	(3.8)	6.8
Energy – Marine	15.5	16.3	(13.6)	(4.4)	(0.3)	(2.0)
Energy – Non Marine	5.4	4.7	(4.0)	(1.0)	(2.4)	(2.7)
Fire and other damage to property	41.1	45.8	(10.7)	(7.8)	(28.0)	(0.7)
Third party liability	172.0	176.1	(64.5)	(85.8)	(2.6)	23.2
Pecuniary loss	41.8	35.7	(8.0)	(6.3)	(13.6)	7.8
	326.5	325.7	(120.9)	(122.0)	(50.7)	32.1
Reinsurance acceptances	255.9	266.4	(146.2)	(72.7)	(26.2)	21.3
Total	582.4	592.1	(267.1)	(194.7)	(76.9)	53.4

2022	Gross premiums written £m	Gross premiums earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	£m
Direct insurance: Accident and health	8.9	11.3	(7.2)	(5.1)	0.1	(0.9)
Marine	35.5	36.0	(23.8)	(13.2)	3.4	2.4
Energy – Marine	12.6	13.8	(11.6)	(3.6)	(1.1)	(2.5)
Energy – Non Marine	23.3	24.3	(33.3)	(3.6)	5.3	(7.3)
Fire and other damage to property	122.3	152.3	(99.1)	(32.2)	(29.2)	(8.2)
Third party liability	174.0	171.3	(59.6)	(59.0)	(7.9)	44.8
Pecuniary loss	19.7	16.9	(2.4)	(7.8)	(4.0)	2.7
	396.3	425.9	(237.0)	(124.5)	(33.4)	31.0
Reinsurance acceptances	241.0	209.8	(122.3)	(61.3)	(10.7)	15.5
Total	637.3	635.7	(359.3)	(185.8)	(44.1)	46.5

Total commissions for direct insurance accounted for in the year amounted to £99.2m (2022: £78.8m).

All premiums written are for contracts with external customers and are concluded in the UK.

Analysis of gross premium written by geographical area is shown below:

	Gross premiums written		Gross premiums written	
	2023 £m	2023 %	2022 £m	2022 %
North America	235.9	40.5	198.1	31.1
Caribbean and Latin America	12.0	2.1	138.9	21.8
UK	92.6	15.9	92.0	14.4
Rest of Europe	60.7	10.4	47.5	7.5
Oceania	49.7	8.5	52.8	8.3
Rest of the world	131.5	22.6	108.0	16.9
Total	582.4	100.0	637.3	100.0

### 3. CLAIMS OUTSTANDING

	Gross £m	Reinsurers' share £m	Net £m
At 1 January 2023	811.6	(419.7)	391.9
Unallocated loss adjustment expenses	(1.3)	1.3	–
Opening balance (adjusted)	810.3	(418.4)	391.9
Reserves transferred to Syndicate 3500 following RITC of 2020 & prior	(347.8)	243.5	(104.3)
Claims incurred in current underwriting year	109.3	(18.0)	91.3
Claims incurred in prior underwriting years	157.8	(38.4)	119.4
Claims paid during the year	(172.3)	64.2	(108.1)
Foreign exchange	(24.0)	10.8	(13.2)
At 31 December 2023	533.3	(156.3)	377.0

	Gross £m	Reinsurers' share £m	Net £m
At 1 January 2022	649.0	(185.5)	463.5
Claims incurred in current underwriting year	181.2	(72.5)	108.7
Claims incurred in prior underwriting years	178.1	(299.4)	(121.3)
Claims paid during the year	(247.2)	139.1	(108.1)
Foreign exchange	50.5	(1.4)	49.1
At 31 December 2022	811.6	(419.7)	391.9

Reinsurers' share of claims outstanding in 2022 includes £1.3m of ceded unallocated loss adjustment expenses on 2018 and 2019 years of account following the 100% loss portfolio transfer in 2022.

# Notes to the Financial Statements

Year ended 31 December 2023

## 4. PROVISION FOR UNEARNED PREMIUMS

	Gross £m	Reinsurers' share £m	Net £m
At 1 January 2023	307.8	(60.6)	247.2
Premiums written in the year	582.4	(133.6)	448.8
Premiums earned in the year	(592.1)	155.1	(437.0)
Foreign exchange	(10.1)	1.7	(8.4)
At 31 December 2023	288.0	(37.4)	250.6

	Gross £m	Reinsurers' share £m	Net £m
At 1 January 2022	285.5	(67.0)	218.5
Premiums written in the year	637.3	(434.1)	203.2
Premiums earned in the year	(635.7)	445.6	(190.1)
Foreign exchange	20.7	(5.1)	15.6
At 31 December 2022	307.8	(60.6)	247.2

## 5. DEFERRED ACQUISITION COSTS

	2023 £m	2022 £m
At 1 January	74.6	71.1
Change in deferred acquisition costs	5.6	(1.5)
Foreign exchange	(2.6)	5.0
At 31 December	77.6	74.6

## 6. NET OPERATING EXPENSES

	2023 £m	2022 £m
Brokerage and commission	<b>128.8</b>	111.9
Other acquisition costs	<b>17.5</b>	14.8
Acquisition costs	<b>146.3</b>	126.7
Change in deferred acquisition costs	<b>(5.6)</b>	1.5
Administrative expenses	<b>32.2</b>	28.0
<b>Total</b>	<b>172.9</b>	156.2

Administrative expenses include:

Auditors' remuneration consisting of audit of the Syndicate annual accounts	<b>0.7</b>	0.5
Other services pursuant to Regulations and Lloyd's Byelaws	<b>0.2</b>	0.2

Members' standard personal expenses:

Lloyd's New Central Fund contributions	<b>2.4</b>	2.1
Lloyd's subscriptions	<b>2.5</b>	2.1
Managing agent's fees	<b>3.3</b>	3.0
Managing agent's profit commission	<b>0.1</b>	–
<b>Total</b>	<b>8.3</b>	7.2

# Notes to the Financial Statements

Year ended 31 December 2023

## 7. EMPLOYEES

All staff are employed by Westfield Specialty Management Services Ltd (WSMS), a fellow group company of the Managing Agency. The following amounts were recharged to the Syndicate as salary costs:

	2023 £m	2022 £m
Wages and salaries	24.6	20.9
Social security costs	3.9	3.8
Pension costs	2.4	1.7
Other	1.3	1.2
	<b>32.2</b>	<b>27.6</b>

Other costs include: severance and redundancy payments and holiday pay.

The average number of full-time equivalent employees employed by WSMS but working for the Syndicate during the year was as follows:

	2023	2022
Underwriting	71	75
Administration and finance	96	95
Claims	14	17
Investments	1	1
	<b>182</b>	<b>188</b>

## 8. DIRECTORS' AND ACTIVE UNDERWRITER'S EMOLUMENTS

The directors of Westfield Specialty Managing Agency Ltd received the following aggregate remuneration, charged to the Syndicate and included within net operating expenses:

	2023 £m	2022 £m
Emoluments	1.8	0.8
	<b>1.8</b>	<b>0.8</b>

The aggregate remuneration paid to the applicable active underwriter, charged as a Syndicate expense:

	2023 £m	2022 £m
Emoluments	0.6	0.3
	<b>0.6</b>	<b>0.3</b>

The above amounts exclude any benefits not recharged to the Syndicate. Amounts not recharged in calendar years 2022 and 2023 included the active underwriter charges in relation to options granted in the former group holding company, Argo Group International Holdings Ltd (see note 22).

The active underwriter's profit share remuneration is charged to Westfield Specialty Managing Agency Ltd.

## 9. INVESTMENT RETURN

	2023 £m	2022 £m
Income from financial investments	<b>6.4</b>	4.1
Net gain/(loss) on realisation of investments		
Fair value through profit or loss designated upon initial recognition	<b>3.7</b>	(5.6)
Total investment income	<b>10.1</b>	(1.5)
Net unrealised loss on investments		
Financial instruments at fair value through profit or loss	<b>2.5</b>	(11.2)
Investment expenses and charges	<b>(0.2)</b>	(0.1)
Total investment return	<b>12.4</b>	(12.8)

### Average funds available for investment by currency

	2023 £m	2022 £m
Sterling	<b>11.5</b>	18.7
Euro	<b>5.5</b>	4.2
United States dollars	<b>246.4</b>	247.5
Canadian dollars	<b>123.3</b>	152.0
Australian dollars	<b>33.0</b>	38.0
Japanese yen	<b>0.8</b>	1.3

### Analysis of calendar year investment yield by currency

	2023 %	2022 %
Sterling	<b>0.4</b>	(3.5)
Euro	–	(6.4)
United States dollars	<b>3.4</b>	(3.2)
Canadian dollars	<b>2.6</b>	(1.6)
Australian dollars	<b>1.8</b>	(4.4)

“Average fund” is the average of bank balances, overseas deposits and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

# Notes to the Financial Statements

Year ended 31 December 2023

## 10. FINANCIAL INVESTMENTS AT FAIR VALUE

	Carrying value £m	Purchase price £m
<b>2023</b>		
Designated at fair value through profit or loss		
- Shares and other variable yield securities and units in unit trusts	39.2	39.2
- Debt securities and other fixed income securities	287.4	279.8
Deposits with credit institutions held	46.7	46.7
	<b>373.3</b>	<b>365.7</b>
<b>2022</b>		
Designated at fair value through profit or loss		
- Shares and other variable yield securities and units in unit trusts	43.8	43.8
- Debt securities and other fixed income securities	329.8	346.6
Deposits with credit institutions held	71.2	71.2
	<b>444.8</b>	<b>461.6</b>

Debt securities and other fixed income securities are all listed on recognised stock exchanges.

