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MS Amlin Underwriting Limited Syndicate 2001

Annual Report &
Financial Statements
31 December 2023

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Directors and administration

Managing agent

MS Amlin Underwriting Limited

Directors

P J Calnan

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M Kawase

H Morimoto

M Tomihari

H S Trilovszky

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CEO Foreword

> 2023 was a hugely significant year for MS Amlin, with key initiatives delivering transformative results across many aspects of our business, and helping to support our purpose, to provide *continuity in an uncertain world.*

However, before I touch on them, I want to explain the two critical themes that help to frame our results for this year, and why they matter.

Firstly **Performance**. Within the context of a set of financial statements this may appear to be an obvious theme, yet whilst financial performance is paramount, at MS Amlin it means much more than that, because it touches every aspect of the way we work, the pace at which we deliver and the positive impact we can make to our stakeholders.

Secondly **Balance**. As a syndicate fortunate enough to have cornerstone capital provided by a single shareholder, Mitsui Sumitomo Insurance ('MSI'), that has proven its commitment to the Lloyd's market; we have the freedom to balance appropriately the needs of four distinct stakeholders in our decision making:

- Our clients
- Our shareholder
- Our employees
- Our communities

10 years

More than 1,700 customers have remained with us for over 10 years

Our Clients

As we continue to shape our business and our operations, we ask ourselves the question *'How might these changes make things better for our clients?'*. Yet the word 'client' is somewhat limited, as we mean not just the end customer who buys our policies, but it also comprises our distributors such as brokers, and agents in their many forms.

Taking the long-term view

What we value in our approach to clients of all types is longevity. We're an organisation that traces its roots back over 120 years in the Lloyd's market. We have been here through wars, crises, revolts, natural disasters and more, and have stood by our clients throughout.

We are not a business that provides a commodity, whose only interest is the next transaction. We believe in long lasting and enduring relationships, where we can apply our skill, knowledge and experience to support our stable portfolio of clients, who seek a professional relationship built on trust and mutual understanding.

Many in our industry will speak of long standing client relationships, to the point this is an overused phrase. The fact remains that many of our client relationships stretch to decades, and this has been key to our ability to navigate some challenging times.

Our own heritage and belief in longevity is more than matched by MSI, who this year celebrated 100 years in the UK insurance market. We share a perspective that respects and honours tradition, as well as how to leverage our collective experience to support our stakeholders. No stakeholder is more important than our policyholders, and the most critical test of that vital relationship, is at the point of claim.

CEO Foreword (continued)

Delivering where it matters

To support our client ambitions, we delivered a number of significant improvements last year in the area that matters most to policyholders particularly in Claims. To enhance both efficiency and speed, we partnered with leading specialists Genpact, and developed a brand new 'Bionic' claims triage tool that enhances the skill of the human, by utilising robotic processing to improve our response times and efficiency.

£764m
Claims paid in 2023

We also developed and launched our new Claims proposition, neatly summarised in the graphic below, using the acronym TRUST. These changes have all been well received by our clients, and these developments all contributed to our Claims service being independently recognised as 'Outstanding' in a recent service quality index for the London market.

- **T** Transparency
- **R** Responsiveness
- **U** Understanding
- **S** Solution-Driven
- **T** Technical Expertise

GRACECHURCH
Outstanding
2024
London Market Claims
SERVICE QUALITY

Our Shareholder

Indicators of our Financial Strength

As is abundantly clear in our results, 2023 was a deeply significant year for us.

The picture telling the story of our improvement is clear from the outset when we look at our business ratios, one of the most important of which is our adjusted[1] Combined Ratio, which improved by 9.6 points to 86.6%. This single ratio illustrates the enormous improvements we have made.

86.6%
Adjusted Combined Ratio

This positive story continues in the metric that perhaps matters most, and that is the profit for our shareholder MSI, where we have seen a material shift from last year's loss of £46.7 million to a profit of £256.8 million. As well as being a marked improvement, it also tells a story of MSI's patience and belief in us, and our plans to thoroughly revitalise our business.

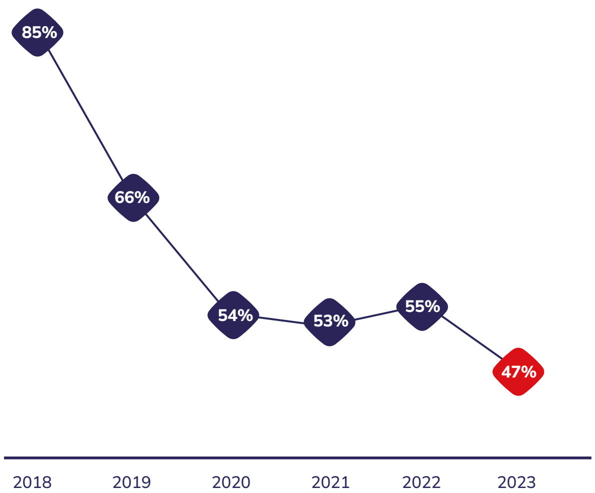
£256.8m
Profit

1. The adjusted combined ratio is defined as the combined ratio excluding the impact of discontinued business, which includes the distorting impact of the RiverStone RITC and Quota share contracts in 2023 and 2022.

