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ALLIED WORLD
SYNDICATE 2232

ANNUAL REPORT & ACCOUNTS

2023

CONTENTS

DIRECTORS AND ADMINISTRATION

Managing Agent

Managing Agent
The immediate holding company of Allied World Managing Agency Limited ("AWMA" or the "Managing Agent") is Allied World Europe Holdings, Ltd, which is incorporated in Bermuda. AWMA's ultimate parent and to which the results of AWMA are consolidated into is Fairfax Financial Holdings Limited ("Fairfax").

Directors
J Redmond (Non-Executive Chairman) (Ceased 13th March 2023)
N Macmillan (Non-Executive)
E Moresco
M O'Leary
D Powell (Resigned 13th October 2023)
M Walsh
P Ford (Appointed 13th October 2023)
S Liversidge (Non-Executive)
S Hunter (Non-Executive) (Appointed 22nd November 2023)

Company secretary
A Sandhu (Assistant Secretary)
S Newton (Secretary)

Managing agent's registered office:
19th Floor
20 Fenchurch Street
London
EC3M 3BY

Managing agent's registered number
07249776

Syndicate

Active underwriter
S Kamath

Bankers
Barclays Bank plc - London
Citibank NA - London, New York and Singapore
RBC Dexia - Toronto

Independent auditors
PricewaterhouseCoopers LLP

Appointed actuary
KPMG LLP

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of AWMA, the managing agent, a company registered in England and Wales, present their report and audited annual accounts for Syndicate 2232 ("the Syndicate") for the year ended 31 December 2023. The registered address of AWMA is 19th Floor, 20 Fenchurch Street, London, EC3M 3BY.

Basis of Preparation

This Annual Report and Accounts 2023 are prepared using the annual basis of accounting as required by Statutory Instrument No.1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Principal Activities

The principal activity of the Syndicate is the transaction of general insurance and reinsurance business. The Syndicate underwrites a broad range of classes of business concentrating mainly on property and casualty business written on both a direct and reinsurance basis. The Syndicate's capacity for the 2023 year was £330.0m (2022: £259.4m).

The Directors have a reasonable expectation that the Syndicate and AWMA have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements.

Results

The result for the year ended 31 December 2023 was a profit on the Technical Account of £54.8m (2022: £3.3m).

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

	2023	2022
	£000	£000
Gross premiums written	**416,751**	344,264
Gross premiums earned	**384,608**	302,835
Net premium earned	**238,910**	180,794
Balance on technical account	**54,818**	3,250
Members Balance	**42,033**	11,494
Gross combined ratio	**88.9%**	93.0%
Net combined ratio	**85.8%**	97.2%

Review of the Business

The Syndicate’s business is produced through the Lloyd’s broker network and written in the subscription market, in either a lead or follow capacity. The Syndicate is a member of the Lloyd's Asia platform in Singapore and also operates through service companies in Miami, Allied World Reinsurance Management Company, Bermuda, Allied World Syndicate Services (Bermuda), Ltd and Singapore, Allied World Syndicate Services (Singapore) Pte., Ltd. We are an active market participant within Lloyd’s Europe (“LIC”) and have been trading successfully on this platform since January 2019. We have seconded underwriters to the UK branch of LIC under market solution 2 to ensure full compliance with the local regulatory insurance distribution directive (“IDD”) requirements.

Review of the Business (continued)

The Syndicate has used the opportunities that the Lloyd's brand provides to pursue measured growth in line with the following strategic goals:

- Syndicate Oversight: maintain our "outperforming" status with Lloyd's
- Profitability: target a combined ratio of 95% or lower on a whole account basis
- Capital: maximise our capital employed by having a well-balanced portfolio, with increased diversification which will ultimately increase our return on capital.
- Underwriting focus: underwrite classes of business where 'underwriting matters', as opposed to focusing on high volume or cash-flow underwriting opportunities.
- Underwriting cycle: manage growth and profitability across the underwriting cycle.
- Market position: continue to grow as an influential and meaningful Lloyd's market-participant in our core classes of business, for which our underwriters have a mature business proposition.
- Distribution: continue to develop meaningful, diverse and cost-competitive distribution strategies and channels, with renewed emphasis on making it easier and simpler for customers to access our products and services.
- Human resources: continue to attract and retain the best talent in the market, while maintaining our inclusive, diverse and innovative culture.
- Technology: invest in technology that makes doing business easier, servicing claims faster and increasing efficiency while reducing costs in a digitalised platform.
- ESG: advance our Environmental Social and Governance ("ESG") sustainability ambitions through the guidance and direction of our ESG strategy and governance framework. We will continue to support Lloyd's in their ESG journey.

AWMA continues to support the Lloyd's Blueprint II market modernisation initiatives and are fully engaged with Lloyd's in its journey towards digitalisation. We are working with Velonetic, our third party vendors and the market to participate fully in the testing that is required during H1 2024 to ensure our systems and processes are ready for the cut over to the new platform. We expect an orderly transition and are working with our Lloyd's engagement partners to enable the necessary changes for an easier transition to the new digital services. We are excited by future efficiency improvements that will come as the market transitions to this new technology.

Review of the Business (continued)

Underwriting Result

The overall balance on the technical account was a profit of £54.8m (2022: £3.3m), after expenses and investment return but before foreign exchange adjustments.

Gross premium written for the year was £416.8m, compared to £344.3m for the prior year, an increase of £72.5m. The increase in premium written was driven primarily by further growth in our cyber class, generating an additional £24.1m of new business income, coupled with continued growth within our third party liability classes, market opportunities in the construction arena and strong growth in our treaty property reinsurance classes reflecting a strong rating environment.

The Syndicate reported a combined ratio of 85.8% (2022: 97.2%). The current accident year results have been positively impacted by lower levels of frequency and severity in catastrophe and large loss events.

The result for the year included net prior year reserve releases of £7.0m (2022: reserve strengthening of £9.8m) which improved the net combined ratio by 2.9% (2022: deterioration of 5.5%).

The result for the financial year increased members balances by £53.4m, this was partially offset by the profit distribution on the closed 2020 year of account. Overall member's balances increase by £30.5m to £42.0m (2022: £11.5m).

Expenses and investment results

The levels of gross brokerage and commissions and other acquisition costs (which typically include overseas taxes and levies) when expressed as a ratio of gross premium written increased to 22.9% (2022: 21.2%). The increase in brokerage is business mix driven as the proportion of delegated income, which attracts a higher commission, has increased following our decision to enter the cyber market, partnering with a best-in-class managing general agent. The Syndicate maintained discipline in relation to other underlying commission rates, which remained stable during 2023.

The administrative expense ratio has decreased to 12.4% (2022: 15.9%). In value terms, expenses are £0.8m above prior year and reflect higher costs in line with the growth of the business.

The total value of investments, cash and cash equivalents reached £532.6m by the end of the year (2022: £410.1m) and generated an investment gain of £20.9m (2022: £1.8m loss).

Member's personal expenses include Central Fund contributions and Lloyd's subscriptions.

Foreign exchange

The foreign exchange loss of £1.4m (2021: £2.1m gain) was driven by the translation of transactional currencies to US Dollars, the Syndicate's functional currency

Review of the Business (continued)

Technical result by class and distribution

	2023 Gross written premium £000	**2023 Underwriting (loss)/profit £000**	2022 Gross written premium £000	2022 Underwriting (loss)/profit £000
LONDON ***(incl Miami & Bermuda)*****:**				
Aviation *(incl Liability & Hull)*	**2**	**(834)**	(1)	(715)
Property Direct & Facultative	**12,792**	**2,622**	9,589	(867)
Treaty Property	**17,909**	**13,450**	12,530	10,079
Treaty Casualty	**25,963**	**5,593**	16,365	3,732
Marine	**20,433**	**5,790**	19,737	2,088
Casualty (*incl General, Bespoke*)	**63,116**	**16,474**	52,720	9,737
Construction	**25,743**	**106**	18,962	(2,015)
Professional Lines (*incl E&O, D&O*)	**90,380**	**24,144**	93,494	23,130
Cyber	**50,099**	**13,912**	27,165	2,431
Total London	**306,437**	**81,257**	250,561	47,600
ASIA				
Treaty Property	**38,257**	**11,742**	34,931	(2,339)
Treaty Casualty	**1,397**	**607**	1,512	596
Marine	**—**	**(49)**	—	—
Professional Lines (*incl E&O, D&O*)	**30,590**	**6,113**	26,096	6,176
Construction	**206**	**58**	505	157
Total Asia	**70,450**	**18,471**	63,044	4,590
EUROPE				
Property Direct & Facultative	**(262)**	**(80)**	268	107
Marine	**700**	**417**	753	573
Casualty (*incl General, Bespoke*)	**442**	**219**	906	69
Professional Lines (*incl E&O, D&O*)	**37,501**	**5,688**	28,424	6,330
Cyber	**1,483**	**416**	309	40
Total Europe	**39,864**	**6,660**	30,660	7,119
TOTAL SYNDICATE	**416,751**	**106,388**	344,265	59,309
Allocated investment return		**20,906**		(1,818)
Net syndicate operating expenses, including net acquisition costs and foreign exchange movements		**(69,585)**		(52,126)
Member's personal expenses		**(2,891)**		(2,115)
Balance on the technical account		**54,818**		3,250

Review of the Business (continued)

Geographic segmentation

A geographic analysis of gross premium written by territory of original insured, for insurance business and treaty business is shown below:

	2023 £000	2022 £000
UK	**86,136**	59,931
EU member states	**40,180**	29,159
Europe excluding EU member states	**5,335**	6,485
United States of America	**86,498**	66,973
Canada	**35,187**	31,840
Asia Pacific	**126,253**	118,973
Central & South America	**15,079**	10,664
Middle East & Africa	**22,083**	20,240
Total	**416,751**	344,265

Principal risks and uncertainties

The Russian invasion of Ukraine in 2022 and the ongoing war is a continued source of uncertainty in the insurance and reinsurance markets. The Syndicate's underwriting function has conducted a portfolio review to confirm the extent of sanctions clauses, war exclusions and cancellation provisions. As a result of the portfolio review, the exposure to the Syndicate was not deemed material.