There was no change during the period and cumulatively in the fair value of financial instruments held at fair value through profit or loss (other than derivatives) attributable to changes in credit risk.

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



The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
<b>31 December 2023</b>				
Shares and other variable yield securities and units in unit trusts	<b>39.2</b>	–	–	<b>39.2</b>
Debt securities and other fixed income securities	<b>1.4</b>	<b>286.0</b>	–	<b>287.4</b>
	<b>40.6</b>	<b>286.0</b>	–	<b>326.6</b>
Loans and deposits with credit institutions	<b>2.8</b>	<b>43.9</b>	–	<b>46.7</b>
	<b>43.4</b>	<b>329.9</b>	–	<b>373.3</b>
<b>31 December 2022</b>				
Shares and other variable yield securities and units in unit trusts	35.7	–	8.1	43.8
Debt securities and other fixed income securities	1.1	328.7	–	329.8
	36.8	328.7	8.1	373.6
Loans and deposits with credit institutions	5.0	66.2	–	71.2
	41.8	394.9	8.1	444.8

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry Syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities were:

	2023 £m	2022 £m
AAA/Aaa	<b>95.1</b>	146.0
AA/Aa	<b>103.6</b>	95.6
A	<b>70.5</b>	73.2
BBB/Baa or lower	<b>18.2</b>	15.0
	<b>287.4</b>	329.8

# Notes to the Financial Statements

Year ended 31 December 2023

## 10. FINANCIAL INVESTMENTS AT FAIR VALUE (CONTINUED)

The maturity bands of the bond holdings with Conning were:

	2023 £m	2023 %	2022 £m	2022 %
Less than 1 year	35.6	12.4	64.4	19.5
1– 2 years	113.5	39.5	133.0	40.3
2– 3 years	116.9	40.7	112.0	34.0
3– 4 years	19.0	6.6	18.8	5.7
4–5 years	1.1	0.4	–	–
Over 5 years	1.3	0.4	1.6	0.5
	<b>287.4</b>	<b>100.0</b>	329.8	100.0

The Syndicate's fund managers at 31 December 2023 were:

Manager	Funds managed
Conning Asset Management Ltd	Sterling, Euro, US and Canadian dollar bonds
Western Asset Management Co. Ltd	US dollar liquid funds
Fiera Capital Corporation	US and Canadian liquid funds

## 11. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2023 £m	2022 £m
Due within one year: intermediaries	262.7	289.2

## 12. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2023 £m	2022 £m
Due within one year	28.8	68.9

## 13. OTHER DEBTORS

	2023 £m	2022 £m
Due within one year:		
Due from Westfield Specialty Ltd	0.3	0.3
Due from Westfield Specialty Direct Ltd	0.3	0.3
Federal Income tax	1.1	1.4
Singapore GST Input	–	0.4
	<b>1.7</b>	2.4
Due after one year:		
Recoverable taxes	5.4	4.7
	<b>7.1</b>	7.1

Amounts due from members for fee advances made to members' agents are included in members' balances (see note 16).

#### 14. OTHER ASSETS

	2023 £m	2022 £m
Overseas deposits in Australia	27.6	34.0
Overseas deposits in Illinois and Kentucky, USA	0.2	0.9
Overseas deposits in South Africa and other countries	18.9	36.3
	<b>46.7</b>	<b>71.2</b>

Overseas deposits were placed as a condition of carrying on business in these territories.

#### 15. CASH AND CASH EQUIVALENTS

	2023 £m	2022 £m
Cash at bank and in hand	41.0	76.6
Short term deposits with financial institutions	39.2	35.7
	<b>80.2</b>	<b>112.3</b>

#### 16. MEMBERS' BALANCES

	2023 £m	2022 £m
Members' balances brought forward at 1 January	(5.6)	(73.0)
Profit for the financial year	61.9	26.7
Members' agents' fees	-	-
Transfers from members' personal reserve funds	(15.2)	40.7
Members' balances carried forward at 31 December	<b>41.1</b>	<b>(5.6)</b>

Members participate on Syndicates by years of account and their ultimate results, assets and liabilities are assessed on policies incepting in that year of account for their membership of a particular year.

#### 17. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2023 £m	2022 £m
Due within one year: intermediaries	13.8	10.5

#### 18. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2023 £m	2022 £m
Due within one year	44.0	275.8
Due after one year	29.6	-
	<b>73.6</b>	<b>275.8</b>

# Notes to the Financial Statements

Year ended 31 December 2023

## 19. OTHER CREDITORS INCLUDING TAXATION AND SOCIAL SECURITY

	2023 £m	2022 £m
Due within one year:		
Due to Westfield Specialty Managing Agency	–	3.7
Due to Westfield Specialty Management Services Ltd	6.2	–
Due to corporate members	0.4	0.4
Singapore GST Output	–	0.1
Profit commission payable	0.1	0.1
Sundry creditors	19.1	22.2
Service company commission payable	0.9	3.5
Uncleared investment trades	1.5	–
	<b>28.2</b>	30.0

## 20. EVENTS AFTER THE REPORTING PERIOD

The following amount will be transferred in sterling to members' personal reserve funds during the second quarter of 2024:

	2023 £m	2022 £m
2021 year of account	25.0	–
2020 year of account	–	15.2
	<b>25.0</b>	15.2

## 21. ITEMS NOT REFLECTED IN THE STATEMENT OF FINANCIAL POSITION

At the balance sheet date, the Syndicate has not been party to an arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

## 22. RELATED PARTIES

Lloyd's market regulations require that a managing agent is responsible for employing the underwriting staff and managing the affairs of each Syndicate at Lloyd's on behalf of the Syndicate members. The managing agent of Syndicate 1200 is Westfield Specialty Managing Agency Ltd (WSMA). The immediate parent company of WSMA is Westfield Specialty Ltd (WSL) which was acquired by Ohio Farmers Insurance Company on 2 February 2023.

Stock options granted to the directors of the managing agent and the active underwriter of the Syndicate by its former owner Argo Group International Holdings, Ltd comprise:

	1 January 2023	Settled	31 December 2023
<b>Restricted stock awards</b>			
D Kirby	12,429	(12,429)	–
DA Lehane	2,266	(2,266)	–
J Moffatt	8,084	(8,084)	–
D Argyle	6,958	(6,958)	–
	29,737	(29,737)	–

The cost of these stock options was charged to Westfield Specialty Ltd and not recharged to the Syndicate. This excluded the cost of stock options relating to DA Lehane who received benefits as a result of being an Argo Group non-executive director. These specific restricted stock option costs were retained by Argo Group.

On 16 November 2023, Brookfield Reinsurance completed its acquisition of Argo Group International Holdings Limited. Under the terms of the transaction, Brookfield Reinsurance acquired all issued and outstanding common shares of Argo. As a result, the Directors did not hold any shares in Argo Group at 31 December 2023.

Ohio Farmers Insurance Company is a mutual company and does not issue stock to employees.

Funds at Lloyd's (FAL) for the following members, whose capacity is shown below, is provided by the Ohio Farmers Insurance group, either directly by WSL or through interavailable FAL or via a guaranteed letter of credit.

Year of account	2022		2023		2024	
	£m	%	£m	%	£m	%
Westfield Specialty Capital (No. 604) Ltd	456.4	91.3	546.1	99.3	550.0	100.0
Nomina No 550 LLP	1.0	0.2	1.1	0.2	–	–
	457.4	91.5	547.2	99.5	550.0	100.0

# Notes to the Financial Statements

Year ended 31 December 2023

## 22. RELATED PARTIES (CONTINUED)

FAL for the following member, whose capacity is shown below, is provided by trade insurers through funded limited liability 100% quota share reinsurance contracts. The corporate members concerned received commission of £28k (2022: £87k) from the providers of these funded limited liability quota share contracts to cover administrative costs.

Year of account	2022		2023		2024	
	£m	%	£m	%	£m	%
Westfield Specialty Capital (Epsilon) Ltd	10.0	2.0	-	-	-	-
	10.0	2.0	-	-	-	-

WSMA entered into transactions with the Syndicate as follows:

Members' expenses include agent's fees and profit commission payable to the managing agent, and subscriptions and central guarantee fund contributions paid to Lloyd's. These are charged on an underwriting year of account, rather than calendar year, basis. For the 2023 underwriting year of account, WSMA has charged an agent's fee of 0.6% of capacity. When the year of account result is finalised, usually after 36 months, WSMA will charge a profit commission of 15% on the return on stamp up to 15%, and 20% above 15% return on stamp (2023: as 2022), subject to the operation of a three year deficit clause. Within the financial statements for the 2023 calendar year, fees of £3.3m have been included in net operating expenses with £0.1m for profit commission. (2022: fees £3.0m and profit commission £nil). At 31 December 2023 there were no unpaid fees (2022: £nil) or profit commission (2022: £nil) due to be paid in future periods.