CEO Foreword (continued)

When we consider the underlying health and quality of our portfolio, one of the most critical indicators is the attritional loss ratio, in other words those regular, frequent, 'to be expected' claims, excluding larger 'shock' events and natural catastrophes. We have returned this vitally important measure to a much more satisfactory figure, with better underwriting processes, controls and client engagement. During the period of 2017-2019, attritional claims were in their own way at least as problematic as the scale of our natural catastrophe claims.

Attritional Loss Ratio by Underwriting Year



In the final quarter of 2023, Lloyd's approved our 2024 business plan, which includes some measured top line growth, to return our syndicate to a select group that will underwrite over £2bn Gross Written Premium.

£2bn

Gross Premium for 2024

Legacy Reserves and Discontinued Lines of Business

As reported briefly last year, 2023 saw a major development in the sale of our historic liabilities of 2018 and prior years of account together with discontinued class reserves in later years, transferring over £1bn of loss reserves to RiverStone International, a recognised leader in the legacy market. The sale of these liabilities included the largest ever transaction of its kind in the Lloyd's market. It conveyed a powerful message about the strength of our resolve to deliver a solution that removed prior year volatility and ensuring client service was maintained, by working with a partner who shared our values and service standards.

Removing these liabilities gives us the bandwidth and capability to better support our current and future clients, re-allocating resources to continue our progress, and capitalise on our forward momentum.

CEO Foreword (continued)

Our People

In 2023 we set ourselves a number of Culture, Engagement, and Inclusion priorities against which we have continued to see strong progress. We also took the decision to set formal targets for the number of women in leadership roles, and a strategy to align our leadership culture and behavioural development to the Lloyd's Culture Up-Skilling programme.

Inclusion

By the end of 2023, some 30% of our leadership cohort were women. This is the second consecutive annual increase and whilst this level of progress is encouraging, we are determined to keep moving forward. The appointment of Jessie Burrows to the CFO position will see our Women on Board and Executive Committee targets comfortably achieved. Importantly however, we don't see this as a limit.

Gender balance

44% Female

56% Male

We ask, but do not mandate, that our people let us know about their ethnicity and sexual orientation, to help us develop a culture and deliver an employee experience that is representative and thoughtfully inclusive. From an Ethnic Background, staff disclosure rates rose from 35% to 63%. Our hiring rate for those from an ethnic background increased from 13% to 15% globally. To support the drive for talent from ethnic backgrounds, we became one of a small group of founding members of Lloyd's Inclusive Futures Coalition, a programme designed to widen accessibility and increase opportunities in the Lloyd's Market, for black and minority ethnic candidates. Our insight into our people shows that our LGBTQ+ population broadly matches that reported for the market, and our disclosure rates for sexual orientation rose from around 15% to almost 50%.

We have continued to shape our Employee Value Proposition to suit the changing needs, experiences, and expectations of our people. For example, we launched our Growing Family Policy, which is a truly market leading benefit and supports families of all shapes.

Early Careers

September saw our largest intake of young people join our Early Careers programmes, with 6 graduates and 11 apprentices now working across the business, alongside our 2021 graduates who are now embedded in permanent positions, and our 2022 cohort of both graduates and apprentices. We are committed to building a strong internal pipeline of early talent. In 2023 we introduced a new Summer Internship programme with our first cohort of 6 students joining the business during their summer break. Three of that cohort will return to us as Graduates in 2024.

Policy Story: Our Culture

Developing a culture where everyone can flourish is at the heart of what we are working to achieve. In 2023, we celebrated the one-year anniversary of our equal parental leave policy, which offers parents 26-weeks of fully paid leave to care for a new arrival. The benefit is part of our comprehensive Growing Families package that recognises no two paths to parenthood are the same. Through the package, we provide inclusive support for colleagues at different life stages, including paid fertility leave, help for pregnancy loss and menopause, and specialist maternity coaching for all women returning to work.

Leadership Development

Continuing the theme of high performance, we delivered a wide range of focussed development to our senior leadership cohort. With training programmes delivered both directly as well as through Lloyd's, where we ensured representation on modules including inclusive recruitment, talent & succession, effective Employee Resource Groups, inclusive behaviours and inclusive leadership.

Employee Engagement

We gather feedback quarterly from our people and have seen a pleasingly high aggregated response rate of 89%, along with valuable commentary from thousands of comments, giving us rich insight into the changing trends in our peoples' priorities. Our leaders are responsible for both taking ownership of the responses, and delivering subsequent actions, to continue to shape our people strategy and culture. This has driven changes in ways of working and improvements to our working environment, as well as reducing internal bureaucracy and decision blockages.

CEO Foreword (continued)

Our Communities

Our sustainability strategy is centred around the desire to do the right thing, which we believe creates long term enterprise value, and is designed to support:

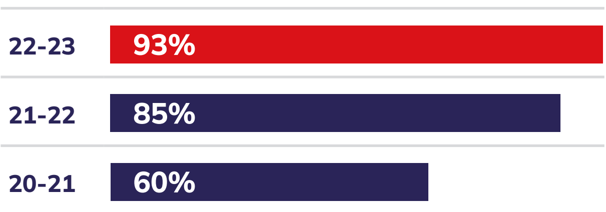
- Profitable growth
- Balance sheet and reputational risk management
- Fair and inclusive transition to net-zero

Insurance is a key enabler of growth and trade, and underwriting is a key component of our sustainability strategy. Our approach is focused on insuring the transition through responsible underwriting across all classes of business, using and building metrics to support decision making.