We continue to monitor the armed conflict between Hamas-led Palestinian militant groups and Israeli military forces. While the Syndicate has exposures in the area, they are not material in the context of the overall portfolio. The exposure is mitigated by war and terrorism exclusions, which are in general use for property and construction risks.

AWMA continues to monitor the potential impacts on its business, operations, investments and capital and liquidity positions in relation to the Russian invasion of Ukraine and the Israel-Hamas war. The overall financial impact has not been significant and we remain appropriately reserved.

The principal risks and uncertainties facing the Syndicate as detailed in notes 19 and 20 to the financial statements are as follows:

- Geopolitical risk
- Inflation/Economic risk
- Operational risk
- Strategic risk
- Sustainability/Climate change risk
- Market risk
- Price risk
- Currency risk
- Interest rate risk
- Credit risk
- Liquidity risk
- Group risk
- Underwriting risk
- Reserve risk
- Reinsurance risk

Review of the Business (continued)

Note 19 also contains a description of the policies in place for the above risk categories, under the auspices of an overarching Risk Management Strategy and Governance Framework document.

Future developments

The objective is to manage our core business in order to maximise profitability through future market cycles. In addition, AWMA seeks to develop a select number of initiatives to expand our geographic distribution and product mix, with a continued focus on profitable growth.

Stamp capacity for the 2024 year of account has increased by 16.6% to £384.8m (2023 year of account £330.0m).

Rating Agencies

All Lloyd's Syndicates benefit from Lloyd's central resources, including the Lloyd's brand, its network of global licences and the Central Fund. The Syndicate benefits from the following ratings held by Lloyd's: A (Excellent) by A.M. Best Company, AA- (Very Strong) by Standard & Poor's and AA- (Very Strong) by Fitch rating agency.

Directors

The Directors set out in the table below have held office for the whole year from 1 January 2023 to the date of this report unless stated otherwise.

J Redmond (Non-Executive Chairman) (Ceased 13th March 2023)
N Macmillan (Non-Executive)
E Moresco
M O'Leary
D Powell (Resigned 13th October 2023)
M Walsh
P Ford (Appointed 13th October 2023)
S Liversidge (Non-Executive)
S Hunter (Non-Executive) (Appointed 22nd November 2023)

Directors of AWMA are covered by a qualified third party professional indemnity provision. This has been in place for the duration of 2023 and up to the date of this report.

Company Secretary

A Sandhu (Assistant Secretary)
S Newton (Secretary)

Review of the Business (continued)

Provision of Capital

The Syndicate is wholly aligned with a single capital provider, Allied World Capital (Europe) Limited. The capital is held at a member level. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the balance sheet on page 19, are taken into account when determining the member's Lloyd's capital requirements.

Disclosure of Information to the Auditors

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

Independent Auditors

PricewaterhouseCoopers LLP ("PwC"), Chartered Accountants and Statutory Audit Firm, were appointed by the Board, as auditors, in accordance with Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. PwC have indicated their willingness to continue in office.

M Walsh
Managing Director
27 February 2024

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Managing Agent is responsible for preparing the Syndicate annual report and financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations') require the Managing Agent to prepare Syndicate annual accounts for each financial year. Under the 2008 Regulations the Managing Agent has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the Managing Agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period.

In preparing those Syndicate annual accounts, the Managing Agent is required to:

- Select suitable accounting policies which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Prepare the annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume the Syndicate will 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 included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 2232

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, Syndicate 2232's syndicate annual accounts:

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

We have audited the syndicate annual accounts included within Annual Report and Accounts(the "Annual Report"), which comprise: the Balance Sheet- Assets and Balance Sheet- Liabilities as at 31 December 2023; the Profit and Loss Account: Technical Account – General business, the Profit and Loss account: Non-technical account, the statement of comprehensive income, the statement of cash flows, and the statement of changes in members' balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 5, we have provided no non-audit services to the syndicate in the period under audit.

Conclusions relating to going concern

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

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

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 2232 (continued)

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

With respect to the Report of the Directors of the Managing Agent (the "Managing Agent's Report"), we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

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

Managing Agent's Report

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

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

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts

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

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

Auditors' responsibilities for the audit of the syndicate annual accounts

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

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 2232 (continued)

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to the risk of fraud in revenue recognition and management override of controls, including the posting of inappropriate journal entries and the potential for management bias in significant accounting estimates, particularly in relation to the valuation of incurred but not reported losses within claims outstanding and estimates within gross written premiums. Audit procedures performed by the engagement team included:

- Inspecting relevant meeting minutes, including those of the Board, Risk Committee and Non-Executive Director Committee of the Managing Agent, and correspondence with regulatory authorities, including the Council of Lloyd's, the Prudential Regulation Authority and the Financial Conduct Authority;
- Discussions with the Board, management, risk function and internal audit function of the Managing Agent, including consideration of known or suspected instances of fraud and/or non-compliance with laws and regulations;
- Testing and challenging where appropriate the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the estimation of incurred but not reported losses within claims outstanding and estimates within gross premium written;
- Identifying and testing journal entries based on risk-based criteria, particularly backdated journal entries, journals with unusual amounts, journals with unusual account combinations and journals posted by inappropriate users; and
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of our testing.

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

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

Use of this report

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

INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 2232 (continued)

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

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

PROFIT AND LOSS ACCOUNT:
TECHNICAL ACCOUNT - GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Earned premiums, net of reinsurance			
Premiums written:			
Gross premiums written	3	**416,751**	344,265
Outward reinsurance premiums		**(156,813)**	(135,761)
Net premiums written		**259,938**	208,504
Change in the provision for unearned premiums:			
Gross amount		**(32,145)**	(41,430)
Reinsurers' share		**11,117**	13,720
Change in the net provision for unearned premiums		**(21,028)**	(27,710)
Earned premiums, net of reinsurance		**238,910**	180,794
Allocated investment return transferred from the non-technical account		**20,906**	(1,818)
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		**(113,427)**	(110,309)
Reinsurers' share		**41,350**	45,456
Net claims paid		**(72,077)**	(64,853)
Change in the provision for claims:			
Gross amount		**(108,542)**	(75,726)
Reinsurers' share		**48,097**	19,094
Change in the net provision for claims	4	**(60,445)**	(56,632)
Claims incurred net of reinsurance		**(132,522)**	(121,485)
Net operating expenses	5	**(69,585)**	(52,126)
Member's personal expenses	8	**(2,891)**	(2,115)
Balance on the technical account for general business		**54,818**	3,250

PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT

FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Balance on the technical account for general business		**54,818**	3,250
Income from investments		**14,565**	4,472
Realised losses on investments		**(3,971)**	(1,957)
Investment management expenses and charges		**(1,015)**	(815)
Unrealised gains/(losses) on investments		**11,327**	(3,518)
Net investment return	9	**20,906**	(1,818)
Allocated investment return transferred to the technical account for general business	9	**(20,906)**	1,818
Foreign exchange (losses)/gains		**(1,465)**	2,139
Profit for the financial year		**53,353**	5,389

All operations relate to continuing activities.

The notes on pages 22 to 49 form an integral part of these financial statements.

STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £000	2022 £000
Income for the financial year	**53,353**	5,389
Other comprehensive income:		
Currency translation differences	**(3,677)**	472
Total comprehensive income for the year	**49,676**	5,861

BALANCE SHEET – ASSETS
AS AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Investments			
Other financial investments	10	**435,631**	301,746
Deposits with ceding undertakings		**1,956**	1,781
Total investments		**437,587**	303,527
Reinsurers' share of technical provisions			
Provision for unearned premium	4	**94,735**	87,793
Claims outstanding	4	**256,558**	218,789
		351,293	306,582
Debtors			
Debtors arising out of direct insurance operations	11	**85,475**	83,052
Debtors arising out of reinsurance operations	11	**58,050**	52,389
Other debtors	11	**17,828**	14,361
		161,353	149,802
Other assets			
Cash at bank and in hand		**58,951**	74,080
Overseas deposits	12	**38,009**	34,253
		96,960	108,333
Prepayments and accrued income			
Accrued interest and rent		**214**	110
Deferred acquisition costs	4	**45,997**	39,590
Other prepayments and accrued income		**—**	28
		46,211	39,728
Total assets		**1,093,404**	907,972

The notes on pages 22 to 49 form an integral part of these financial statements.

BALANCE SHEET – LIABILITIES
AS AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Member's Balance and Liabilities			
Member's balance		**42,033**	11,494
Technical provisions			
Provision for unearned premium	4	**220,422**	196,934
Claims outstanding	4	**624,405**	533,793
		844,827	730,727
Creditors			
Creditors arising out of direct insurance operations	13	**14,716**	21,676
Creditors arising out of reinsurance operations	13	**137,750**	111,220
Other creditors including taxation and social security	13	**18,683**	1,528
		171,149	134,424
Accruals and deferred income	4, 14	**35,395**	31,327
Total member's balance and liabilities		**1,093,404**	907,972

The notes on pages 22 to 49 form an integral part of these financial statements.