The managing agent incurs a large proportion of the expenses incurred in operating the Syndicate and recharges them to the Syndicate on a basis that reflects the Syndicate's use of resources. The recharges are included in net operating expenses, acquisition costs, claims incurred and investment expenses and charges. Included within the recharges are amounts relating to the remuneration of directors of WSMA. The total amount recharged by the managing agent to the Syndicate during 2023 was £53.1m (2022: £48.6m) excluding agent's fees and profit commission.

At 31 December 2023 an amount of £nil was due to the managing agent from the Syndicate. At 31 December 2022 an amount of £0.4m was due to the managing agent from the Syndicate. No interest is payable on this amount.

## 23. PENSION OBLIGATIONS

WSMS operates a defined contribution pension scheme for its employees including Syndicate staff. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses. The cost of the contributions made for the year was £2.0m (2022: £1.7m) and there were no outstanding or prepaid contributions at the end of this year or the previous year.

## 24. WESTFIELD SPECIALTY DIRECT LTD

Westfield Specialty Direct Ltd (WSDL) is a 100 percent subsidiary of WSMA, set up to write small to medium size commercial liability risks. Any profits or losses are paid to or reimbursed by the Syndicate. No directors or officers of the managing agent receive any remuneration or benefits from WSDL.

	2023 £m	2022 £m
Gross written premium booked through WSDL in year ended 31 December	0.5	0.4

## 25. RISK MANAGEMENT

### Governance framework

The primary objective of the Syndicate's risk and financial management framework is to protect the Syndicate's members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The managing agent has established a risk management function for the Syndicate with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Syndicate policy framework which sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

The board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'. The Board sets risk appetite annually as part of the Syndicate's business planning and capital setting process. The risk management function is also responsible for reviewing the Syndicate's Own Risk and Solvency Assessment ('ORSA'), recommending the assessment to the Board for approval.

### Capital management objectives, policies and approach

#### Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000. Lloyd's is subject to the Solvency II capital regime.

Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital 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 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 Syndicate level. Accordingly the capital requirement in respect of Syndicate 1200 is not disclosed in these financial statements.

#### Lloyd's capital setting process

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

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

# Notes to the Financial Statements

Year ended 31 December 2023

## 25. RISK MANAGEMENT (CONTINUED)

### 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 (FAL)), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates.

Accordingly all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the Statement of financial position on page 16, represent resources available to meet members' and Lloyd's capital requirements.

### Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The majority of proportional reinsurance is quota-share reinsurance which is taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to catastrophe losses. Retention limits for the excess-of-loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Syndicate principally issues the following types of general insurance contracts: accident and health, third-party liability, marine, fire, pecuniary loss and peril. Risks usually cover twelve months duration.

The most significant risks arise from the impact of climate change on the frequency and severity of natural disasters and also terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

The above risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Syndicate. The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.



### Catastrophic events

The Syndicate has developed underwriting guidelines which limit the authority of the underwriting teams and limit exposure geographically and by assured entities. The Syndicate models Realistic Disaster Scenarios (RDS) which provide an estimate of the effect on the Syndicate results of an aggregation of the claims arising from a large range of disasters including those specified by Lloyd's. The Syndicate uses a number of modelling tools to monitor aggregation and to simulate catastrophe losses, which are used to measure the effectiveness of both the underwriting guidelines to limit exposure to these scenarios and its reinsurance programmes.

The following, taken from recent submissions to Lloyd's, illustrate the effect of RDS on the underwriting results:

Description of RDS as at 1 July 2023	Industry loss/ Event size £bn	Gross loss to Syndicate £m	Net loss to Syndicate £m
<b>Worldwide Property</b>			
1. North East US windstorm	101.6	12.9	8.2
2. Gulf of Mexico windstorm	62.8	29.2	16.7
3. Miami windstorm	91.6	16.9	9.5
4. Los Angeles earthquake	60.5	72.0	27.8
5. San Francisco earthquake	62.0	30.2	17.6
6. Japanese earthquake	9.2	–	–

Description of RDS as at 1 January 2023	Industry loss/ Event size £bn	Gross loss to Syndicate £m	Net loss to Syndicate £m
<b>Worldwide Property</b>			
1. North East US windstorm	106.3	16.9	10.1
2. Gulf of Mexico windstorm	65.7	96.9	33.5
3. Miami windstorm	95.8	102.3	30.4
4. Los Angeles earthquake	63.3	155.1	39.6
5. San Francisco earthquake	64.9	143.1	39.0
6. Japanese earthquake	9.6	–	–

Where exposures are not calculated in Sterling they are converted to Sterling using monthly exchange rates advised by Lloyd's.

# Notes to the Financial Statements

Year ended 31 December 2023

## 25. RISK MANAGEMENT (CONTINUED)

The table below sets out the concentration of outstanding claim liabilities by class of business:

	31 December 2023			31 December 2022		
	Gross liabilities £m	Re-insurance of liabilities £m	Net liabilities £m	Gross liabilities £m	Re-insurance of liabilities £m	Net liabilities £m
Accident and health	5.8	–	5.8	11.5	(0.3)	11.2
Marine	23.6	(1.8)	21.8	26.8	(9.2)	17.6
Energy – Marine	18.9	(3.7)	15.2	15.9	(1.9)	14.0
Energy – Non Marine	0.5	(0.2)	0.3	2.0	(2.3)	(0.3)
Fire and other damage to property	69.9	(52.1)	17.8	184.4	(179.9)	4.5
Third-party liability	148.2	(29.9)	118.3	222.8	(81.1)	141.7
Pecuniary loss	21.8	(15.1)	6.7	26.1	(13.5)	12.6
Reinsurance acceptances	244.6	(53.5)	191.1	322.1	(131.5)	190.6
<b>Total</b>	<b>533.3</b>	<b>(156.3)</b>	<b>377.0</b>	<b>811.6</b>	<b>(419.7)</b>	<b>391.9</b>

The geographical concentration of the outstanding claim liabilities is noted below. The disclosure is based on the countries where business is written. The analysis would not be materially different if based on the countries in which the counterparties are situated.

	31 December 2023			31 December 2022		
	Gross liabilities £m	Re-insurance of liabilities £m	Net liabilities £m	Gross liabilities £m	Re-insurance of liabilities £m	Net liabilities £m
North America	182.1	(53.4)	128.7	300.6	(155.4)	145.2
Caribbean and Latin America	51.5	(15.1)	36.4	115.2	(59.6)	55.6
UK	96.1	(28.2)	67.9	127.4	(65.9)	61.5
Rest of Europe	50.2	(14.7)	35.5	58.0	(30.0)	28
Oceania	30.5	(8.9)	21.6	39.8	(20.6)	19.2
Rest of World	122.9	(36.0)	86.9	170.6	(88.2)	82.4
<b>Total</b>	<b>533.3</b>	<b>(156.3)</b>	<b>377.0</b>	<b>811.6</b>	<b>(419.7)</b>	<b>391.9</b>

### Claims development tables

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied at the end of the underwriting year.

Following the reinsurance to close of 2020 and prior by Riverstone Syndicate 3500, the Syndicate currently has only three years of development to report. The claims development information will be increased to ten years over time.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Gross insurance contract outstanding claims provision as at 31 December 2023:

Underwriting year	Note	2021 £m	2022 £m	2023 £m	Total £m
Estimate of cumulative claims incurred					
At end of underwriting year		167.1	164.4	107.0	438.5
One year later		355.6	313.8		669.4
Two years later		383.1			383.1
Current estimate of cumulative claims incurred		383.1	313.8	107.0	803.9
Less cumulative claims paid		186.1	79.9	4.7	270.6
		<b>197.0</b>	<b>234.0</b>	<b>102.3</b>	<b>533.3</b>

Net insurance contract outstanding claims provision as at 31 December 2023:

Underwriting year	Note	2021 £m	2022 £m	2023 £m	Total £m
Estimate of cumulative claims incurred					
At end of underwriting year		109.5	104.4	89.3	303.2
One year later		230.7	209.0		439.7
Two years later		245.8			245.8
Current estimate of cumulative claims incurred		245.8	209.0	89.3	544.1
Less cumulative claims paid		116.9	46.1	4.1	167.1
		<b>128.9</b>	<b>162.9</b>	<b>85.2</b>	<b>377.0</b>

# Notes to the Financial Statements

Year ended 31 December 2023

## 25. RISK MANAGEMENT (CONTINUED)

### Rating levels

The managing agent produces an annual business plan for the Syndicate under its management. The plan is produced by anticipating rating levels and terms and conditions attaching to risks expected to be underwritten by the Syndicate. Performance against the plan is monitored on a regular basis through a system of underwriting committees, as well as regular review by the board of the managing agency. If market conditions materially change after the plan is produced, a revised plan is prepared and authorised by the managing agent's board. In this way, rating levels of both businesses written and reinsurance purchased are subject to constant review. Should risks be assessed as uneconomical, they will be declined.