We believe in considering the various aspects of sustainability and its intrinsic links, which is why our approach is wider than climate change and measuring greenhouse gas emissions. We developed a set of priorities based on the United Nations Sustainable Development Goals framework. These are Goal 5 - Gender Equality, Goal 9 – Industry, Innovation and Infrastructure and Goal 12 - Climate Action; this is what we use to anchor specific initiatives. Our strategy sets out the steps we will take to embed all the relevant Environmental Social & Governance ('ESG') implications and considerations across our business.

Recognising the impact of climate change on natural hazard events, and the associated impact on the most vulnerable, we have been a signatory to the ClimateWise initiative since its inception. Our membership offers us a platform to collaborate and contribute towards our industry's response. ClimateWise score members on a scale of 1%-100%, based on our application of a diverse range of principles that demonstrate our transition towards a low carbon and climate resilient future. We were delighted to see an improvement in our ClimateWise score from prior years to 93% (2022: 85%; 2021: 60%), as a further independent validation of the important changes we're making.

ClimateWise score



Our ESG ambitions and commitments extend further than Climate, and in February 2023 we announced a new partnership with the British Red Cross. The partnership, which will last at least three years, supports the global work of the Red Cross and Red Crescent Societies.

We also engaged 12 smaller charities that cover a wide range of vital causes, including social mobility for young people in disadvantaged communities, terminally ill children, homelessness and deprivation. Working with these organisations, is highly enriching for our people, and wherever possible, gives them the opportunity to volunteer time as well as money to support these causes. Activity included a 'take over' of a number of branches of the Red Cross, helping to prepare over 6,000 meals for those critically affected by the ongoing cost of living crisis and much more.

Policy Story: Volunteering

All our colleagues are entitled to three days of paid leave a year to volunteer for a charity or community organisation of their choice. The policy empowers our colleagues to make a meaningful contribution to the communities they live and work in. From fixing an adventure playground in Shoreditch to building a community garden in Essex, last year our colleagues dedicated more than 1,300 hours to the causes they care about.

Policy Story: The Felix Project

Food redistribution charity, The Felix Project, is just one of the good causes our colleagues supported in 2023. The charity, whose vision is a London "*where no one goes hungry and food is never wasted*", collects surplus fresh food, and turns it into healthy and nutritious meals for the most vulnerable in society. Volunteering at the charity's east London kitchen, our colleagues joined the fight against food waste and hunger by helping to prepare more than 6,000 meals.

With the desire to do the right thing for the broader benefit of our communities, we are prepared to put our money where our mouth is, even if that makes us a market outlier at times. For example, when we realised that our Superyacht account, highly profitable and built up over decades was one where the ultimate customer was a 'Russian Oligarch' in over 30% of cases, we immediately discontinued a third of our prized portfolio, well before government sanctions were even a consideration.

Aligning Performance and Balance

It is perhaps a statement of the obvious to say that today we live in a world of increasing uncertainty relative to the recent past. The emergence of geopolitical instability, climate change, rapidly advancing cyber technology, the polarisation of wealth, and global demographic change are just a few of the drivers of an ever-changing risk environment in which we work.

Yet whilst we expect our world to become more complex, it is important that our stakeholders are reassured and comforted by the fact we are well positioned to support them, and help them navigate this complexity with confidence. Delivering on our purpose, to provide continuity in an uncertain world, has perhaps never been more apposite.

We will do this by continuing to stay focussed on performing at the highest levels in everything we do, using all our resources, experience and insight to understand how this constantly changing risk environment impacts our clients and their needs, so that we can ensure a fair risk-adjusted return for our shareholder. We must do this by remaining an attractive place to work for our people, with a keen sense of responsibility towards our communities.

I would like to take this opportunity to thank all our stakeholders for all their help and support, through such a significant and positive year for our business.

Andrew Carrier
Chief Executive Officer
MS Amlin Underwriting Limited

Report of the directors of the managing agent

The directors of MS Amlin Underwriting Limited (the 'managing agent' or 'MS Amlin') present their managing agent's report for Syndicate 2001 (the 'Syndicate') for the year ended 31 December 2023.

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

Business review and principal activities

The Syndicate is, through MS Amlin Corporate Member Limited (the 'Corporate Member'), a wholly aligned Syndicate of Mitsui Sumitomo Insurance Company, Limited ('MSI'). The ultimate parent company is MS&AD Insurance Group Holdings, Inc. ('MS&AD'). The principal activity of Syndicate 2001 is the transaction of general insurance and reinsurance business in the United Kingdom and through the Lloyd's Brussels platform, through the Society of Lloyd's and its component parts.

For its clients the Syndicate offers a broad spectrum of insurance and reinsurance products, blending market knowledge, experience and expertise, with a practical desire to deliver solutions to support them.

We provide traditional reinsurance services alongside access to capital markets: Aviation Reinsurance, Casualty Reinsurance, International Property Reinsurance, Marine & Energy Reinsurance, Speciality Reinsurance and US Property Reinsurance.