The financial statements on pages 15 to 49 were approved by the board of Directors of AWMA and were signed on its behalf by:

M O'Leary
Finance Director
27 February 2024

STATEMENT OF CHANGES IN MEMBER'S BALANCES

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	£000	£000
Member's balance at 1 January	**11,494**	1,559
(Profit distribution)/Loss collection	**(19,137)**	4,074
Profit for the financial period	**53,353**	5,389
Other comprehensive (expense)/income	**(3,677)**	472
Member's balances carried forward at 31 December	**42,033**	11,494

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £000	2022 £000
Cash flows from operating activities		
Profit for the financial year	**53,353**	5,389
Adjustments for:		
Increase in gross technical provisions	**138,511**	131,914
Increase in reinsurer's share of gross technical provision	**(56,570)**	(35,814)
Increase in debtors	**(9,973)**	(45,570)
Increase in creditors	**34,509**	22,078
Movement in other assets/liabilities	**(6,997)**	(19,192)
(Unrealised)/realised investment return	**(20,906)**	1,818
(Realised)/unrealised foreign exchange	**(11,861)**	6,992
Net cash inflows from operating activities	**120,066**	67,615
Cash flows from investing activities		
Purchase of equity and debt instruments	**(684,703)**	(386,929)
Sale of equity and debt instruments	**563,795**	270,221
Investment income	**8,512**	1,890
Other*	**(760)**	588
Net cash outflows from investing activities	**(113,156)**	(114,230)
Cash flows from financing activities		
Transfer (to)/from members in respect of underwriting participations	**(19,137)**	4,073
Net cash (outflows)/inflows from financing activities	**(19,137)**	4,073
Net decrease in cash and cash equivalents	**(12,227)**	(42,542)
Cash and cash equivalents at 1 January	**74,080**	108,737
Foreign exchange on cash and cash equivalents	**(2,902)**	7,885
Cash and cash equivalents at 31 December	**58,951**	74,080

*Note - Other represents transfers (to)/from the Part VII accounts in relation to Lloyd's Insurance Company S.A.

NOTES TO THE FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2023

1. Basis of Preparation

The Directors of Allied World Managing Agency Limited ("AWMA" or "Managing Agent"), a company incorporated in England and Wales, present their report and annual accounts for Syndicate 2232 for the year ended 31 December 2023. The registered address of AWMA is 19th Floor, 20 Fenchurch Street, London, EC3M 3BY.

These financial statements have been prepared in accordance with the Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, Financial Reporting Standard 102, The Financial Standard applicable in the UK (FRS 102) as issued in August 2014, and Financial Reporting Standard 103 Insurance Contracts (FRS 103) as issued in February 2017.

These financial statements have been prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value. The annual basis of accounting has been applied to all classes of business written by the Syndicate.

Going concern

In assessing the Syndicate's going concern position as at 31 December 2023, the Directors of AWMA have considered all available information about the future, the possible outcomes of events and changes in conditions. The assessment focused on the capital structure, liquidity stress test scenarios, investment risk, reinsurance structures, operational resilience and economic inflation challenges along with the ongoing business considerations such as future premium flows and actual and planned profitability targets.

The Directors of AWMA have a reasonable expectation that the Syndicate has adequate resources to continue its business operations for at least the next 12 months from date of this report and to continue as a going concern. Accordingly, they continue to adopt the going concern basis in preparing the financial statements.

2. Accounting Policies

The principal accounting policies are described below. These accounting policies have been applied consistently throughout the current and preceding reporting period.

2(a) Premium written and reinsurance premium ceded

Gross written and outwards reinsurance premium comprise premium on contracts incepting during the financial year, and adjustments on prior year contracts. Written premium are disclosed gross of commission payable to intermediaries and exclude taxes and duties levied on premium. Outwards reinsurance premium are disclosed gross of commissions and profit participations recoverable from reinsurers. Premium written include estimates for 'pipeline' premium. Reinstatement premium related to property catastrophe reinsurance are estimated and accrued based upon contractual terms applied to the amount of losses expected to be paid.

2(b) Unearned premium

The provision for unearned premium comprises the proportion of gross and outwards reinsurance premium written, which is estimated to be earned in the following or subsequent financial years, computed separately for each insurance contract using the daily pro-rata method or established earning patterns for particular classes such as construction.

2(c) Acquisition costs

Acquisition costs comprise all direct and indirect costs arising from the acquisition of insurance contracts. Deferred acquisition costs represent the proportion of acquisition costs incurred which corresponds to the proportion of gross premium written which is unearned at the balance sheet date.

2. Accounting Policies (continued)

2(d) Expenses

The Managing Agent has charged the Syndicate for the supply of services which represents the value of services provided under contracts to the extent that there is a right to consideration and is recorded at the value of the consideration due. The charge is accounted for on an accrual basis and represents the costs incurred by the Managing Agenct plus 5%.

2(e) Claims provisions and related recoveries

The provision for claims and claims expenses includes estimates for unpaid claims and claims expenses on reported losses as well as an estimate of losses incurred but not reported ("IBNR"). The provision is based upon individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claims severity and frequency and other factors which could significantly vary as claims are settled. The Directors of AWMA consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate losses may vary materially from the amounts provided in the financial statements as there is inherent uncertainty in relation to the ultimate liability as a result of subsequent information. Ultimate loss estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the financial statements of operations in the period in which they become known and are accounted for as changes in estimates.

Amounts recoverable from reinsurers are calculated in a manner consistent with the claim liability associated with the reinsured policies. The amounts recoverable from reinsurers are recorded net of bad debt provision for estimated uncollectable recoveries.

2(f) Unexpired risk

Provision is made for unexpired risks arising from general business where the expected value of the claims and expenses attributable to the unexpired periods of policies in force at the balance sheet date exceeds the unearned premium provision in relation to such policies after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated separately by classes of business, after taking into account the relevant investment return.

2(g) Investments

Investments are carried at their current fair market value as shown in note 10.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets is based on quoted market bid and ask price for both financial assets and financial liabilities respectively.

The fair value of financial assets and liabilities that are not traded in an active market is determined by observable inputs such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in active markets and other market observable inputs. Where there are only unobservable inputs used in the measurement of financial instruments, management is required to use its own assumptions and valuation techniques.

Gains and losses on investments designated as fair value are recognised through the profit and loss account. Interest income from investments in bonds and short-term investments is recognised at the effective interest rate.

2(h) Investment return

Investment return comprises income received and receivable on fixed income securities, interest earned and accrued on cash, realised gains on disposal of investments and unrealised gains or losses on investments held.

All investment return is initially recognised in the non-technical account. It is then transferred to the technical account as it all relates to funds supporting underwriting business.

2. Accounting Policies (continued)

2(i) Reporting currency

The functional currency of the Syndicate is United States dollars ($), as it is the currency of the primary economic environment. The presentational currency is United Kingdom pound sterling (£) as it is market practice to present the Syndicate report and accounts in the functional currency of the Lloyd's market aggregated accounts.

2(j) Foreign Exchange

Monetary assets and liabilities denominated in foreign currencies are translated at the exchange rates ruling at the balance sheet date. Revenues and costs are translated at the exchange rates ruling at the dates of the transactions. Profits and losses arising from foreign currency translation and on settlement of amounts receivable and payable in foreign currencies are dealt with through the profit and loss account. Profits and losses arising from the translation from functional to presentational currency are dealt with through the statement of other comprehensive income.

2(k) Taxation

Under Schedule 19 of the Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to the member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

2(l) Bad debts

Provision is made for bad debts on overdue receivables or where specific information is available to suggest a debtor may be unable or unwilling to settle its debt to the Syndicate.

2(m) Reinsurers' commissions and profit participations

Reinsurers' commissions and profit participations, which include reinsurance profit commission and overriders, have been treated as a contribution to expenses, rather than as a premium adjustment.

2(n) Deposits with ceding undertakings

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

2(o) Critical accounting estimates and judgments and key sources of uncertainty

In the application of the Syndicate's accounting policies, which are described above, the Directors are required to make critical accounting estimates, judgments and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates, judgements and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates. The key area of uncertainty which requires the use of accounting estimates and judgments are listed as follow:

Claims provisions

The most critical estimate included within the syndicate's balance sheet is the estimate for insurance losses incurred but not reported ("IBNR") which is included within gross technical provisions and reinsurer's share of technical provisions in the balance sheet. This estimate is significant as it outlines the current liability for potential future incurred claims. The technical provisions estimates as at 31 December 2023 are included within claims outstanding in the balance sheet and are separately disclosed in note 4.

2. Accounting Policies (continued)

2(o) Critical accounting estimates and judgments and key sources of uncertainty (continued)

Claims provisions (continued)

The reserve for IBNR losses and loss expenses relate primarily to unreported events that, based on industry information, management's experience and actuarial evaluation, can reasonably be expected to have occurred and are reasonably likely to result in a loss to the Syndicate. IBNR reserves also relate to estimated development of reported events that, based on industry information, management's experience and actuarial evaluation, can reasonably be expected to reach the Syndicate's attachment point and are reasonably likely to result in a loss. As a result, reserves for losses and loss expenses include significant estimates for IBNR reserves.

The Syndicate factors into IBNR reserves economic inflation by assuming an inflation rate consistent with historical and current trends. The IBNR reserves are calculated as the ultimate amount of losses and loss expenses less cumulative paid losses and loss expenses and outstanding losses. The Syndicate's actuaries employ generally accepted actuarial methodologies to determine estimated ultimate loss reserves.

The Syndicate believes that its current estimates of liabilities appropriately reflect its current knowledge of the business and the prevailing market, social, legal and economic conditions while giving due consideration to historical trends and volatility evidenced in the liabilities over the longer term. Although management believes that the IBNR reserves are sufficient to cover losses, there can be no assurance that losses will not deviate from the Syndicate's reserves, possibly by material amounts.

In general, the methods and related assumptions used for estimating the reserve for losses and loss expenses, including IBNR, are predicated on whether the line of business falls into one of the following two categories: short-tail line or long-tail line.

In short-tail lines of business, claims are generally reported and paid within a relatively short period of time during and following the policy coverage period. This generally enables the Syndicate to determine with greater certainty the estimate of ultimate losses and loss expenses.

In long-tail lines of business, claims may be reported or settled several years after the coverage period has terminated, which increases uncertainties of the reserve estimates in such lines. Due to the lengthy reporting pattern of these lines, reliance is placed on industry benchmarks supplemented by the Syndicate's own experience. For expected loss ratio selections, the Syndicate considers its existing experience supplemented with analysis of loss trends, rate changes and experience of peers.