### Business volume

If the volume of business underwritten is less than that planned by the Syndicate, the expenses ratio is likely to increase. Achieved business volumes may be linked to rating levels, for instance because of easier or tougher market conditions, in which case the effects of changes in both rating levels and business volumes will accumulate.

### Reserving risk

In order to mitigate reserving risk, the Syndicate uses a number of approaches, including accepted actuarial techniques, to project gross and net premiums written and insurance liabilities. The results of these analyses are agreed with the underwriting teams and with Syndicate management and are subject to formal peer review. In addition the Syndicate commissions an external independent actuary to perform his own assessment of the Syndicate's gross and net premiums written and insurance liabilities. The managing agent ensures that the held reserves are at least as strong as the external actuary's reserves.

### Assumptions

The reserves carried by the Syndicate are calculated using a number of methods to project ultimate gross and net premiums written and insurance liabilities. The principal methods applied are:

- A case-by-case review of certain lines of business;
- The use of hurricane modelling techniques for major hurricane events during the year;
- Benchmarking certain lines of business based on previous underwriting experience, in particular the longer tail classes of business;
- Actuarial techniques such as the chain ladder method and the Bornhuetter-Ferguson method. These are mainly applied to the classes of business that have a relatively stable development pattern.

The major assumptions underlying the reserves established by the Syndicate are:

- The Syndicate's past claims development experience (with appropriate adjustment for known changes) can be used to project future claims development factors;
- The Syndicate will experience normal incidence of bad debts against future recoveries.

The loss reserves established by the Syndicate are sensitive to various factors:

- The Ultimate Loss Ratio (ULR) established to cover attritional losses of the Syndicate. A 10% net adverse movement in the ULR, applied to the cumulative net earned premium for those years open during the calendar year, would reduce the profit of the Syndicate by:

Year ended 31 December	2023 £m	2022 £m
Syndicate net result	22.1	22.3

- The percentage of premiums earned during the calendar year. A 10% decrease in the net earned premium, for those years open during the calendar year, would reduce the profit of the Syndicate by:

Year ended 31 December	2023 £m	2022 £m
Syndicate net result	15.8	16.2

### Reinsurance risk

Reinsurance risk arises from two different sources:

- The first relates to concentration risk whereby recoveries from claims paid are due from a limited number of reinsurers. To mitigate this risk, the Syndicate places its reinsurance in line with policy guidelines managed by reference to counterparty limits that are set each year and are subject to regular reviews.
- The second source of reinsurance risk relates to credit risk. Credit risk arises where reinsurers fail to meet their financial obligations in full as they fall due.

To understand the Syndicate's exposure to credit risks both now and in the future, the table below shows the credit rating, categorised by the rating agencies and used by the Syndicate in its reporting to Lloyd's.

	Moody's	Standard & Poor's
Tier 1	AA+ to A-	AAA to A-
Tier 2	B++ to B+	BBB+ to BB-
Tier 3	B to C-	B+ to CCC
Tier 4	D to NR	R to NR

	2023		2022	
	£m	%	£m	%
Tier 1	<b>154.3</b>	<b>98.7</b>	408.7	97.4
Tier 2	-	-	-	-
Tier 3	-	-	-	-
Tier 4	<b>2.0</b>	<b>1.3</b>	11.0	2.6
	<b>156.3</b>	<b>100.0</b>	419.7	100.0

None (2022: none) of Tier 1 is collateralised. 27% (2022: 100%) of Tier 4 is collateralised.

### Financial risk

#### Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

A credit risk policy setting out the assessment and determination of what constitutes credit risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the Syndicate Risk and Capital Committee. The policy is regularly reviewed for relevance and for changes in the risk environment.

Net exposure limits are set for each counterparty or asset class (i.e., limits are set for investments and cash deposits and minimum credit ratings for investments that may be held).

Guidelines determine when to obtain collateral and guarantees (i.e., certain derivative transactions are covered by collateral and derivatives are only taken out with counterparties that have a suitable credit rating). The Syndicate maintains strict control limits by amount and terms on net open derivative positions. The amounts subject to credit risk are limited to the fair value of 'in the money' financial assets against which the Syndicate either obtains collateral from counterparties or requires margin deposits. Collateral may be sold or repledged by the Syndicate and is repayable if the contract terminates or the contract's fair value falls.

# Notes to the Financial Statements

Year ended 31 December 2023

## 25. RISK MANAGEMENT (CONTINUED)

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by the board of directors and are subject to regular reviews. At each reporting date, management performs an assessment of creditworthiness of reinsurers and updates the reinsurance purchase strategy, ascertaining suitable allowance for impairment.

The Syndicate sets the maximum amounts and limits that may be advanced to corporate counterparties by reference to their long-term credit ratings.

The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

<b>31 December 2023</b>	<b>Neither past due nor impaired £m</b>	<b>Past due £m</b>	<b>Impaired £m</b>	<b>Total £m</b>
Financial investments				
- Debt securities	287.4	-	-	287.4
- Shares and other variable yield securities and unit trusts	39.2	-	-	39.2
- Overseas deposits as assets	46.7	-	-	46.7
Deposits with ceding undertakings	2.1	-	-	2.1
Reinsurers' share of claims outstanding	156.3	-	-	156.3
Debtors arising out of direct insurance operations	258.1	4.5	-	262.6
Debtors arising out of reinsurance operations	-	27.8	-	27.8
Other debtors	115.1	8.1	-	123.2
Cash at bank and in hand	41.0	-	-	41.0
	<b>945.9</b>	<b>40.4</b>	<b>-</b>	<b>986.3</b>

At 31 December 2023, the syndicate had impaired reinsurance assets of £nil (2022: £nil).

31 December 2022	Neither past due nor impaired £m	Past due £m	Impaired £m	Total £m
Financial investments				
- Debt securities	329.8	-	-	329.8
- Shares and other variable yield securities and unit trusts	43.8	-	-	43.8
- Overseas deposits as assets	71.2	-	-	71.2
Deposits with ceding undertakings	2.1	-	-	2.1
Reinsurers' share of claims outstanding	419.7	-	-	419.7
Debtors arising out of direct insurance operations	286.9	2.3	-	289.2
Debtors arising out of reinsurance operations	9.0	51.3	-	60.3
Other debtors	133.9	17.0	-	150.9
Cash at bank and in hand	76.6	-	-	76.6
	1,373.0	70.6	-	1,443.6

Assets which are past due but not impaired have been in arrears for less than 3 months from the reporting date.

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2023 by classifying assets according to Standard & Poor's credit ratings of the counterparties. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

31 December 2023	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated £m	Total £m
Shares and other variable yield securities and unit trusts	-	-	20.1	-	-	19.1	39.2
Debt securities	95.1	103.6	70.5	16.9	0.6	0.7	287.4
Overseas deposits	30.7	4.3	4.0	3.6	0.6	3.5	46.7
Deposits with ceding undertakings	-	-	2.1	-	-	-	2.1
Reinsurers' share of claims outstanding	3.1	7.3	143.9	-	-	2.0	156.3
Reinsurer debtors	-	-	-	-	-	-	-
Cash at bank and in hand	-	-	41.0	-	-	-	41.0
	128.9	115.2	281.6	20.5	1.2	25.3	572.7

# Notes to the Financial Statements

Year ended 31 December 2023

## 25. RISK MANAGEMENT (CONTINUED)

31 December 2022	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Not rated £m	Total £m
Shares and other variable yield securities and unit trusts	19.3	–	8.1	–	–	16.4	43.8
Debt securities	146.1	95.6	73.2	14.9	–	–	329.8
Overseas deposits	38.6	11.3	6.4	5.6	3.3	6.0	71.2
Deposits with ceding undertakings	–	–	2.1	–	–	–	2.1
Reinsurers' share of claims outstanding	8.1	30.1	370.5	–	–	11.0	419.7
Reinsurer debtors	–	–	9.0	–	–	–	9.0
Cash at bank and in hand	–	–	76.6	–	–	–	76.6
	212.1	137.0	545.9	20.5	3.3	33.4	952.2

Reinsurers' share of claims outstanding includes £1.3m of ceded ULAE reserves on 2019 and 2020 years of account following the 100% loss portfolio transfer in 2022.

### Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Syndicate's rating policy. The attributable risk ratings are assessed and updated regularly.

During the year, no credit exposure limits were exceeded.

The Syndicate actively manages its product mix to ensure that there is no significant concentration of credit risk.

### Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

The following policies and procedures are in place to mitigate the Syndicate's exposure to liquidity risk:

- A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Risk and Capital Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.
- Contingency funding plans are set up which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans.
- The Syndicate's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.