We offer a broad range of insurance covers that can support clients across a wide variety of trades and industries: Casualty, Crisis Management, Marine, Natural Resources and Property.

The Syndicate will continue to transact predominantly the current classes of general insurance and reinsurance business as listed above.

The total premium income capacity, net of brokerage, of the Syndicate for each of the years of account open during 2023 was as follows:

	£m
2021 year of account	1,600.0
2022 year of account	1,600.0
2023 year of account	1,600.0

The total premium income capacity of the Syndicate in 2024 is £2,000.0 million.

Report of the directors of the managing agent
(continued)

Significant developments

The reported profit for the year of £256.8 million (2022: loss £46.7 million) and, particularly, the underwriting profit[2] of £221.1 million (2022: £0.6 million) reflect the transformation of the business over recent years. There are a number of themes that have driven this fundamental change of fortune and are expected to enable it to be sustained in the future.

- The headline combined ratio ('CoR') of 31.8% (2022: 99.9%) is distorted by the reinsurance to close (RITC) and quota share transactions. However, the improved underlying underwriting performance is evidenced in the adjusted[3] CoR of 86.6% (2022: 96.2%). This is analysed further in the underwriting performance section below.
- Natural catastrophes contributed 3.0% of adjusted combined ratio (2022: 8.4%). This reflects some changes in the underlying catastrophe exposure, but also reflects the types of losses in 2023. However, it is notable that insured market losses for catastrophe events in 2023 are estimated at $95 billion, still high compared to longer term averages, and at 76%of the 2022 estimate ($125 billion)[4].
- Achieved rate change across the portfolio of 12.6% (2022: 7.1%). We note that early indications for 2024 year of account are more modest.
- The completion of the largest RITC transaction that the Lloyd's Market has ever witnessed. See further below.
- The continued refinement of our core underwriting portfolio. The actions carried out over the last few years have resulted in Syndicate 2001 having a predominantly short tail underwriting book. Although the majority of growth in 2023 has been either rate or organic, we have also taken advantage of opportunities that have presented themselves to diversify our portfolio, including the introduction of an International Casualty Insurance team to complement our US offering.
- A year on from our last report, the uncertainty over the quantum of the losses associated with the Russia – Ukraine war has not materially changed with only 12% of our estimated losses having been notified or paid (2022: 5%). Further details on the uncertainties are set out in the notes to the accounts.
- A pleasing development on our Covid exposures was the resolution of the dispute with Stonegate Pub Company Limited. Across all of our Covid losses we have now paid almost all notified losses. With the settlement of the Stonegate issue, we are re-engaging with our reinsurers to discuss settlement of our notified recoveries which was paused pending this resolution.
- Under a new Chief Claims Officer, Clare Constable, we have refreshed our claims offering from both an engagement and process standpoint. We partnered with Genpact to implement a model where high complexity/value claims could be handled by our expert claims handlers in London, whilst low complexity/value claims could be processed through a more automated route outsourced to Genpact teams. This activity complimented a renewed engagement with the broking community which has seen the team awarded an Outstanding Claims Service Marque by Gracechurch (an independent Insurance research and advisory company).
- In 2024, we are looking at opportunities in other business areas to further evolve our Genpact partnership.

2. This is the balance on the technical account for general business less the allocated investment return transferred from the non-technical account
3. The adjusted combined ratio is defined as the combined ratio excluding the impact of discontinued business, which includes the distorting impact of the RiverStone RITC and Quota share contracts in 2023 and 2022.
4. Source: Munich Re

Report of the directors of the managing agent
(continued)

Underwriting performance

	Insurance		Reinsurance		Total Continuing		Discontinued		Total	
	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m	2023 £m	2022 £m
Gross written premiums	1,143.4	1,014.9	610.2	563.4	1,753.6	1,578.3	(4.9)	(1.5)	1,748.7	1,576.8
Net written premiums	1,071.3	877.0	423.6	366.8	1,494.9	1,243.8	(1,015.1)	(178.2)	479.8	1,065.7
Net earned premiums	936.0	741.9	401.3	340.2	1,337.2	1,082.1	(1,013.1)	(173.0)	324.1	909.1
Claims ratio	47.0%	47.1%	60.2%	80.8%	50.9%	57.7%	–	–	(115.6%)	53.5%
Expense ratio	38.8%	43.1%	28.5%	28.5%	35.7%	38.5%	–	–	147.4%	46.5%
Combined ratio	85.8%	90.2%	88.7%	109.3%	86.6%	96.2%	–	–	31.8%	99.9%

The underwriting result is a profit of £221.1 million (balance on the technical account less allocated investment return; 2022: £0.6 million profit) with an overall combined ratio of 31.8% (2022: 99.9%). The above figures and comparatives are distorted by the impacts of the 2023 and 2022 Riverstone contracts. The subsequent analysis is of the continuing book only, absent the impacts of Riverstone contracts in both years. The 2022 comparator information below also excludes residual adverse development on those discontinued classes that were yet to be reinsured to close as at the prior year end.