The Syndicate utilises a variety of standard actuarial methods in its analysis. The selections from these various methods are based on the loss development characteristics of the specific line of business. The actuarial methods utilised by the Syndicate include Paid Loss Development Method, Reported Loss Development Method, Expected Loss Ratio Method, Bornhuetter-Ferguson Paid Loss Method, and Bornhuetter-Ferguson Reported Loss Method.

The estimates and judgements are applied in line with the overall reserving philosophy and seek to state the claims provisions on a best estimate, undiscounted basis. A actuarial prudence margin is also applied over and above the actuarial best estimate to allow for the inherent uncertainty within the best estimate reserve position.

A sensitivity of the results and members balances at a 5% increase or decrease in net loss ratio is disclosed on page 46 of these accounts.

2. Accounting Policies (continued)

2(o) Critical accounting estimates and judgments and key sources of uncertainty (continued)

Premiums written

Premiums written includes estimates for premiums due but not yet received or notified, also defined as business which has an attachment date prior to the end of the reporting period but which has not yet been processed into the systems utilised by the Syndicate.

For inward treaty reinsurance business, key premium estimates of recognising premium over the life of the contract are made. The premium written is initially based on the estimated premium income ("EPI") of each inward reinsurance treaty. The EPI is pro-rated across the treaty period on a straight-line basis unless the underlying writing pattern from the prior period indicates the actual underlying writing pattern is materially different. Management adjust the EPI estimates as the treaty level as each contract matures. At a total segment level this is considered to provide a reasonable estimate of premium income for the full year.

For delegated authority business, management estimate premiums due but not yet received for each arrangement based on historic information and current market conditions. The estimate is assessed for reasonableness after the financial year-end with the resulting variation historically not being significant.

The premium debtors receivable held at 31 December 2023 is disclosed in note 11 of these accounts.

3. Segmental Analysis

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

2023	**Gross premium written £000**	**Gross premium earned £000**	**Gross claims incurred £000**	**Gross Operating expenses £000**	**Reinsurance balance £000**	**Total £000**
Direct Insurance:						
Motor	**12,139**	**10,218**	**(5,847)**	**(4,159)**	**(19)**	**193**
Marine, Aviation and Transport	**17,911**	**15,106**	**(13,458)**	**(4,995)**	**3,277**	**(70)**
Fire and other damage to property	**26,965**	**18,811**	**(15,540)**	**(3,784)**	**(579)**	**(1,092)**
Third-party liability	**194,831**	**189,264**	**(108,353)**	**(62,681)**	**(2,937)**	**15,293**
Miscellaneous	**42**	**522**	**2,745**	**(97)**	**(2,048)**	**1,122**
Direct Insurance	**251,888**	**233,921**	**(140,453)**	**(75,716)**	**(2,306)**	**15,446**
Reinsurance	**164,863**	**150,685**	**(81,516)**	**(44,250)**	**(6,452)**	**18,467**
Total	**416,751**	**384,606**	**(221,969)**	**(119,966)**	**(8,758)**	**33,913**

Of the £416.8m gross premium written, £306.4m were underwritten in the UK, £70.5m were underwritten in Asia and £39.9m were underwritten in Europe.

2022	Gross premium written £000	Gross premium earned £000	Gross claims incurred £000	Gross Operating expenses £000	Reinsurance balance £000	Total £000
Direct Insurance:						
Motor	8,199	8,572	(5,306)	(3,800)	(135)	(669)
Marine, Aviation and Transport	15,575	12,908	(13,212)	(4,892)	2,248	(2,948)
Fire and other damage to property	20,399	14,624	(11,193)	(3,531)	28	(72)
Third-party liability	170,801	144,265	(66,852)	(43,723)	(20,317)	13,373
Miscellaneous	208	952	(2,984)	(317)	1,708	(641)
Direct Insurance	215,182	181,321	(99,547)	(56,263)	(16,468)	9,043
Reinsurance	129,083	121,514	(86,487)	(39,261)	262	(3,972)
Total	344,265	302,835	(186,034)	(95,524)	(16,206)	5,071

Of the £344.3m gross premium written, £250.6m were underwritten in the UK, £63.0m were underwritten in Asia and £30.7m were underwritten in Europe.

Commissions on direct insurance gross premium written during 2023 were £59.5m (2022: £44.9m).

4. Change in Technical Provisions

The change in net provision for claims is made up of the following:

	Gross		Reinsurers' share	
Unearned premium reserve	**2023 £000**	2022 £000	**2023 £000**	2022 £000
At 1 January	**(196,934)**	(144,508)	**87,793**	67,732
Movement in provision	**(32,145)**	(41,430)	**11,117**	13,720
Foreign exchange movements	**8,657**	(10,996)	**(4,175)**	6,341
Total	**(220,422)**	(196,934)	**94,735**	87,793

	Gross		Reinsurers' share	
Deferred acquisition costs	**2023 £000**	2022 £000	**2023 £000**	2022 £000
At 1 January	**39,590**	26,282	**(26,554)**	(19,710)
Movement in provision	**8,125**	11,140	**(3,053)**	(4,951)
Foreign exchange movements	**(1,718)**	2,168	**1,257**	(1,893)
Total	**45,997**	39,590	**(28,350)**	(26,554)

	Gross		Reinsurers' share	
Claims outstanding	**2023 £000**	2022 £000	**2023 £000**	2022 £000
At 1 January	**(178,585)**	(158,031)	**59,189**	55,896
Movement in provision	**(17,726)**	(12,699)	**9,857**	1,147
Less: portfolio transfer	**1,905**	1,715	**(780)**	(701)
Foreign exchange movements	**8,088**	(9,570)	**(3,285)**	2,847
Total	**(186,318)**	(178,585)	**64,981**	59,189

	Gross		Reinsurers' share	
Claims incurred but not reported	**2023 £000**	2022 £000	**2023 £000**	2022 £000
At 1 January	**(347,908)**	(260,244)	**159,600**	126,685
Movement in provision	**(91,173)**	(63,218)	**39,020**	18,648
Foreign exchange movements	**9,918**	(24,446)	**(7,043)**	14,267
Total	**(429,163)**	(347,908)	**191,577**	159,600

	Gross		Reinsurers' share	
Unallocated loss adjustment expenses	**2023 £000**	2022 £000	**2023 £000**	2022 £000
At 1 January	**(7,300)**	(5,772)	**—**	—
Movement in provision	**(1,548)**	(1,524)	**—**	—
Foreign exchange movements	**(76)**	(4)	**—**	—
Total	**(8,924)**	(7,300)	**—**	—

	Gross		Reinsurers' share	
Change in the provision for claims	**2023 £000**	2022 £000	**2023 £000**	2022 £000
At 1 January	**(533,793)**	(424,046)	**218,789**	182,581
Movement in provision	**(108,542)**	(75,726)	**48,097**	19,094
Foreign exchange movements	**17,930**	(34,021)	**(10,328)**	17,114
Total	**(624,405)**	(533,793)	**256,558**	218,789

5. Net Operating Expenses

	2023 **£000**	2022 £000
Acquisition costs	**95,482**	72,908
Change in deferred acquisition costs	**(5,072)**	(6,189)
Gross acquisition costs	**90,410**	66,719
Administrative expenses	**26,666**	26,690
Reinsurers' commissions and profit participations	**(47,491)**	(41,283)
Total	**69,585**	52,126

Administrative expenses include fees payable to the auditors and their associates (exclusive of VAT). An analysis of the auditors' remuneration is as follows:

	2023 **£000**	2022 £000
Audit fees:		
Fees payable to the Syndicate's auditors for the audit of these financial statements	**290**	162
Non-audit fees:		
Other services pursuant to legislation	**175**	111

Other services pursuant to legislation include fees for the Syndicate half year review, year-end audit of Solvency II balance sheet and fees and in respect of the Singaporean regulatory return annual audit.

6. Staff Numbers and Costs

The average number of full time equivalent employees employed by the Allied World group of companies working on Syndicate matters during the year was as follows:

	2023	2022
Administration and finance	34	42
Underwriting and claims	45	44
Total	79	86

The table above includes 14 (2022: 13) employees who are employed directly by AWMA.

AWMA does not charge a Managing Agency fee, it has recharged various expenses which have been incurred on the Syndicate's behalf. These amounted to £17.4m (2022: £18.0m) for the financial year.

7. Emoluments of the Directors of AWMA

The Directors of AWMA received the following aggregate remuneration of £1.1m (2022: £1.1m) charged to the Syndicate and included within net operating expenses.

The amount recharged to the Syndicate in respect of the aggregate remuneration of the active underwriter for the year ended 31 December 2023 was £0.4m (2022: £0.4m).

8. Member's Personal Expenses

	2023 **£000**	2022 £000
Central fund	**1,425**	987
Lloyd's subscriptions	**1,466**	1,128
Total	**2,891**	2,115

9. Investment Return

	2023 **£000**	2022 £000
Income from investments	**14,565**	4,472
Realised losses on investments	**(3,971)**	(1,957)
Investment management expenses and charges	**(1,015)**	(815)
Unrealised gains/(losses) on investments	**11,327**	(3,518)
Net investment return	**20,906**	(1,818)
Allocated investment return transferred to the technical account for general business	**20,906**	(1,818)
Net investment return included in the non technical account	**—**	—
Total investment return	**20,906**	(1,818)

10. Other Financial Investments

	Market Value 2023 £000	**Cost 2023 £000**	Market Value 2022 £000	Cost 2022 £000
Shares and other variable-yield securities and units in unit trusts	**53,790**	**53,790**	46,519	46,519
Debt securities and other fixed income securities	**381,841**	**365,904**	255,227	259,225
Total	**435,631**	**419,694**	301,746	305,744

All debt securities and other fixed income securities are listed on a recognised stock exchange and are valued at fair value through profit and loss.

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

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

Valuation Techniques

Level one

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets.

Level two

Inputs include directly or indirectly observable inputs such as quoted prices for similar financial instruments exchanged in active markets, quoted prices for identical or similar financial instruments exchanged in active markets and other market observable inputs.