### Maturity profiles

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

	Carrying amount £m	Up to a year £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
31 December 2023						
Outstanding claim liabilities	533.3	210.1	119.9	149.7	53.6	533.3
Other	115.6	43.8	25.8	33.2	12.8	115.6
	<b>648.9</b>	<b>253.9</b>	<b>145.7</b>	<b>182.9</b>	<b>66.4</b>	<b>648.9</b>

	Carrying amount £m	Up to a year £m	1-3 years £m	3-5 years £m	Over 5 years £m	Total £m
31 December 2022						
Outstanding claim liabilities	811.6	306.6	175.7	234.5	94.8	811.6
Other	316.3	120.0	68.5	91.3	36.5	316.3
	1,127.9	426.6	244.2	325.8	131.3	1,127.9

### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk:

- Currency risk;
- Interest rate risk; and
- Equity price risk.

The following policies and procedures are in place to mitigate the exposure to market risk:

- A market risk policy exists that sets out the assessment and determination of what constitutes market risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the Risk and Capital Committee. The policy is reviewed regularly for appropriateness and for changes in the risk environment.
- Strict control over derivative instruments (e.g., derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).
- For assets backing outstanding claims provisions, market risk is managed by matching (within agreed limits) the average duration and currency of assets to the technical provisions they are backing. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions. Foreign exchange hedges are used to mitigate currency risk where assets and liabilities are not matched.

# Notes to the Financial Statements

Year ended 31 December 2023

## 25. RISK MANAGEMENT (CONTINUED)

### Investment managers

Conning is the principal investment manager for the Syndicate's funds.

Conning has been set the objective of managing the main Syndicate fixed income portfolios to benchmarks as follows:  
Sterling portfolio: 40% Barclays Sterling Credit Corp 1-3 year ex subord/ 60% Barclays Sterling Gilts 1-3 yr.

Euro portfolios: 40% Barclays Euro Corporates 1-3 yr ex subord / 60% Barclays Euro Gov 1-3 yr ex PT,I,E,IT,GR ES.

US dollar portfolios: 40% Barclays US Corporate 1-3 yr A+ 1-3 yr / 60% Barclays US Gov 1-3 yr

Canadian dollar portfolios: 100% Barclays Canadian Issues 300MM 1-3 yr.

US dollar Canadian Situs: 100% Barclays US Treasury: 1-3 yr.

The benchmarks are designed to position the portfolio conservatively (short duration and high quality) whilst allowing Conning to add corporate bond positions to the portfolio to enhance overall returns.

The investment allocation (excluding surplus cash) at the year-end can be found in note 10.

### Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, US, Canadian and Australian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. Forward currency contracts are in place to eliminate imbalances resulting from regulatory requirements.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

	GBP £m	Euro Em	USD \$m	CAD \$m	AUD \$m	JPY Ym	SGD \$m	Conv £m
<b>Assets</b>	<b>112.7</b>	<b>54.2</b>	<b>808.9</b>	<b>225.8</b>	<b>110.5</b>	<b>211.7</b>	<b>(4.6)</b>	<b>986.3</b>
<b>Liabilities</b>	<b>(186.6)</b>	<b>(104.4)</b>	<b>(698.5)</b>	<b>(67.4)</b>	<b>(140.5)</b>	<b>(809.0)</b>	<b>-</b>	<b>(945.2)</b>
<b>Net assets/(liabilities) as at 31 December 2023</b>	<b>(73.9)</b>	<b>(50.2)</b>	<b>110.4</b>	<b>158.4</b>	<b>(30.0)</b>	<b>(597.3)</b>	<b>(4.6)</b>	<b>41.1</b>
<b>Currency hedge</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Net currency balances as at 31 December 2023</b>	<b>(73.9)</b>	<b>(50.2)</b>	<b>110.4</b>	<b>158.4</b>	<b>(30.0)</b>	<b>(597.3)</b>	<b>(4.6)</b>	<b>41.1</b>

	GBP £m	Euro Em	USD \$m	CAD \$m	AUD \$m	JPY Ym	SGD \$m	Conv £m
Assets	191.2	61.2	1,092.3	367.4	135.7	476.0	(4.1)	1,443.6
Liabilities	(259.2)	(94.4)	(1,028.4)	(252.9)	(166.0)	(818.8)	(15.1)	(1,449.2)
Net assets/(liabilities) as at 31 December 2022	(68.0)	(33.2)	63.9	114.5	(30.3)	(342.8)	(19.2)	(5.6)
Currency hedge	29.3	49.9	41.0	(148.5)	-	-	-	-
Net currency balances as at 31 December 2022	(38.7)	16.7	104.9	(34.0)	(30.3)	(342.8)	(19.2)	(5.6)

### Sensitivity to changes in foreign exchange rates

On a quarterly basis the net asset/liability positions by currency of the Syndicate statement of financial position is assessed to ensure there is a reasonable match to mitigate market risk due to currency fluctuations. As a result decisions may be taken to buy or sell specific currencies, or purchase foreign exchange hedges as appropriate. The Syndicate policy is, where practical, to manage surplus assets/(profits) in USD rather than GBP.

The following table gives an indication of the impact on profit and members' balances of a percentage change in the relative strength of Sterling against the value of the US dollar on information as at 31 December 2023.

£m	Impact on profit and members' balances	
	2023	2022
Sterling weakens		
10% against USD	<b>26.8</b>	22.1
20% against USD	<b>60.3</b>	49.8
Sterling strengthens		
10% against USD	<b>(22.0)</b>	(18.2)
20% against USD	<b>(40.2)</b>	(33.3)

### Interest rate risk

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

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in interest rates on:

- Fixed rate financial assets and liabilities; and
- Variable rate financial assets and liabilities;

The first of these measures the impact on profit or loss for the year (for items recorded at fair value through profit or loss) and on members' balances (for available for sale investments) that would arise from a reasonably possible change in interest rates at the reporting date on financial instruments at the period end. The second of these measures the change in interest income or expense over the period of the year attributable to a reasonably possible change in interest rates, based on floating rate assets and liabilities held at the reporting date. It has been assessed that the impact on these measures is the same.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis. It should be noted that movements in these variables are non-linear.

# Notes to the Financial Statements

Year ended 31 December 2023

## 25. RISK MANAGEMENT (CONTINUED)

Changes in variables	Impact on profit £m	Impact on members' balances £m
<b>31 December 2023</b>		
+50 basis points	<b>(2.5)</b>	<b>(2.5)</b>
-50 basis points	<b>2.6</b>	<b>2.6</b>
<b>31 December 2022</b>		
+50 basis points	(2.5)	(2.5)
-50 basis points	2.5	2.5

The method used for deriving sensitivity information and significant variables did not change from the previous period.

### Equity price risk

Equity price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

The Syndicate's equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

The equity price risk policy requires it to manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market, and careful and planned use of derivative financial instruments.

There is no significant concentration of equity price risk and it has been assessed that the impact on profit or loss and members' balances is the same.

The analysis below is performed for reasonably possible movements in market indices on financial instruments with all other variables held constant, showing the impact on profit due to changes in fair value of financial assets (whose fair values are recorded in the profit and loss account) and equity (that reflects adjustments to profit and changes in fair value of available for sale financial assets that are equity instruments). The correlation of variables will have a significant effect in determining the ultimate impact on equity price risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis. It should be noted that movements in these variables are non-linear.

Changes in variables – market indices	Change in variables £m	Impact on profit £m	31 December 2023 Impact on members' balance £m	Impact on profit £m	31 December 2022 Impact on members' balance £m
S & P 500	5.0%	negligible	negligible	1.6	1.6
S & P 500	(5.0%)	negligible	negligible	(1.6)	(1.6)

The investment manager has determined that the Syndicate's exposure to equity price risk at December 2023 is negligible.

### Annual venture risk

Under the Lloyd's annual venture regime, the managing agent (WSMA) has to show annually that each Syndicate under its management has enough support to carry on underwriting. With effect from the 2024 year of account, Ohio Farmers Insurance Company provides 100 percent of the Syndicate's capital.

The table below shows the capital that backs the Syndicate's underwriting.

	2024 %	2023 %	2022 %
Names	-	0.3	0.3
Trade Capital	-	0.2	8.2
Ohio Farmers Insurance Group	<b>100.0</b>	99.5	91.5
	<b>100.0</b>	100.0	100.0

### Operational Risk

Much of the effect of the Syndicate's exposure to operational risks is reflected in the risk headings above, and is mitigated and managed through the exercise of the management controls and actions described above. The main additional exposures are in relation to business continuity, i.e. the risk that the ability of the Syndicate to continue in business will be affected by events not reflected under other headings, for example the impact of terrorist activity, and in the management of relationships and arrangements with key individuals. The Syndicate maintains a disaster recovery plan for all IT risks, including those relating to the robustness and sustainability of IT infrastructure and business applications, and the arrangements to mitigate those risks. This is monitored and updated regularly. In relation to the disaster recovery plan, the Syndicate has established arrangements designed to achieve an appropriate commonality of interest between the Syndicate and the suppliers concerned, and these arrangements are reviewed periodically. In addition, the Syndicate seeks to reduce the dependence on any individual as far as practically possible, by employing sufficient personnel with appropriate experience and expertise, and by succession planning.