On a continuing basis, the Syndicate has generated an underwriting profit of £178.7 million (2022: £2.4 million) and a corresponding combined ratio of 86.6% (2022: 96.2%). This substantial improvement in profitability reflects a combination of a more benign claims environment across the portfolio, premium growth, the elimination of the drag of discontinued classes, better risk selection, greater retention of risk, and improving risk adjusted rate change.

Gross written premiums increased to £1,748.7 million (2022: £1,576.8 million), an uplift of 10.9% driven by the benefits of pricing increases and new business growth across most classes. Net earned premiums on a continuing basis increased by 22.8%, following the increase in gross premiums, but also reflecting the removal of the Whole Account Quota Share ('WAQS') cession to MS Amlin AG (Bermuda branch) for the 2023 underwriting year (2022: 7.5%; 2021 17.5%), reflecting management's ambition to retain more net risk.

The Syndicate's headline claims ratio improved to 50.9% (2022: 57.7%). This improvement from last year can be attributed to a comparatively benign catastrophe loss year in 2023, improved current accident year non-cat performance, and the increased retention of profit following the changes to the reinsurance arrangements which included a reduction in the WAQS cession and outwards reinsurance programme cost savings.

The Syndicate was exposed to four major natural catastrophe events in 2023. As always, our heartfelt condolences are extended to the people impacted by these events. Overall, natural catastrophes generated losses to the Syndicate totalling £40.3 million (3.0% of the loss ratio), the most material being the Turkey earthquake and Hawaii wildfires. This compares with £91.0 million of catastrophe losses in 2022 (8.4% of loss ratio).

During 2023, prior period reserves were reduced by £25.3 million (2022: strengthened by £34.6 million), representing a reduction of 1.9% of the claims ratio (2022: increase of 3.3% to the claims ratio).

The expense ratio of 35.7% (2022: 38.5%) is suppressed by increased net earned premium, as a consequence of premium growth in recent years. The acquisition cost ratio has decreased year on year predominantly due to business mix within the portfolio. Management continues to strive to ensure the business is appropriately supported in hard and soft markets. As such, we have begun a partnership with Genpact to appropriately balance the location of the operational aspects of the business. During 2023, we transitioned responsibility for some data entry and claims processes to Genpact.

Report of the directors of the managing agent
(continued)

Divisional Analysis

During 2023, the Syndicate operations were managed across two divisions, Insurance and Reinsurance, managed by a single underwriting management team led by the active underwriter. This section analyses the underwriting performance of these two divisions, whilst the impact on performance of the discontinued classes has been separated out to provide clarity. The comparatives for the Insurance and Reinsurance divisions have therefore been re-presented to align with this divisional split, which is based on the managing agent's view of how the Syndicate is managed. This differs from the analysis by Lloyd's class disclosed in note 5.

Insurance

Insurance generated £1,143.4 million of gross written premium, an increase of £128.5 million (12.7%) on the prior year, driven by rate increases and growth on the 2023 underwriting year. Net earned premiums increased by 26.2% year on year, following gross written premiums, combined with a reduction in the WAQS cession and outwards reinsurance programme cost savings.

The net claims ratio has decreased by 0.1% in comparison with 2022, driven by a decrease in catastrophe and Ukraine related losses for the year. Current year non-cat performance is 1.3% favourable to the previous year's strong performance on a net basis, in ratio terms. These impacts were almost entirely offset by prudent increases to reserves outside of the best estimate for developing global events, and a year-on-year reduction in the quantum of reserve releases.

The expense ratio has improved by 4.3 points predominantly driven by the growth in gross premium, the increased retention of risk and changes to mix of business for the acquisition costs component.

Reinsurance

Reinsurance generated £610.2 million of gross written premium, an increase of £46.8 million on the prior year. This increase reflects favourable rate change, and planned growth through new business opportunities. Net earned premiums increased by 18.0% year on year, following the increased gross written premiums coupled with external outwards programme savings following a planned increase in net retention including the reduction in the WAQS cession.

The claims ratio of 60.2% decreased by 20.6 percentage points compared with 2022, and relatively benign catastrophe losses contributed 7.1% to the combined ratio (2022: 13.8% for Australian floods and Hurricane Ian). Ukraine claims had impacted the 2022 loss ratio by 9.1%, with no equivalent in 2023 as we maintained reserving levels set in 2022. These were coupled with generally favourable non-cat current accident year performance, 2.9 points favourable to the prior year, and prior accident year reserve releases. These impacts were partially offset by strengthening to reserves outside of the best estimate for ongoing man-made global events.

The expense ratio has remained flat at 28.5% year on year, due to an increase in acquisition cost ratio, offset by the impact of increased NEP on broadly flat operating expenses.

Discontinued lines

Discontinued business relates to classes of business that Syndicate 2001 ceased to underwrite after the implementation of our remediation plan in 2019 together with the impact of the 2023 and 2022 RiverStone contracts in the respective years.

Ratio analysis is not meaningful due to net earned premium levels being distorted by the 2023 RiverStone contract premiums paid and, in 2022, the 2022 Riverstone contract premiums. Overall, discontinued lines generated an underwriting profit of £42.2 million (2022 £40.4 million loss), predominantly reflecting the discount to held reserves offered by RiverStone in the deals.