The fair value of the vast majority of the Syndicate investments in bonds are priced based on information provided by independent pricing service providers while much of the remainder are based primarily on non-binding third party broker-dealer quotes that are prepared using Level 2 inputs. Where third-party broker-dealer quotes are used, typically one quote is obtained from a broker-dealer with expertise in the instrument being priced.

Level three

Lloyd's introduced Syndicate loans to the Central Fund with effect from the 2019 year of account and planned to continue to do so in subsequent years, subject to PRA approval each year. During 2020, two further tranches were collected from the Syndicate on the 2020 year of account. No such loans were collected for the 2021 and subsequent years of account.

The proceeds from these loans were used to strengthen Lloyd's central resources and facilitated the injection of capital into Lloyd's Insurance Company S.A. (Lloyd's Brussels). Loans will not be repaid before 5 years have elapsed. Interest thereon is determined by reference to the risk-free yield plus a credit spread, and will normally be paid annually on an anniversary of the loan. Lloyd's intends to repay the principal value of the Syndicate loans for the 2019 year of account on 29 March 2024, the fifth anniversary of the commencement of the Syndicate loans, subject to receiving approval from the PRA.

A fair value cannot be determined using direct observable market inputs so the investment has been classified as Level 3 in the fair value hierarchy. The value of the Lloyd's loan is £3.1m (2022: £2.9m).

10. Other Financial Investments (continued)

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

2023	**Level 1**	**Level 2**	**Level 3**	**Total**
	£000	**£000**	**£000**	**£000**
Shares and other variable-yield securities and units in unit trusts	**50,707**	**—**	**3,083**	**53,790**
Debt securities and other fixed income securities	**232,995**	**148,846**	**—**	**381,841**
Overseas deposits	**14,307**	**23,702**	**—**	**38,009**
Total	**298,009**	**172,548**	**3,083**	**473,640**

2022	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Shares and other variable-yield securities and units in unit trusts	43,602	—	2,917	46,519
Debt securities and other fixed income securities	179,615	75,612	—	255,227
Overseas deposits	12,780	21,473	—	34,253
Total	235,997	97,085	2,917	335,999

11. Debtors

	2023	2022
	£000	£000
Debtors arising out of direct insurance operations:		
Amounts due within one year	**85,475**	83,052
Debtors arising out of reinsurance operations:		
Amounts due within one year	**58,050**	52,389
Other debtors		
Amounts due within one year	**17,828**	14,361

12. Overseas Deposits

Overseas deposits of £38.0m (2022: £34.3m) comprise funds that are lodged as a condition of conducting underwriting business in certain countries. Certain overseas deposits relating to Australian situs business previously funded by the Syndicate were replaced in 2013 by a letter of credit (LOC) funded by Allied World Assurance Company, Ltd. The amount of LOC provided as at 31 December 2023 was £30.1m (31 December 2022: £29.2m).

13. Creditors

	2023 £000	2022 £000
Creditors arising out of direct insurance operations:		
Amounts due within one year	**14,716**	21,676
Creditors arising out of reinsurance operations:		
Amounts due within one year	**10,647**	6,654
Amounts due to affiliated companies within one year	**127,103**	104,566
Other creditors including taxation		
Amounts due within one year	**18,683**	1,528

Other creditors comprise mainly expense recharges from affiliated companies. Amounts due to group undertakings are unsecured, interest free, have no fixed dated of repayment and are repayable on demand.

14. Accruals and Deferred Income

	2023 £000	2022 £000
Amounts due within one year		
Accruals	**7,043**	4,773
Reinsurance deferred acquisition costs	**28,352**	26,554
Total	**35,395**	31,327

15. Post Balance Sheet Events

There have been no post balance sheet events which require disclosure or an adjustment to the financial statements for the year ended 31 December 2023.

16. Funds at Lloyd’s

The fixed interest securities are provided and managed by a subsidiary of Allied World Assurance Company Holdings, Ltd via a third party trust deed.

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on UK regulatory requirements. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

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

As at 31 December 2023, FAL balance was £295.4m (31 December 2022: £254.1m).

17. Foreign Exchange Rates

The functional currency of the Syndicate is US dollars. These financial statements are presented in Pounds Sterling.

The following currency exchange rates illustrate the main foreign currency rates of exchange which were used for currency translation.

	2023 Average rate	**2023 Year end rate**	2022 Average rate	2022 Year end rate
Australian Dollar	**1.87**	**1.87**	1.78	1.80
US Dollar	**1.24**	**1.27**	1.24	1.20
Canadian Dollar	**1.68**	**1.69**	1.61	1.64
Singapore Dollar	**1.67**	**1.68**	1.70	1.63

18. Capital Management

In order to meet the Society of Lloyd's requirements, the Syndicate is required to calculate its solvency capital requirements ("SCR") for the prospective underwriting year. The SCR for the Syndicate is based on the modelled output of the economic capital model ("ECM"). This amount must be sufficient to cover a "1 in 200" year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities. Lloyd's applies a 35% capital uplift to the members' capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's requirement and not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

The ECM is also used for internal reporting and outputs are provided to the Board of Directors of AWMA and its committees. ECM outputs are included in the Syndicate's Own Risk Solvency Assessment ("ORSA") report, which will be submitted to Lloyd's on or before 29 March, 2024.

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level, the requirement to meet Solvency II and Lloyd's capital requirements apply at member level only. Accordingly the capital requirement in respect of the Syndicate is not disclosed in these financial statements. The level of FAL which supports the Syndicate's underwriting activities and member's deficit is disclosed in note 17.

19. Financial Risk Management

The Syndicate's financial instruments include investments in securities at fair value through the profit and loss, other receivables, cash and cash equivalents, other payables, accruals and liabilities. The risks associated with these financial instruments include market risk (currency risk, inflation risk, interest rate risk and price risk), credit risk and liquidity risk. The Syndicate also has insurance-related assets and liabilities which have similar financial risks.

The policies on how to mitigate these risks are set out below. Management monitors these exposures to ensure appropriate measures are implemented in a timely and effective manner.

19. Financial Risk Management (continued)

Geopolitical risk

Geopolitical risks, elevated in 2022 from both the Russian invasion of Ukraine and the shifting political landscape, were further increased in 2023 by social unrest (e.g. increased immigration, food crises) and the armed conflict between Hamas-led Palestinian militant groups and Israeli military forces. This could in turn amplify other macroeconomic risks.

A review of the Syndicate's exposure to both conflicts has been conducted. The results indicate that the Syndicate has limited exposure to claims directly arising from the conflicts. However, as these are ongoing events it is difficult to predict the longer term impact on the wider global geo-political landscape and hence the potential adverse impact on our business and results of operations over time.

Inflation/Economic risk

Inflation has reached multi-decade highs across global economies due to a confluence of factors and is likely to stay elevated during 2024. Insurers face numerous inflation related challenges such as: cost of claims/expenses which exceed allowances made in pricing; setting claims/expense inflation assumptions using general measure of price inflation (reserve risk); competitive pressures when establishing uncertain inflation assumptions in pricing (new business); reduced profitability of and demand for insurance products.

Although the inflationary environment continues to evolve, and the ultimate impact on the Syndicate’s business is uncertain, the Syndicate has several mitigations in place to protect against the impact of increasing inflation. The Syndicate’s pricing and reserving actuaries evaluate the implications for premium rates and reserves of different levels of inflation persisting for different periods. Inflation is included and trend assumptions have been reviewed and updated as part of our ongoing annual product review process. The Syndicate continues to monitor the economic and inflation environment as it evolves

Operational risk

Operational risk is the loss resulting from inadequate or failed internal processes, people and systems. It also includes legal risks that arise from failure to comply with relevant laws or regulations, risks arising from inadequate contingency plans as addressed in the Syndicate's business continuity plans and the risks arising from the inability to respond and adapt to operational disruptions leading to harm being caused to customers.

AWMA has developed and implemented a risk register and risk governance system to ensure effective risk management of operational risk is carried out. Management receives regular operational risk updates and the Board of Directors oversees the risk framework.

AWMA has developed and implemented an operational resilience framework, which is overseen by the Board of Directors.

AWMA has entered into a number of outsourcing arrangements in accordance with outsourcing policies and procedures, the risks and performance of that are monitored by management.

19. Financial Risk Management (continued)

Operational risk (continued)

The Syndicate relies on information technology in virtually all aspects of its business. A significant disruption or failure of the Syndicate's information technology could result in loss of assets and critical information, potential breach of privacy laws, expose the Syndicate to remediation costs and reputational damage, and adversely affect the Syndicate's results of operations, financial condition and liquidity. Cyber-attacks could further adversely affect the Syndicate's ability to operate facilities, information technology and business systems, or compromise confidential customer and employee information. Cyber-attacks resulting in political, economic, social or financial market instability or damage to or interference with the Syndicate's assets, or its customers or suppliers may result in business interruptions, lost revenue, higher commodity prices, disruption in fuel supplies, lower energy consumption, unstable markets, increased security and repair or other costs, any of which may affect the Syndicate's consolidated financial results.

The Syndicate has taken steps intended to mitigate these risks, including implementation of cyber security and cyber resilience measures, business continuity planning, disaster recovery planning and business impact analysis, and regularly updates these plans and security measures, however, there can be no assurance that such steps will be adequate to protect the Syndicate from the impacts of a cyber attack.

It is critical for AWMA that the key resources required to support its underwriting and other essential business activities continue to be available. A number of contingency plans are in place to mitigate any loss of key resources from disrupting the ongoing operations of the Syndicate and AWMA.

The Syndicate is required to comply with the requirements of a number of regulators including the Financial Conduct Authority ("FCA"), Prudential Regulation Authority ("PRA"), Monetary Authority Singapore ("MAS"), The Office of the Superintendent of Financial Institutions ("OFSI"), Australian Prudential Regulation Authority ("APRA") and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business.