### Staff matters

The managing agent considers its staff to be a key resource, and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. During the year there have not been any actions taken by regulatory bodies with regard to staff matters. All staff are employed through Westfield Specialty Management Services Ltd and their costs where appropriate are recharged to the Syndicate.

### Environmental matters

The managing agent is a founder member of the ClimateWise initiative and measures and reports its performance annually in six key areas:

- Risk analysis
- Public policy making
- Climate awareness amongst our customers
- Incorporate climate change into our investment strategies
- Reducing the environmental impact of our business
- Report and be accountable

Section 2:  
Syndicate 1200  
Underwriting Year Accounts

# Report of the Directors of the Managing Agent

The directors of the managing agent present their report on the 2021 year of account of Syndicate 1200 as closed at 31 December 2023.

## REVIEW OF THE 2021 YEAR OF ACCOUNT

We are pleased to report that the 2021 year has closed with a 5.0% profit on stamp capacity.

Year of account summary	2021 £m
Stamp capacity	500.0
Stamp premium income	461.4
Stamp utilisation	92.3%
Gross premiums written	616.3
Profit	25.0
Result on stamp	5.0%

A full commentary is provided in the annual accounts for the closing 2021 year of account of Syndicate 1200. Please refer to page 6.

[Review of open years and outline of current trading and likely future developments](#)

A full commentary is provided in the annual accounts. Please refer to page 6.

Approved by the Board of Westfield Specialty Managing Agency Ltd and signed on its behalf:

**GP Evans**  
*Chief Executive*

27 February 2024

# Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations") require the managing agent to prepare Syndicate underwriting year accounts for each Syndicate for any underwriting year which is being closed by reinsurance to close at 31 December. These Syndicate underwriting year accounts must give a true and fair view of the result of the closed year of account.

In preparing these Syndicate underwriting year accounts, the managing agent is required by the Syndicate Accounting Byelaw (No 8 of 2005) ("the Syndicate Accounting Byelaw"), to:

- select suitable accounting policies which are applied consistently and, where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the Syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same Syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;

- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in these accounts.

The managing agent is responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate underwriting year accounts comply with the 2008 Regulations and the Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.



# Report of the Independent Auditor

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE 2021 CLOSED YEAR OF ACCOUNT OF SYNDICATE 1200

### OPINION

We have audited the Syndicate underwriting year accounts for the 2021 year of account of Syndicate 1200 for the three year period ended 31 December 2023 which comprise the Income Statement Technical Account - General Business; Income Statement - Non Technical Account; Statement of Financial Position; Statement of Changes in Members' Balances; Statement of Cash Flows and related notes, including the accounting policies in Note 1.

In our opinion the Syndicate underwriting year accounts:

- give a true and fair view of the Syndicate's profit for the 2021 closed year;
- 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 properly prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

### 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 Financial Reporting Council ("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.

### EMPHASIS OF MATTER – NON-GOING CONCERN BASIS OF PREPARATION

We draw attention to the disclosure made in Note 1 to the Syndicate underwriting year accounts, Accounting policies, Basis of preparation which explains that the Syndicate underwriting year accounts have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

### FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

#### Identifying and responding to risks of material misstatement due to fraud

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 included:

- Enquiring of directors, internal audit, head of compliance and inspection of policy documentation as to the Syndicate's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Syndicate channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud;
- Reading Board, audit committee, risk capital committee, claims reserving committee minutes;
- Considering remuneration incentive schemes and performance targets for management and directors; and
- 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 considering possible pressures to meet profit targets, 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 estimated premium debtors.

We identified fraud risks related to the valuation of claims outstanding, specifically over incurred but not reported claims, and the valuation of residual estimated premium debtors.

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 any posted by senior management, and those posted to accounts linked to an accounting estimate from unexpected sources; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

# Report of the Independent Auditor

## INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE 2021 CLOSED YEAR OF ACCOUNT OF SYNDICATE 1200

### Identifying and responding to risks of material misstatement related to 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 underwriting year 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 discussion with the directors and other management the policies and procedures regarding compliance with laws and regulations.

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 underwriting year accounts varies considerably.

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

### REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the Managing Agent are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate underwriting year 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.

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

### MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), 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 underwriting year accounts are not in agreement with the accounting records; 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 52, the directors of the Managing Agent are responsible for: the preparation of the Syndicate underwriting year 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 underwriting year 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 underwriting year 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 underwriting year accounts.

A fuller description of our responsibilities is provided on the FRC's website at [www.frc.org.uk/auditorsresponsibilities](http://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 members of the 2021 closed year of account of the Syndicate ("the Syndicate's Members"), as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Lloyd's Syndicate Accounting Byelaw. 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.

**Shaun Gealy**  
(Senior statutory auditor)

for and on behalf of KPMG LLP, Statutory Auditor  
Chartered Accountants  
15 Canada Square  
London  
E14 5GL

27 February 2024

# Income Statement 2021 Year of Account

For the three years ended 31 December 2023

	Note	2021 year of account £m
<b>Technical account – general business</b>		
Earned premiums, net of reinsurance		
Gross premiums written		616.3
Outward reinsurance premiums		(190.8)
Earned premiums, net of reinsurance		425.5
Reinsurance to close premium received, net of reinsurance	3	–
Allocated investment return transferred from the non-technical account		2.5
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(178.8)
Reinsurers' share		64.8
Net claims paid		(114.0)
Reinsurance to close premium payable, gross amount		
Reinsurance recoveries anticipated on the reinsurance to close premium payable	4	(197.0)
Reinsurance to close premium payable, net of reinsurance	4	68.1
Claims incurred, net of reinsurance		(128.9)
Net operating expenses		
Acquisition costs		(129.3)
Administrative expenses		(24.4)
Personal expenses		(7.6)
Net operating expenses	6	(161.3)
Balance on the technical account for general business		23.8
<b>Non-technical account</b>		
Balance on the technical account for general business		23.8
Profit on exchange		1.2
Investment income		6.3
Unrealised gains on investments		2.1
Investment expenses and charges		(0.2)
Unrealised losses on investments		(5.7)
Allocated investment return transferred to the technical account for general business	9	(2.5)
Profit for the closed year of account	15	25.0

There are no recognised gains or losses in the accounting period other than those dealt with in the income statement and so no statement of other comprehensive income has been prepared.

# Statement of Financial Position

2021 Year of Account at 31 December 2023

	Note	2021 year of account £m
<b>Assets</b>		
Investments	10	115.3
Deposits with ceding undertakings		0.7
Debtors		
Debtors arising out of direct insurance operations	11	24.1
Debtors arising out of reinsurance operations	12	20.1
Other debtors	13	0.9
		45.1
Reinsurance recoveries anticipated on gross reinsurance to close premium payable	4	68.1
Other assets		
Cash at bank and in hand		14.8
Other	14	17.8
Total assets		261.8
<b>Liabilities</b>		
Amounts due to members	15	25.0
Reinsurance to close premium payable, gross amount	4	197.0
Creditors		
Creditors arising out of direct insurance operations	16	13.5
Creditors arising out of reinsurance operations	17	17.8
Other creditors including taxation and social security	18	8.3
		39.6
Accruals and deferred income		0.2
Total liabilities		261.8

Approved by the Board of Westfield Specialty Managing Agency Ltd on 27 February 2024 and signed on its behalf by:

**GP Evans**  
Chief Executive

**D Argyle**  
Director

# Statement of Changes in Members' Balances

for the 2021 closed year of account at 31 December 2023

	2021 year of account £m
Profit for the 2021 closed year of account	25.0
Members' agents' fees	–
Amounts due to members at 31 December 2023	25.0

# Statement of Cash Flows 2021 Year of Account

for the 36 months ended 31 December 2023

	Note	2021 year of account £m
<b>Cash flow for Operating activities</b>		
Profit on ordinary activities		25.0
Non cash consideration for net RITC receivable		–
Net RITC premium payable	19	128.9
(Increase) in debtors		(45.1)
Increase in creditors		39.8
Investment return		(2.5)
<b>Cash flow for Investing activities</b>		
Purchase of financial instruments		(196.9)
Sale of financial instruments		91.7
Purchase of overseas deposits		(17.8)
Purchase of deposits with ceding undertakings		(0.7)
Investment income received		6.3
<b>Financing activities</b>		
Members' agents' fee		–
Increase in cash and cash equivalents		28.7
Cash and cash equivalents at 1 January		–
Cash and cash equivalents at 31 December		28.7

# Notes to the Underwriting Year Accounts

for the 2021 closed year of account at 31 December 2023

## 1. ACCOUNTING POLICIES

### STATEMENT OF COMPLIANCE

The Syndicate underwriting year accounts have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied to the extent that they are relevant for a proper understanding of the underwriting year accounts.

The result for the 2021 year of account was declared in sterling so there is no exchange rate risk. To this extent, the risks that it is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the Syndicate Annual Accounts. Accordingly, these underwriting year accounts do not have associated risk disclosures as required by section 34 of FRS 102. Full disclosures relating to these risks are provided in the Syndicate Annual Accounts.