Investment performance

The Syndicate investment result was a gain of £37.7 million in the year (2022: loss of £50.5 million). Syndicate underwriting assets, predominantly bonds and overseas deposits, generated a gain of £19.7 million at return of 2.1% (2022: £42.8 million loss and a negative return of 2.7%). Corporate Member capital (Funds in Syndicate) generated a gain of £18.0 million at a return of 3.7% (2022: £7.7 million loss and a negative return of 1.1%).

The 2023 RiverStone contracts resulted in the assets under management ('AUM') reducing by £873.5 million to £1,531.3 million (adjusted AUM at 31 December 2022). Despite the significant reduction in assets and the volatility seen throughout the year, investment returns were robust. The macroeconomic environment drives investment returns which is why this is such a key focus for the portfolio management team in MS Amlin Investment Management Limited ('MS AIML') acting on behalf of the Syndicate. 2023 was notable for the sudden changes in investor sentiment as we witnessed acute stress in the US regional banking sector in March but ended the year with a strong cross market rally.

The US economy remained more robust than expected, with continued support from both consumers and government spending. The Federal Reserve has indicated the rate hiking cycle is likely over with lower inflation points. In contrast, many other developed economies have struggled to generate growth throughout the year and have come close to developing recessionary conditions. Inflation has fallen in varying degrees, with Europe experiencing sharper falls (as energy contributions dissipate) than the UK. The volatile interest rate environment in 2023 demanded careful management of duration exposures - duration was steadily increased throughout the year as the risk/reward changed in a higher yield environment, duration was trimmed in December as management believed the market had priced in too many interest rate cuts for 2024. Management expect duration exposures to revert to a more reasonably aligned position against liabilities in the first few months of 2024.

New allocations to private equity funds were initiated during the year where exposures will continue to build for the next few years. See note 15 for more details.

Liquidity

Fundamentally as a result of the 2023 RiverStone contracts carried out during the year, the Syndicate has continued to experience negative cash flows from operating activities, as illustrated in the Statement of cash flows. However, when the impact of these flows is eliminated, the Syndicate is reporting very strong positive flows reflecting the continued improvement in underwriting resulting in significantly lower claims outflows. Notwithstanding this, the managing agent has ensured there is sufficient liquidity in the Syndicate during the year by utilising letters of credit in providing US trust fund collateral as an alternative to drawing on the Syndicate's free funds. The Syndicate has, at the date of this report, access to a cash based revolving credit facility of £160.0 million (2022: £160.0 million), and to a letter of credit facility for US trust fund collateral of $500.0 million (2022: $550.0 million). Further details on the Syndicate's liquidity facilities can be found in note 11.

Legacy reserves

In 2022 and 2023, the Syndicate has entered into a number of significant transactions to resolve legacy issues in the discontinued classes – those which the Syndicate ceased to underwrite in 2019/2020 as part of efforts to reshape the business. A summary of these key transactions is included below.

UK Property and Casualty RITC (2022 RiverStone contracts)

The managing agent, on behalf of the Syndicate, sought and received permission from Lloyd's and the PRA to enter a pioneering approach via a "Split" RITC contract on its 2019 and prior years of account reserves for the former UK Property and Casualty business. The contract covered business not transacted through the Xchanging bureaux system. This contract was executed with RiverStone International (RiverStone) Syndicate 3500 on 18 February 2022 but, as with all such contracts, took effect from 1 January 2022.

On the same date, the Syndicate entered a 100% quota share contract for the 2020 year of account ('YOA') reserves in the same lines of business, in preparation for a similar split RITC transaction which was concluded on 13 February 2023.

The value of liabilities reinsured, net of related debtor balances transferred, under the P&C UK 2019 & Prior RITC was £187.3 million at 1 January 2022.

The 2019 and Prior YOA RITC and the 2020 YOA quota share contract are both reflected in the 2022 Income Statement. The 2020 YOA RITC signed on 13 February 2023 is reflected in the 2023 results. Collectively these are referred to as the '2022 RiverStone contracts'.

Remaining Discontinued Business (2023 RiverStone contracts)

Although the P&C UK RITCs and quota shares had an impact on the balance sheet, drove a number of simplifications of systems and processes and gave finalisation to the impact of those reserves on future profitability, they represented less than 25% of discontinued reserves at 31 December 2021.

After due consideration for factors that would impact the transfer of the wider discontinued book (such as lack of flexibility in Lloyd's centralised processes and scope of operational/IT system resources), the managing agent commenced a further and larger project to secure a further "Split" RITC contract for all associated liabilities for 2018 year of account and prior, across all product lines. The intention being to bring finality to the Syndicate's historic liabilities, particularly within its discontinued lines, and allow the managing agent to focus on the future, reducing volatility and better utilise the Syndicate's capital and resources, unencumbered by the distraction the legacy portfolio inherently creates.

At 1 January 2023 this second split RITC related to £930.0 million of net reserves and is the largest third party RITC in the history of Lloyd's. For reasons of experience and familiarity with MS Amlin business, the Board approved the appointment of RiverStone International to partner with for this transaction. For operational reasons the reserves for a small number of books of business, as well as certain Covid liabilities have been reinsured back to Syndicate 2001.

Given the size and nature of the deal, approval from both Lloyd's and the PRA was required. With this permission received, the contract for the RITC of 2018 and prior years liabilities was signed on 13 February 2023 but, again, took effect from 1 January 2023.