Strategic risk

This relates to the risk of not achieving the Syndicate's short and long term objectives due to any inability to implement appropriate business plans and strategies, make decisions (especially in the context of risk mitigation), allocate capital or resources, or adapt to changes in the business environment. AWMA manages this risk through the regular measuring, monitoring and reporting of established risk appetite metrics to AWMA's Board Risk Committee

Sustainability and climate change risk

Climate-related risks and opportunities have increased in recent years and understanding and managing climate change risk is of fundamental importance to the business. Climate change exposes AWMA to a range of risks which can be grouped into three main categories:

Physical damage

Physical damage climate change risks may arise from increased frequency and/or severity of climate related events beyond anticipated. Physical risks may challenge our ability to effectively underwrite, model and price catastrophe risk particularly if the frequency and severity of catastrophic events such as hurricanes, tornadoes, floods, wildfires and windstorms and other natural disasters may be exacerbated globally.

Allied World review and assess their view of catastrophe risk based on the latest catastrophe models and aggregate exposures and use the output of the analysis within their pricing models to minimise the risk of losses being greater than anticipated.

19. Financial Risk Management (continued)

Sustainability and climate change risk (continued)

Transitional risk

Transitional risks may arise from the effort to transition towards a lower-carbon economy, such as changes in government policy, technology changes, reputational risks, changes in consumer demand and updating of global infrastructure which may lead to a reduction in the value of certain assets.

Asset volatility may increase if assets are invested with a short-term view not having taken into consideration the potential longer-term climate change related impacts. AWMA have minimised this risk by taking a longer-term view when investing in assets and thus currently have no assets invested in fossil fuel mining or producers or major users of fossil fuels such as air or shipping transportation, chemical manufacturers etc. and thus this risk is considered to be low. AWMA will continue to monitor this risk as it develops however it is currently a low risk to the portfolio.

Liability risk

Liability risks are risks that arise from third parties seeking compensation from the effects of climate change, such as companies being litigated against due to the impact of their greenhouse emissions. The Syndicate reviews its portfolio composition and where a liability or reputational risk is expected to emerge underwiriting actions are taken to reduce or mitigate this risk.

Climate change presents risk of financial loss to AWMA. For example, losses resulting from actual policy experience may be adverse as compared to the assumptions made in product pricing and our ability to mitigate our exposure may be reduced. Climate change-related risks may also adversely impact the value of the securities that we hold or lead to increased credit risk of other counterparties we transact business with, including reinsurers.

AWMA has a climate change strategy which outlines the Syndicate’s climate change ambition and a governance structure is in place to support the monitoring of climate change developments and potential impact of climate change on the business. AWMA utilizes the governance framework to drive enhanced decision making relating to climate change. Additionally, AWMA has explored the resilience and vulnerabilities of the business model, through modelling of a range of climate change scenarios within the ORSA, to inform strategic planning. AWMA continues to develop its climate change risk modelling capabilities, however, we cannot predict the long-term impacts of climate change on our business and results of operations.

Market risk

Price risk, currency risk, interest rate risk, credit risk and liquidity risk are all grouped under market risk which is defined as the risk arising from fluctuations in values of, or income from, invested assets including fluctuations due to movements in interest rates, foreign exchange rates, credit spreads or credit defaults.

Price risk

The Syndicate is exposed to price risk arising from fluctuations in the value of financial instruments as a result of changes in the market prices and the risks inherent in all investments. The Syndicate has no significant concentration of price risk. The risk is managed by the Syndicate by maintaining an appropriate mix of low-risk debt securities and other fixed income securities.

19. Financial Risk Management (continued)

Currency risk

The Syndicate's exposure to currency risk arises primarily from the currency mismatch in assets and liabilities primarily driven by insurance debtors and insurance creditors denominated in currencies other than the functional currency. Management monitors foreign exchange exposure and will consider hedging significant foreign currency exposure when the need arises.

Carrying amounts of the Syndicate's material foreign currency denominated assets and liabilities are shown below, this excludes members balances:

2023	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**OTH £000**	**Total £000**
Financial investments	**20,306**	**262,254**	**32,859**	**76,428**	**43,784**	**—**	**435,631**
Overseas deposits	**—**	**1,132**	**—**	**14,369**	**1,841**	**20,667**	**38,009**
Reinsurer's share of technical provisions	**25,708**	**288,856**	**1,856**	**12,826**	**22,047**	**—**	**351,293**
Insurance and reinsurance receivables	**13,770**	**103,304**	**3,138**	**2,765**	**20,548**	**—**	**143,525**
Cash and cash equivalents	**13,839**	**12,414**	**10,101**	**91**	**18,407**	**4,099**	**58,951**
Other assets	**1,083**	**32,542**	**17,672**	**4,809**	**9,889**	**—**	**65,995**
Total assets	**74,706**	**700,502**	**65,626**	**111,288**	**116,516**	**24,766**	**1,093,404**
Technical provisions	**(163,560)**	**(449,402)**	**(21,318)**	**(69,825)**	**(140,722)**	**—**	**(844,827)**
Insurance and reinsurance payables	**(10,107)**	**(132,309)**	**1,181**	**(5,030)**	**(6,201)**	**—**	**(152,466)**
Other creditors	**279**	**(51,137)**	**(148)**	**(279)**	**(2,793)**	**—**	**(54,078)**
Total liabilities	**(173,388)**	**(632,848)**	**(20,285)**	**(75,134)**	**(149,716)**	**—**	**(1,051,371)**

2022	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	OTH £000	Total £000
Financial investments	7,941	212,776	1,752	43,119	36,157	—	301,745
Overseas deposits	—	1,245	—	12,455	1,553	19,000	34,253
Reinsurer's share of technical provisions	15,462	259,106	—	10,615	21,399	—	306,582
Insurance and reinsurance receivables	15,173	96,657	—	7,305	16,305	—	135,440
Cash and cash equivalents	5,365	17,529	14,871	10,991	10,688	14,636	74,080
Other assets	16,183	27,593	—	3,186	8,910	—	55,872
Total assets	60,124	614,906	16,623	87,671	95,012	33,636	907,972
Technical provisions	(135,451)	(414,982)	—	(57,092)	(123,201)	—	(730,726)
Insurance and reinsurance payables	(11,015)	(115,623)	—	(4,320)	(1,938)	—	(132,896)
Other creditors	(310)	(29,787)	—	(508)	(2,251)	—	(32,856)
Total liabilities	(146,776)	(560,392)	—	(61,920)	(127,390)	—	(896,478)

19. Financial Risk Management (continued)

Currency risk (continued)

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on result of a percentage movement in the relative strength of US dollars, the functional currency of the Syndicate, against the value of all other currencies including the Syndicate's major currencies, Sterling, Canadian dollar, Euro and Australian dollar simultaneously. The analysis is based on the information at 31 December of each year end:

	Impact on result for the financial year and net assets	
	2023	2022
US dollar weakens	**£000**	£000
10% against other currencies	**2,562**	4,302
20% against other currencies	**5,124**	8,604
US dollar strengthens		
10% against other currencies	**(2,562)**	(4,302)
20% against other currencies	**(5,124)**	(8,604)

Interest rate risk

The fixed income securities in the Syndicate's investment portfolio are subject to interest rate risk. Any changes in interest rates have a direct effect on the market values of fixed income securities. As interest rates rise, the market values fall and vice versa.

The sensitivity of the results and net assets to changes to the investment yields is set out in the table below. This represents management's assessment of the reasonably possible change in interest rates over the next year.

	Impact on result for the financial year and net assets	
	2023	2022
	£000	£000
Impact of 50 basis point increase on net results and net assets	**(2,634)**	(2,033)
Impact of 50 basis point decrease on net results and net assets	**2,634**	2,033
Impact of 100 basis point increase on net results and net assets	**(5,269)**	(4,067)
Impact of 100 basis point decrease on net results and net assets	**5,269**	4,067

The Syndicate's method for assessing interest rate fluctuations has not changed significantly over the financial year.

19. Financial Risk Management (continued)

Credit risk

Credit risk arises out of the failure of a counter party to perform according to the terms of the contract. The Syndicate's major areas of credit risk are in relation to its investment portfolio, its reinsurance program and the amounts due from policyholders and intermediaries.

The Syndicate's investment portfolio is managed pursuant to guidelines that follow the prudent person principles. The guidelines limit the allowable holdings of a single issue and issuer. The Syndicate believes that there are no significant concentrations of credit risk associated with its investment portfolio.

The Syndicate purchases reinsurance in order to limit its maximum loss, to protect against concentration of risk within the portfolio and to manage exposure to catastrophic events. Because the ceding of insurance does not discharge the Syndicate from its primary obligation to the insureds, the Syndicate remains liable to the extent that its reinsurers do not meet their obligations under the reinsurance agreements. Therefore, the Syndicate evaluates the financial condition of its reinsurers and monitors concentration of credit risk. No material provision has been made for unrecoverable reinsurance as of 31 December 2023 as the Syndicate believes that reinsurance balances will be recovered.

Insurance balances receivable primarily consist of net premium due from insureds and reinsureds. The Syndicate believes that the counterparties to these receivables are able to meet, and will meet, all of their obligations. The Syndicate's credit risk is further reduced by the contractual right to offset loss obligations or unearned premium against premium receivable or to cancel policies as per the cancellation clause in all policies for non-payment. Consequently, the Syndicate has not included any material provision for unrecoverable accounts receivable.