### BASIS OF PREPARATION

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2021 year of account which has been closed by reinsurance to close at 31 December 2023; consequently the statement of financial position, represents the assets and liabilities of the 2021 year of account, and the income statement and statement of cash flows reflect the transactions for that year of account during the 36 month period until closure. Therefore the 2021 year of account is not continuing to trade and, accordingly the directors have not adopted the going concern basis in the preparation of these accounts. This is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years.

The financial statements for the period ended 31 December 2023 were approved for issue by the board of directors on 27 February 2024.

The financial statements are prepared in sterling which is the functional and presentational currency of the Syndicate and rounded to the nearest £0.1m.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

As each syndicate year of account is a separate annual venture, there are no comparative figures.

### JUDGEMENT AND KEY SOURCES OF ESTIMATION AND UNCERTAINTY

#### Premiums written

Estimates are made at the date of inception for premiums written through third parties, including amounts due to the Syndicate not yet notified. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

#### Claims incurred and reinsurers' share

The provision for claims outstanding comprises amounts set aside for claims notified and claims incurred but not yet reported (IBNR). The amount of IBNR, which is based on statistical techniques of estimation applied by the Syndicate's in-house actuaries and reserving team, is reviewed by external consulting actuaries. These statistical techniques generally involve projecting, from past experience, the development of claims over time to form a view of the likely ultimate claims to be expected for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts for internal and external claims handling costs. For the most recent years, where a higher degree of volatility may arise from projections, estimates may partly be based on rating and other models of the business accepted, and assessments of underwriting conditions.

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



# Notes to the Underwriting Year Accounts

for the 2021 closed year of account at 31 December 2023

## 1. ACCOUNTING POLICIES (CONTINUED)

Hence the two most critical assumptions for claims provisions are that the past is a reasonable predictor of future claims development, and that rating and other models used, including pricing models for recent business, are fair indicators of the ultimate claims that will be incurred.

The uncertainty of such estimations generally decreases with the time that has elapsed since policy inception. In addition short tail claims such as property, where claims are typically notified and settled quickly, will normally have less uncertainty after a few years than long tail risks, such as some liability business, where it may be several years before claims are fully advised and settled. Where disputes exist over coverage under policies, or the relevant law governing a claim changes, uncertainty in the estimation of outcomes may increase.

The assessment of these provisions can be the most subjective aspect of an insurer's accounts, and may result in greater uncertainty than found within the financial statements of other businesses. The directors of the managing agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability can be varied by further information and events and this may result in significant adjustments to the provisions. Modifications to claims provisions established in prior years are shown in the financial statements for the period in which the adjustments are made. Provisions are not discounted for investment earnings that may arise on funds retained to meet future liabilities. The methods used, and the estimates made, are reviewed regularly.

### Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

- a. Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- b. Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- c. Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

See Note 10 for details of financial instruments classified by fair value hierarchy.

## BASIS OF ACCOUNTING

### Underwriting transactions

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of three years, outstanding liabilities can normally be estimated with sufficient accuracy to permit the year to be closed by payment of a reinsurance to close premium, usually to the successor year of account.

The reinsurance to close premium is determined by reference to outstanding technical provisions, (including those for outstanding claims and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities must be fair and reasonable, it is implicit in the procedure that ultimate liabilities will differ from the premium so determined. The reinsurance to close premium transfers liability in respect of all claims, reinsurance premiums, return premiums and other payments for the closing year (and previous closed years reinsured therein) to the members of the successor year of account. It also gives members the benefit of refunds, recoveries, premiums due and other income insofar as they have not been credited previously.

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable, and exclude taxes and duties levied on them.

Outward reinsurance premiums ceded are attributed to the same year as the original risk being protected.



Gross claims paid are allocated to the same year of account where the corresponding premiums are allocated, and include internal and external claims settlement expenses. Notified claims are estimated on a case-by-case basis as reported, with regard to any information available from loss adjusters, and previous experience of the cost of settling claims with similar characteristics. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

#### Derivative financial instruments

The Syndicate uses derivatives in the form of forward foreign currency contracts. Such derivative financial instruments are initially recognised at fair value on the date that the derivative contract is entered into and are subsequently re-measured at fair value through the profit or loss at each reporting period end date. The Syndicate has not used hedge accounting for any of its derivatives.

#### Investments and investment return

Investments are stated at current value as at the reporting period end date. For this purpose listed investments and overseas deposits are stated at market value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the reporting period end date or the last trading day before that date.

Investment return is wholly allocated to the general business technical account.

Income (including interest accrued at the time of purchase, sale or revaluation of fixed interest securities) and realised and unrealised capital appreciation are allocated to underwriting accounts in proportion to average balances on each underwriting account for the calendar year.

#### Overseas deposits

Overseas deposits are stated at market value as at the reporting period end date.

#### Taxation

The result for a closed year, net of personal expenses, is accounted to Names and members' agents, on behalf of the underwriting members for whom they act.

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income of the Syndicate. Managing agents can recover UK basic rate income tax deducted from Syndicate investment income, and consequently any distribution to members or members' agents is gross of tax. Capital appreciation falls within trading income and will also be distributed gross of tax. It remains the responsibility of underwriting members to agree their personal tax liabilities with the Inland Revenue.

All payments on account of United States and Canadian federal income tax, pending receipt of final assessments and reimbursements by Lloyd's, are included in the statement of financial position under the heading of other debtors. It is the personal responsibility of members resident in the United States or Canada, to agree and settle their United States or Canadian taxation liabilities. Members resident in other countries for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

#### Syndicate operating expenses

Syndicate operating expenses are allocated to the year of account for which they are incurred.

Where expenses are incurred by or on behalf of the managing agent for the administration of the managed Syndicate, they are apportioned using methods appropriate to the type of expense. Expenses which are incurred jointly for the managing agent and managed Syndicate are apportioned between the managing agent and Syndicate on bases dependent upon the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses do not include expenses incurred in the settlement of claims.

# Notes to the Underwriting Year Accounts

for the 2021 closed year of account at 31 December 2023

## 1. ACCOUNTING POLICIES (CONTINUED)

### Pension costs

Westfield Specialty Management Services Ltd is a service company which operates a defined contribution pension scheme. Pension contributions are recharged to group companies and the Syndicate based on employees' time and are included within net operating expenses.

### Profit commission

Profit commission within these financial statements is charged at a rate of 15% on the first 15% of the return of the stamp and 20% thereafter. Profit commission is payable on distributed results and is subject to the operation of a three-year deficit clause.

### Insurance debtors and creditors

Notes 11, 12, 16 and 17 show the totals of all the Syndicate's outstanding debit and credit transactions as processed by Xchanging Ins-sure Services Ltd; no account has been taken of any offsets which may be applicable in calculating the net amounts due between the Syndicate and each of its counterparty insureds, reinsurers or intermediaries as appropriate.

### Basis of currency translation

Transactions in euros, US, Canadian, Australian dollars and Japanese yen are translated at average rates of exchange for each calendar year as a proxy for transaction rates. The exception to this is that the reinsurance to close receivable and payable are translated at the transaction rates of exchange ruling at the effective dates of the contracts. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities are retranslated into sterling at the rate of exchange at the reporting period end date unless contracts to sell currency for sterling have been entered into prior to the year end, in which case the contracted rates are used. Any differences are included in profit and loss on exchange.

Where euros or Canadian dollars are bought or sold relating to the profit or loss of a closed underwriting account after 31 December, any exchange profit or loss arises in the underwriting account into which the liabilities of that year have been reinsured. Where the US dollar element of the profit or loss of a closed underwriting account is bought or sold by members on that year, any exchange profit or loss accrues to those members.

The statement of financial position rates of exchange used in respect of items in these accounts were:

---

31 December 2023	EUR 1.16	USD 1.27	CAD 1.70
------------------	----------	----------	----------

---

## 2. SEGMENTAL ANALYSIS

An analysis of the technical account balance before investment return is set out below:

2021 year of account	Gross premiums written and earned £m	Gross claims incurred £m	Gross operating expenses £m	Reinsurance balance £m	Total £m
Direct insurance:					
Accident and health	11.3	(7.2)	(4.1)	0.1	0.1
Marine	23.7	(15.0)	(9.0)	0.2	(0.1)
Energy –Marine	15.0	(13.6)	(4.1)	(1.9)	(4.6)
Energy – Non Marine	21.6	(12.1)	(5.3)	0.6	4.8
Fire and other damage to property	145.8	(120.5)	(40.7)	(13.9)	(29.3)
Third party liability	168.8	(62.5)	(68.2)	(10.3)	27.8
Pecuniary loss	16.9	(7.4)	(5.8)	(4.0)	(0.3)
	403.1	(238.3)	(137.2)	(29.2)	(1.6)
Reinsurance acceptances	213.2	(137.5)	(49.8)	(3.0)	22.9
Total	616.3	(375.8)	(187.0)	(32.2)	21.3

All premiums written are for contracts concluded in the UK.