Some of the now discontinued books of business continued to write business into the 2019 and 2020 YOAs. To protect these reserves, management have agreed a quota share contract with RiverStone ('Quota Share'). The subject reserves amounted to £146.2 million at 1 January 2023.

Collectively the 2023 RITC and Quota Share transactions are referred to as the '2023 RiverStone contracts'.

Report of the directors of the managing agent

(continued)

Principal risks

The principal financial risks to the Syndicate, are insurance risk, market risk (including financial investment risk and, foreign exchange risk) and credit risk. Detailed explanations of these risks are provided in notes 11, 12 & 14 to these financial statements.

The Syndicate is also exposed to strategic risk (Including Environmental, Social and Governance risk) and operational risk through the execution of its strategic aims and its participation in the Lloyd's market as well as other more general operational risks associated with the management of an insurance company. Lloyd's is a mutual society, and the Syndicate is dependent on Lloyd's license and ratings to operate.

The managing agent does not believe there are any other principal risks or uncertainties not included in the notes mentioned above connected with the Syndicate.

Readiness for significant Regulatory Change

At MS Amlin Operational Resilience is of paramount importance. Important Business Service (IBS) and Accountable Executives are supported by a central Operational Resilience team, to maintain and improve the Operational Resilience Framework over the three-year transitional period to 31st March 2025. During 2023 MS Amlin focused on further maturing of IBS maps; revalidation and amendment of Impact Tolerances (ITOLs); investment into closure and testing of identified vulnerabilities; extended scenario testing; support to strategic initiatives; development of incident evaluation tools; and oversight of intra-group and external providers significant to our vulnerability closure and ongoing resilience. As a result of this and the planned 2024 programme to close and test remaining identified vulnerabilities, MS Amlin remains on track to demonstrate the capability to remain within its Impact Tolerances (ITOLs) in the event of a severe operational disruption, as stipulated in SYSC 15A.2.9 of the regulations, by March 2025.

MS Amlin continues to monitor and develop responses to other areas of change, such as Conduct Risk and consumer duty, in order to ensure it remains compliant and acts with best practice towards clients.

Credit rating

Syndicate 2001 trades through the Lloyd's worldwide licences and rating. It also benefits from the Lloyd's brand and Lloyd's Syndicate 2001 has an AA- (Very Strong) rating from Standard & Poor's issued on 13 December 2023.

Sustainability

The Board has overall responsibly for setting and overseeing the implementation of the Sustainability Strategy.

The Board has a number of committees, to which it delegates oversight and decision making powers in accordance with documented terms of references. The Governance structure for sustainability and climate change is included within the sustainability strategy and set out on the company's website global.msamlin.com, and will continue to evolve as we embed sustainability into MS Amlin's business model.

Our sustainability strategy is centred around the desire to do the right thing, which we believe will create long term enterprise value, and designed to support:

- Profitable growth through commercial and responsible opportunity optimisation; and
- Balance sheet and reputational risk management i.e. protect franchise value
- Fair and inclusive transition that reflects the needs of our clients, shareholder, employees and communities.

Given we are an insurance and reinsurance business, and insurance being a major enabler of growth and trade, one of the areas our sustainability strategy focuses on is our underwriting. In 2023, we provided Environmental, Social, and Governance ('ESG') training to all Insurance Class Heads of Division and launched the ESG Underwriting Guidelines to help Underwriters integrate sustainability within their respective books of business, weighed against the nature of exposures being underwritten.

We understand our clients value support as they navigate their transition, respond to changing weather risks and evolve their business models. Recognising that transition involves transforming multiple systems (e.g. energy, built environment and infrastructure, mobility, healthcare, agriculture, labour and finance) in a coordinated way, our approach is focused on ensuring the transition through responsible underwriting, across all classes of business, using metrics (where available) to support decision making.

The sustainability strategy also recognises that our commercial activities are not divorced from our moral and societal responsibilities. This is why our sustainability strategy also focuses on people and communities. The latter is borne out in the work it is doing around employee wellbeing, equality diversity and inclusion, and corporate and social responsibility.

We believe strongly in considering the various aspect of sustainability, and their intrinsic links, which is why our approach is wider than climate change and measuring greenhouse gas emissions. We have developed a set of priorities based on the United Nations Sustainable Development Goals framework (the UNSDGs). These are Goal 5 - Gender Equality, Goal 9 - Industry, Innovation and Infrastructure and Goal 12 - Climate Action and which are used to anchor specific initiatives.

The sustainability strategy acts as a statement of positive intent, aligned with the expectations of our various stakeholders, all of whom had input during development. It sets out the specific steps we will take to embed ESG across our business and minimise the environmental impact of our operations, and details how we will support our clients, colleagues, partners and communities as we move towards a low carbon economy that is aligned with the UNSDGs.

Governance

The Sustainability Committee convenes quarterly and includes senior individuals from across the business who have authority, influence and motivation to prioritise sustainability on MS Amlin's strategic agenda. The roles and responsibilities of the Sustainability Committee have been mapped to the Board and Board sub-Committees where appropriate and have been designed to help MS Amlin to be a responsible, resilient and sustainable business. The agendas of the meetings are aligned with the TCFD principles and external third parties are invited to the meetings to share relevant perspectives.