The following table show aggregated credit risk exposure for assets by credit rating:

2023	**AAA**	**AA**	**A**	**BBB or less**	**Not rated**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities	**2,115**	**1,461**	**42,846**	**—**	**7,368**	**53,790**
Debt securities and other fixed income securities	**312,895**	**43,834**	**25,113**	**—**	**—**	**381,842**
Overseas deposits	**12,721**	**722**	**2,114**	**5,117**	**17,335**	**38,009**
Reinsurer' share of claims outstanding	**—**	**95,504**	**139,981**	**—**	**21,074**	**256,559**
Deposits with ceding undertakings	**—**	**—**	**—**	**—**	**1,956**	**1,956**
Cash at bank and in hand	**—**	**58,951**	**—**	**—**	**—**	**58,951**
Total credit risk	**327,731**	**200,472**	**210,054**	**5,117**	**47,733**	**791,107**

2022	AAA	AA	A	BBB or less	Not rated	Total
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities	4,490	997	22,759	—	18,273	46,519
Debt securities and other fixed income securities	205,468	35,586	14,173	—	—	255,227
Overseas deposits	8,825	2,310	2,008	4,646	16,464	34,253
Reinsurer' share of claims outstanding	—	76,283	126,417	—	16,089	218,789
Deposits with ceding undertakings	—	—	—	—	1,781	1,781
Cash at bank and in hand	—	66,816	7,264	—	—	74,080
Total credit risk	218,783	181,992	172,621	4,646	52,607	630,649

19. Financial Risk Management (continued)

Credit risk (continued)

The following table shows the carrying value of assets that are neither past due nor impaired, the ageing of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining the value of the impaired assets were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

2023	**Neither due nor impaired**	**Past due less than 90 days**	**Past due 91 to 180 days**	**Past due 181 to 365 days**	**Past due more than 365 days**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Shares and other variable yield securities	**53,790**	**—**	**—**	**—**	**—**	**53,790**
Debt securities and other fixed income securities	**381,842**	**—**	**—**	**—**	**—**	**381,842**
Overseas deposits as investments	**38,009**	**—**	**—**	**—**	**—**	**38,009**
Deposits with ceding undertakings	**1,956**	**—**	**—**	**—**	**—**	**1,956**
Reinsurer' share of claims outstanding	**256,558**	**—**	**—**	**—**	**—**	**256,558**
Reinsurance debtors	**55,440**	**723**	**968**	**920**	**—**	**58,051**
Cash at bank and in hand	**58,951**	**—**	**—**	**—**	**—**	**58,951**
Insurance debtors	**48,939**	**20,622**	**13,922**	**1,993**	**—**	**85,476**
Other debtors	**18,040**	**—**	**—**	**—**	**—**	**18,040**
Total credit risk	**913,525**	**21,345**	**14,890**	**2,913**	**—**	**952,673**

2022	Neither due nor impaired	Past due less than 90 days	Past due 91 to 180 days	Past due 181 to 365 days	Past due more than 365 days	Total
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities	46,519	—	—	—	—	46,519
Debt securities and other fixed income securities	255,227	—	—	—	—	255,227
Overseas deposits as investments	34,253	—	—	—	—	34,253
Deposits with ceding undertakings	1,781	—	—	—	—	1,781
Reinsurer' share of claims outstanding	218,789	—	—	—	—	218,789
Reinsurance debtors	48,963	1,141	1,314	971	—	52,389
Cash at bank and in hand	74,080	—	—	—	—	74,080
Insurance debtors	50,065	21,645	8,922	2,421	—	83,053
Other debtors	14,502	—	—	—	—	14,502
Total credit risk	744,179	22,786	10,236	3,392	—	780,593

19. Financial Risk Management (continued)

Liquidity risk

The Syndicate follows a prudent person principle investment strategy. The strategy is designed to emphasise the preservation of invested assets, and provide adequate liquidity for the prompt payment of claims as well as attractive returns for the member.

To help ensure adequate liquidity for the payment of claims, the Syndicate takes into account the maturity and duration of its investment portfolio and its liability profile. In setting investment guidelines, the Syndicate considers the impact of various catastrophic events to which the Syndicate may be exposed. The majority of its assets are invested in the fixed income markets. There are restrictions on the maximum amount of its investment portfolio that may be invested in alternative investments (such as hedge funds and private equity vehicles) as well as a minimum amount that must be maintained in investment grade fixed income securities and cash. There are also restrictions on the portfolio's composition, including limits on the type of issuer, sector limits, credit quality limits, portfolio duration, limits on the amount of investments in approved countries and permissible security types.

For several asset classes the Syndicate has engaged outside investment managers to provide us with certain discretionary investment management services. AWMA has agreed to pay investment management fees based on the market values of the investments in the portfolio. The fees, which vary depending on the amount of assets under management, are included as a deduction to net investment income. These investment management agreements may generally be terminated by either party upon 30 days prior written notice.

The Syndicate has also developed investment guidelines that include restrictions on the permissible security types the investment managers may include in the portfolios that they manage. The Syndicate may direct its investment managers to invest some of the investment portfolio in currencies other than US dollar based on the business the Syndicate has written, the currency in which our loss reserves are denominated on our books or regulatory requirements.

The following table summarises the maturity profile of the Syndicate’s financial liabilities based on remaining undiscounted contractual obligations, including outstanding claim liabilities and other creditors. The outstanding claim liabilities are based on the estimated timing of claim payments resulting from recognised claim liabilities.

2023	**No stated maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Claims outstanding	**—**	**174,776**	**217,856**	**130,057**	**101,716**	**624,405**
Creditors	**—**	**171,149**	**—**	**—**	**—**	**171,149**
Total	**—**	**345,925**	**217,856**	**130,057**	**101,716**	**795,554**

2022	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£000	£000	£000	£000	£000	£000
Claims outstanding	—	150,878	181,552	110,643	90,720	533,793
Creditors	—	134,422	—	—	—	134,422
Total	—	285,300	181,552	110,643	90,720	668,215

19. Financial Risk Management (continued)

Group risk

Group risk refers to the potential impact of risk events, of any nature, arising in or from membership of a corporate group. Potential negative impacts on the activities of the Syndicate by Allied World Assurance Company Holdings, Ltd, and its subsidiaries (collectively, the "Group").

Policies and processes

Policies specific to the Syndicate are in place for all of the above risk categories, and for insurance risk which is covered in note 20 to the financial statements, under the auspices of an overarching Risk Management Strategy and Governance Framework document. These documents are reviewed by the Board on an annual basis, with the responsibility delegated on an operational basis to the risk management function under the leadership of the Chief Risk Officer.

In addressing all risk types the Syndicate aims to ensure that:

- All significant insurance risks are identified, measured, assessed, managed and monitored in a consistent and effective manner;
- Appropriate and reliable risk management tools are deployed to support risk management, particularly management reporting, decision making and capital assessment;
- All Directors, management and staff are accountable for managing risk in line with the roles and responsibilities which are set out in detail in the policy; and
- An effective governance framework is in place to ensure that risk management is embedded in business activity. The governance structure is based on a three lines of defence model.

The risk management methodology employed by the Syndicate reflects the relevant elements identified in the risk register. Risks relating to underwriting (including business planning and pricing risk), reserving and outwards reinsurance are identified, along with relevant emerging risks are identified, measured, monitored and reported. Dependencies between insurance risks as well as between risk categories are taken into account, in particular as regards capital requirements.

Risks are monitored on a regular and timely basis based on suitable management information. Risks at all relevant levels and over appropriate geographical areas are measured regularly. This information can then be reported to appropriate parties, such as committees and Board of Directors of AWMA at a suitable level of aggregation and on a regular basis, typically quarterly. Key risk indicators are used to measure exposure against risk appetite, based on tolerance criteria which are set beforehand by the Board of AWMA.

20. Insurance Risk Management

Insurance risk is defined as the risk of fluctuations in benefits payable to policyholders including underwriting risk (which covers catastrophe and non-cat risk), reserve risk and reinsurance risk. Thus it includes the risk of loss arising from prospective underwriting and the development of prior years and also encompasses risks associated with potential for increased operating expenses.

The elements of insurance risk (underwriting, reserving and outwards reinsurance) are mutually dependent. They are described as follows:

a) Underwriting Risk (Premium Risk)
This is split into two parts - (i) The risk that actual losses and expenses on a future underwriting year are greater than the premium income and (ii) The risk that actual losses and expenses on unearned incepted business, which is associated with future premium for policies previously written, will differ from the expected losses and expenses.

This is further divided into both catastrophe risk and non-catastrophe elements. Catastrophe risk is the risk that a single event (or series of events) of major magnitude, usually over a short period of time, leads to a significant deviation in actual claims from the total expected claims.

b) Reserve Risk
This is the risk that actual reserves and expenses, associated with policies previously written and earned, will differ from the best estimate expected reserves or prove to be inadequate as per the technical provisions.

c) Reinsurance Risk
Reinsurance risk is defined as the inability to obtain reinsurance coverage at the appropriate time for a reasonable cost. The assessment of reinsurance risk relates to risks arising from mismatch, dispute and exhaustion.

Use of judgments and estimates

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

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

The key areas of uncertainty which require the use of accounting estimates and judgments are disclosed within the accounting policies 2(o) “Critical accounting estimates and judgments and key sources of uncertainty”.

20. Insurance Risk Management (continued)

Stress Testing and Sensitivity Analysis

Stress testing is an important risk management tool utilised by AWMA as part of its internal risk management and is also a key part of the Own Risk and Solvency Assessment ("ORSA") process. Stress testing provides management with information on adverse unexpected outcomes related to a variety of risks and provides an idea of relative importance and impetus for management action as necessary. Moreover, stress testing is a tool that supplements other risk management approaches and measures such as risk profile monitoring and exposure management.

Stress testing covers the following categories:

a) Scenario Tests - assessing the financial impact on the business of possible future scenarios, e.g, a large catastrophic event or multiple events
b) Sensitivity Tests - assessing the implication of possible alternative assumptions, e.g, variations in premium income and in particular their impact on capital requirements
c) Reverse Stress Tests - Assessing the impact and management actions for scenarios where the Syndicate has become insolvent.