The analysis of gross premiums by geographical area is as follows:

	North America	Caribbean and Latin America	UK	Rest of Europe	Oceania	Rest of World	Total
£m	278.1	73.7	80.0	35.2	80.3	69.0	616.3

## 3. REINSURANCE PREMIUM RECEIVED TO CLOSE THE 2020 ACCOUNT

	2021 year of account £m
Gross reinsurance to close received	–
Reinsurance recoveries anticipated	–
Reinsurance to close premium received, net of reinsurance	–

The 2020 year of account of Syndicate 1200 was reinsured to close with the transfer of all assets and liabilities into Syndicate 3500 managed by Riverstone Managing Agency Ltd as at 31 December 2022.

# Notes to the Underwriting Year Accounts

for the 2021 closed year of account at 31 December 2023

## 4. REINSURANCE PREMIUM PAYABLE TO CLOSE THE 2021 YEAR OF ACCOUNT

	2021 year of account £m
Gross outstanding claims	69.6
Reinsurance recoveries anticipated	(21.7)
Net outstanding claims	47.9
Provision for gross claims incurred but not reported	126.1
Reinsurance recoveries anticipated	(46.4)
Provision for net claims incurred but not reported	79.7
Gross claims handling provision	1.3
Net premium for reinsurance to close	128.9

The 2021 year of account has been reinsured to close into the 2022 year of account of Syndicate 1200.

## 5. TECHNICAL ACCOUNT BALANCE BEFORE ALLOCATED INVESTMENT RETURN AND NET OPERATING EXPENSES

	2021 year of account £m
Balance excluding investment return and operating expenses, other than acquisition costs	
Profit attributable to business allocated to the 2021 pure year of account	54.5
Profit attributable to business reinsured into the 2021 year of account	–
	54.5
Allocated investment return transferred from the non-technical Account	2.5
Net operating expenses other than acquisition costs	(32.0)
	25.0

## 6. NET OPERATING EXPENSES

	2021 year of account £m
Brokerage and commissions	115.2
Other acquisition costs	14.1
Acquisition costs	129.3
Administrative expenses excluding personal expenses	24.4
Lloyd's central fund contributions	2.2
Lloyd's subscriptions	2.3
Managing agent's fees	3.0
Managing agent's profit commission	0.1
	161.3
Administrative expenses include:	
Auditors' remuneration consisting of audit and other services	0.5

## 7. EMPLOYEES

All staff are employed by Westfield Specialty Management Services Ltd (WSMS). The following amounts were recharged to the syndicate as salary costs (this excludes any benefits where the costs are retained elsewhere in the managing agency or other companies in the group):

	2021 year of account £m
Wages and salaries	24.9
Social security costs	3.5
Pension costs	2.0
Other	1.2
	31.6

The average number of full-time equivalent employees employed by WSMS but working for the Syndicate during the three years was as follows:

	2021 year of account
Underwriting	73
Administration and finance	97
Claims	17
Investments	1
	188

## 8. DIRECTORS' AND ACTIVE UNDERWRITER'S EMOLUMENTS

The directors of Westfield Specialty Managing Agency Ltd received the following aggregate remuneration, charged to the Syndicate and included within net operating expenses:

	2021 year of account £m
Emoluments	0.8
Payments to defined contribution pension schemes	0.1
	0.9

The active underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2021 year of account £m
Emoluments	0.4
Payments to defined contribution pension schemes	–
	0.4

The above amounts exclude any benefits not recharged to the Syndicate.

The active underwriter's profit share remuneration is charged to Westfield Specialty Managing Agency Ltd and will be reported in that company's accounts.

# Notes to the Underwriting Year Accounts

for the 2021 closed year of account at 31 December 2023

## 9. NET INVESTMENT INCOME AND EXPENSES

	2021 year of account £m
Income from investments	5.5
Gains on realisation of investments	5.9
Losses on realisation of investments	(5.1)
Unrealised gains on investments	2.1
Unrealised losses on investments	(5.7)
	2.7
Investment management expenses, including interest	(0.2)
	2.5

For further information regarding investment income and average funds, please refer to note 10 of the annual accounts.

## 10. INVESTMENTS

	2021 year of account	
	Market value £m	Cost £m
Shares and other variable yield securities and units in unit trusts	13.9	13.9
Debt securities and other fixed income securities	101.4	98.7
	115.3	112.6

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Shares and other variable yield securities and units in unit trusts	13.9	–	–	13.9
Debt securities and other fixed income securities	0.5	100.9	–	101.4
Overseas Deposits	1.1	16.7	–	17.8
	15.5	117.6	–	133.1

## 11. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2021 year of account £m
Due within one year: intermediaries	24.1

## 12. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2021 year of account £m
Due within one year	20.1

## 13. OTHER DEBTORS

	2021 year of account £m
Due within one year:	
Due from Westfield Specialty Direct Ltd	0.1
Federal income tax	0.8
	0.9

## 14. OTHER ASSETS

	2021 year of account £m
Overseas deposits in Australia	10.6
Overseas deposits in Illinois and Kentucky, USA	0.2
Overseas deposits in South Africa and other countries	7.0
	17.8

Overseas deposits were placed as a condition of carrying on business in these territories.

## 15. AMOUNTS DUE TO MEMBERS

	2021 year of account £m
Profit for the 2021 closed year of account	25.0
Members' agents' fees	–
Amounts due to members at 31 December 2023	25.0

# Notes to the Underwriting Year Accounts

for the 2021 closed year of account at 31 December 2023

## 16. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2021 year of account £m
Due within one year: inter-year loan	13.5

## 17. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2021 year of account £m
Due within one year	12.8
Due after more than one year	5.0
	17.8

## 18. OTHER CREDITORS

	2021 year of account £m
Due within one year:	
Due from Westfield Specialty Management Services	(0.4)
Profit commission payable	0.1
Due to corporate members	0.5
Uncleared investment trades	0.5
Sundry creditors	7.6
	8.3

## 19. MOVEMENT IN CASH, PORTFOLIO INVESTMENTS AND FINANCING

Consideration for the net reinsurance to close premium payable comprised:

	Consideration received £m
Cash at bank and in hand	14.8
Deposits with ceding undertakings	0.7
Overseas deposits	17.8
Portfolio investments	115.3
Debtors	45.1
Creditors	(39.8)
2021 Profit to be distributed	(25.0)
Consideration for net reinsurance to close premium received	128.9



## 20. EVENTS AFTER THE REPORTING PERIOD

The reinsurance premium to close the 2021 year of account at 31 December 2023 was agreed by the managing agent on 13 February 2024. The technical provisions at 31 December 2023 have been presented in the statement of financial position under the headings “reinsurance recoveries anticipated on gross reinsurance to close premium payable” and “reinsurance to close premium payable, gross amount” in accordance with the format prescribed by the Syndicate Accounting Byelaw. The following amounts will be transferred to members’ personal reserve funds in June 2024 in Sterling:

	£m
2021 year of account	25.0

## 21. RELATED PARTIES

All related party information is provided in note 22 to the annual accounts. This is shown on page 33.

## 22. PENSION OBLIGATIONS

WSMS operates a defined contribution pension scheme for its employees including syndicate staff. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses. The cost of the contributions made was £2.0m and there were no outstanding or prepaid contributions at the end of this year.

## 23. WESTFIELD SPECIALTY DIRECT LTD

Westfield Specialty Direct Ltd (WSDL) is a 100 percent subsidiary of WSMA, set up to write small to medium size commercial liability risks. Any profits or losses incurred by the UK branch are paid to or reimbursed by the Syndicate. WSDL received commission income of £33k in respect of premium signed by the 2021 year of account. No directors or officers of the managing agency receive any remuneration or benefits from WSDL.

# Seven Year Summary

(Unaudited)

Year of account	2021
Syndicate allocated capacity in £'000	500,000
Number of underwriting members	10
Aggregate net premiums in £'000	425,514
Capacity utilised	92.3%
Net capacity utilised	59.2%
Underwriting result as % of stamp	5.0%
Results for an illustrative share of £10,000	
	£
Gross premiums	12,327
Outward reinsurance premium	(3,817)
Net premiums	8,510
Reinsurance to close premium received, net of reinsurance	–
Gross claims paid	(3,576)
Reinsurers' share	1,297
Net claims	(2,279)
Reinsurance to close premium payable gross amount	(3,940)
Reinsurance recoveries anticipated on reinsurance to close premium payable	1,362
Reinsurance to close premium payable, net of reinsurance	(2,578)
Brokerage and commission	(2,303)
Other acquisition costs	(283)
Administrative expenses, before personal expenses	(489)
Syndicate operating expenses	(3,075)
Balance on technical account	578
Investment return	50
Profit on exchange	24
Profit before personal expenses	652
Illustrative personal expenses	
Managing agent's fee	(59)
Managing agent's profit commission	(3)
Lloyd's central fund contribution	(45)
Lloyd's subscription	(44)
Profit/(loss) after illustrative profit commission and illustrative personal expenses	501

The 7 Year Summary shows only the performance of the closed year(s) of account since the 2020 and prior years of account were reinsured to close by a third party.



Westfield Specialty Managing Agency Ltd  
Camomile Court  
23 Camomile Street  
London EC3A 7LL

**T:** +44 20 7712 7531