Insurance Risk - Scenario tests

The Syndicate runs several insurance risk scenario tests to assess the financial impact of possible future scenarios. The following are some of the scenarios considered:

- The cost impact assuming the Syndicate experiences the same level of natural catastrophe activity as in the worst historic natural catastrophe years
- The impact of non-natural catastrophe losses. The financial impact on the Syndicate of disaster scenarios, including Lloyd's defined realistic disaster scenarios are assessed
- The impact of natural catastrophe losses. The financial impact on the Syndicate of disaster scenarios, including Lloyd's defined realistic disaster scenarios, are assessed
- The effects of severe weather event industry loss
- The impact of climate change scenarios leading to severe physical risks
- Reserve understatement. These tests may cover certain correlating classes, e.g, all Casualty classes
- The effect of a protracted increased inflationary environment, which assumes that inflation rates would be higher than the current market expectation levels for a longer period

Insurance Risk - Sensitivity Analysis

- Mis-pricing of risks / incorrect loss ratio assumptions. A 5% deviation in loss ratios may be postulated, either upwards or downwards
- The tolerance for variations in expenses, including indirect costs, such as overheads
- Errors in Catastrophe PML calculations

Sensitivity

The following table presents the sensitivity of the gross and net profits and the impact on the members balance for both the 2023 and 2022 the financial years determined by applying the factors listed below separately to the loss ratio and expenses.

20. Insurance Risk Management (continued)

	Impact on profit for the financial year		Impact on member's balance at financial year end	
	2023	2022	**2023**	2022
	£000	£000	**£000**	£000
5% increase in loss ratio				
Gross	**(19,230)**	(15,142)	**(19,230)**	(15,142)
Net	**(11,945)**	(9,040)	**(11,945)**	(9,040)
5% decrease in loss ratio				
Gross	**19,230**	15,142	**19,230**	15,142
Net	**11,945**	9,040	**11,945**	9,040
5% increase in expenses				
Gross	**(5,854)**	(4,670)	**(5,854)**	(4,670)
Net	**(3,479)**	(2,606)	**(3,479)**	(2,606)
5% decrease in expenses				
Gross	**5,854**	4,670	**5,854**	4,670
Net	**3,479**	2,606	**3,479**	2,606

Concentrations of Insurance Risk

Concentrations of risk can occur through a number of sources, including but not limited to:

- Natural catastrophe.
- Non-natural catastrophe.
- Territorial exposures.
- Outwards reinsurance counterparties.
- Broker balances or over-reliance on one brokerage firm/source of business.
- Asset holdings by currency, class or counter-party.
- High dependence across risk categories.

The ECM as employed by AWMA captures all elements of concentration risk, most notably the potential for a clash between categories of risk. Diversification effects are also allowed for. Capital model outputs are reported on a quarterly basis to the Board and management committees.

Natural and Non-natural Catastrophe exposure are the key areas of concentration risk within the broader insurance risk definition. This exposure is captured via the exposure management process, which enables the calculation of probable maximum Loss (PMLs) and realistic disaster scenarios (RDSs).

With regards to natural catastrophe risks, key region peril exposures are identified and underlying risk data utilised to determine probabilistic loss potential. External natural catastrophe models are used for pricing and probabilistic loss aggregation to determine gross and net of outwards reinsurance loss potential, by region and by peril. Deterministic scenario testing is also used to measure natural catastrophe risk, including Lloyd's Realistic Disaster Scenarios.

20. Insurance Risk Management (continued)

With regards to non-natural catastrophe risks, key Cyber exposures are identified and underlying risk data utilised to determine probabilistic loss potential. An external Cyber catastrophe model is used for probabilistic loss aggregation to determine gross and net of outwards reinsurance loss potential. Deterministic scenario testing is also used to measure Cyber, Liability and other non-natural catastrophe risks, including Lloyd's Realistic Disaster Scenarios.

Results are presented on a quarterly basis to the Board and management committees.

The above criteria has resulted in 11 classes of business (for the 2023 Year of Account) which have concentrations or pools of risks that have common characteristics and are similar in nature.

COB Code	Class of Business
COB10	Property Direct & Facultative
COB30	Treaty Casualty
COB40	Errors & Omissions
COB50	Directors & Officers
COB60	General Casualty
COB80	Treaty Property - CAT
COB90	Treaty Property - Non CAT
COB100	Marine
COB150	Onshore Construction
COB170	Bespoke
COB180	Cyber

Risk mitigation

Transfer:

- Outwards reinsurance: There is cover in place to protect AWMA from concentrations of risk (e.g. catastrophe loss), single large events and volatility in results. Strict controls are applied in terms of security ratings of all approved reinsurers.

Acceptance:

- The AWMA strategy is to employ a prudent approach to underwriting and risk selection.
- A business plan is set and adherence to this is monitored.
- Capital modelling processes (economic capital model) are used to ensure that AWMA has sufficient capital resources to support its insurance risks.

Limitation:

- Catastrophe probable maximum losses ('PMLs') are limited by defined capital tolerance levels at the 1 in 250 year event.
- There are geographical/regional limits in place by line of business to limit concentration risk.
- Underwriters have set line size limitations.
- Maximum concentration limits for third parties are in place

Avoidance:

- AWMA writes business only within its risk appetites.

20. Insurance Risk Management (continued)

Claims development tables

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

Cumulative claims estimates and cumulative payments are translated into Pounds Sterling at the period end rate as at 31 December 2023.

As these tables are on an underwriting year basis, there is an apparent large increase from amounts reported for the end of the underwriting year to one year later as a large proportion of premiums are earned in the year of account's second year of development.

Analysis of claims development - Gross	**2016 £000**	**2017 £000**	**2018 £000**	**2019 £000**	**2020 £000**	**2021 £000**	**2022 £000**	**2023 £000**
Estimates of gross claims								
End of underwriting year	66,210	190,728	79,903	79,791	71,151	63,422	69,015	85,465
One year later	140,589	224,133	161,254	139,052	133,076	169,775	188,893	
Two years later	147,539	234,588	179,987	143,062	132,378	172,013		
Three years later	150,750	241,199	178,728	134,733	124,845			
Four years later	145,681	233,173	181,586	129,876				
Five years later	142,890	233,409	181,304					
Six years later	137,127	233,650						
Seven years later	134,653							
Less gross claims paid	115,158	197,673	127,542	87,138	48,575	57,112	27,404	7,398
Gross claims reserve	**19,495**	**35,977**	**53,762**	**42,738**	**76,270**	**114,901**	**161,489**	**78,067**
Gross claims reserve for 2015 and prior years								**41,705**

Analysis of claims development - Net	**2016 £000**	**2017 £000**	**2018 £000**	**2019 £000**	**2020 £000**	**2021 £000**	**2022 £000**	**2023 £000**
Estimates of net claims								
End of underwriting year	42,960	103,029	51,816	49,707	41,693	38,242	43,408	52,024
One year later	89,202	126,984	98,270	85,183	74,671	105,692	120,133	
Two years later	90,968	143,961	107,770	89,787	76,080	107,234		
Three years later	92,496	146,953	105,732	89,393	71,872			
Four years later	90,450	142,869	106,060	87,245				
Five years later	88,561	144,083	101,463					
Six years later	86,117	142,047						
Seven years later	84,852							
Less net claims paid	72,354	119,483	75,700	63,968	30,202	40,745	20,773	5,873
Net claims reserve	**12,498**	**22,564**	**25,763**	**23,277**	**41,670**	**66,489**	**99,360**	**46,151**
Net claims reserve for 2015 and prior years								**30,075**

21. Related Parties

Ultimate parent company
The immediate holding company of AWMA is Allied World Europe Holdings, Ltd, which is incorporated in Bermuda. AWMA's ultimate parent and to which the results of AWMA are consolidated into is Fairfax Financial Holdings Limited.

The Syndicate has entered into various reinsurance arrangements with affiliates of Fairfax Financial Holdings Limited. In respect of insurance and ceded outwards reinsurance activity, these amounts are included as part of the technical account within the income statement.

Group financial statements may be obtained from 95 Wellington Street West, Suite 800, Toronto, Canada.

Allied World Managing Agency Limited ("AWMA")
AWMA does not charge a set Managing Agent fee but receives a mark-up on expenses recharged to the Syndicate of 5%. In respect of expense recharge activity, these amounts are included as part of operating expenses. Expenses recharged, including mark up, in 2023 were £17.4m (2022: £18.0m). The creditor balance as at 31 December 2023 was £10.3m (2022: £11.1m).

Allied World Syndicate Services (Singapore) Pte. Ltd ("AWSS")
The Syndicate underwrites business via the Lloyd's Asia Singapore platform. From 1 April 2014, AWSS has acted as the Lloyd's Asia service company to facilitate the Syndicate's underwriting in Singapore. In respect of expense recharge activity, these amounts are included as part of operating expenses. The fees charged by AWSS to the Syndicate were £3.1m (2022: £3.5m). The creditor balance as at 31 December 2023 was £0.7m (2022: creditor £0.9m).

Allied World Reinsurance Management Company ("ARM")
ARM acts as a cover-holder for the Syndicate underwriting business in Central and South America including the Caribbean. In respect of insurance and ceded outwards reinsurance activity, these amounts are included as part of the technical account within the income statement. In respect of expense recharge activity, these amounts are included as part of operating expenses. The fees charged by ARM were £1.1m (2022: £1.1m). The creditor balance as at 31 December 2023 was £0.2m (2022: £0.2m).

Allied World Syndicate Services (Bermuda), Ltd ("AWSB")
AWSB acts as a cover-holder for the Syndicate underwriting business in Bermuda. In respect of insurance and ceded outwards reinsurance activity, these amounts are included as part of the technical account within the income statement. In respect of expense recharge activity, these amounts are included as part of operating expenses. The fees charged by AWSB were £0.5m (2022: £0.3m). The debtor balance as at 31 December 2023 was £3.3m (2022: £4.2m).

Allied World Assurance Company (Europe) dac ("AWE")
The Syndicate is serviced in terms of accommodation, staff and other overhead costs by AWE. The Syndicate is charged its share of these central costs. In respect of the cost sharing activity, these amounts are included as part of operating expenses.

Allied World Assurance Company, Ltd ("AWA")
The Syndicate participates in an intra-group reinsurance contract with AWA. In respect of insurance and ceded outwards reinsurance activity, these amounts are included as part of the technical account within the income statement. The effect of this contract on the profit and loss account in 2023 was a credit of £(5.8)m (2022: debit £5.0m).