Each quarter the Board (and other Board Committees, where appropriate) receive a specific report from the Head of Sustainability to review and approve recommendations. In doing so, the Sustainability Committee:

- Supports the embedding of sustainability within MS Amlin's strategy.
- Encourages a more coordinated approach to decision making by aligning the various components of ESG.
- Ensures MS Amlin is well placed to fulfil its regulatory and other committed, sustainability related obligations; and
- Measures and monitors MS Amlin's performance in implementing its sustainability strategy.

ESG considerations and risks are considered within the company-wide Risk Management Framework ('RMF'). The RMF is considered on page 60 of the report and accounts. They are also considered within MS Amlin's Own Risk and Solvency Assessment ("ORSA"). Given the potentially significant financial risk impacts climate change might have on our balance sheet, we have mapped the key climate risks we face across the risk register and have identified this is a key focus area for improving quantification of the risk, through stress and scenario testing and, increasing our ability to monitor it by evolving existing and introducing new metrics. We have also reviewed the Risk Register to further consider Climate Risk, as this is a cross cutting risk, we have therefore considered the Climate Risk Drivers within the Risk Register.

Climate Change

The Board recognises that the impact of climate change on natural hazard events, amplified by significant property stock and population growth in vulnerable regions, is a major threat to the global economy and to the MS Amlin business model. The Board also recognises that existing societal issues will be exacerbated, and the vulnerable will be affected the most as the cascading impact of climate change has the potential to lead to health and food crises, forced migration, unemployment and poverty, social unrest, global conflict and security concerns, state failure, business interruption and market destabilisation. Given the pervasive nature of climate change in society and in our business, which affects not only catastrophe and physical damage classes but also has the potential to impact Casualty, War and Terrorism, Political Risks and Product Recall classes, the Board has identified climate change (and sustainability, more broadly) as a key priority area. In doing so, the Board has taken note of existing and future requirements for climate related financial disclosures as set by the Bank of England (through the Prudential Regulation Authority) in various announcements and consultation processes.

The Board has overall responsibility for strategy, performance and risk management and only through careful management in each of these areas of our business can we achieve our strategic objectives and manage the risks and opportunities arising from climate change. The Board is committed to making transparent, sustainable financial decisions and to actively managing the long-term financial risks of climate change, in partnership with customers as a transition towards to a low carbon future.

The Board had appointed a dedicated executive sponsor responsible for climate change. The Strategy & Transformation Director was the named executive with regulatory responsibility for climate change, acted as Chairman of the Sustainability Committee and represented MS Amlin on the ClimateWise Insurance Advisory Council. Whilst this person has changed roles, as per the Senior Appointments section below, the Board is committed to securing a replacement as soon as possible.

MS Amlin has been a signatory to the ClimateWise initiative since its inception in 2007. Our membership offers us a platform to collaborate and actively contribute towards the insurance industry's response, identifying new ways and approaches to confront climate change challenges.

Report of the directors of the managing agent
(continued)

Reporting

MS Amlin publishes a copy of its ClimateWise report on global.msamlin.com to demonstrate ongoing commitment to the ClimateWise Principles. MS Amlin is pleased to note an improvement in our ClimateWise score from prior years to 93% (2022: 85%; 2021: 60%).

Climate Risk Governance

Climate change, and the global response to it, presents financial risks which are relevant to MS Amlin. While the financial risks from climate change may crystallise in full over longer time horizons, they are also becoming apparent now. In response to this, MS Amlin considers climate risk though the Climate Risk Working Group ('CRWG'), a sub-group of the Sustainability Committee.

The CRWG:

- Is responsible for the definition and implementation of short- and long-term climate change scenarios that will be used across the business (e.g. regulatory submissions, business strategy, reporting);
- Provides technical climate change expertise to the business. This will include the review of 3rd party models, tools and data, as well as setting the scientific standards of MS Amlin climate risk activities;
- Works with the business as required where technical or scientific expertise is required;
- Undertakes horizon scanning to systematically examine and alert the business to new and future regulatory, scientific, and business developments related to physical, transition and liability risk; and
- Helps the business to determine how resilient MS Amlin is to disruption (i.e. the extent to which we can adapt).

MS Amlin use Climate Scenario Analysis ('CSA') to assess the financial risk impacts of climate change on our balance sheet, providing an indication of our position under severe, yet plausible scenarios and stressors. These scenarios are guided by science and inform our forward looking strategy and decision making. MS Amlin continues to build upon the lessons learnt from the 2021 PRA Climate Biennial Exploratory Scenario (CBES) exercise.

In addition to exposure management scenarios, MS Amlin is exploring alternative approaches to climate-risk scenarios. The first is to focus on potential time horizons (i.e. 2030, 2050). These would provide the basis for medium-term business planning and stress-testing. However, another approach is to build scenarios around mean global temperature changes. These scenarios have the advantage that they could provide climate change information which can be used to enable MS Amlin to make tailored business decisions when run on an annual/bi-annual basis.

Given the MS Amlin business model, physical risk scenarios to understand potential climate change impacts are more developed within MS Amlin due to the everyday use of natural catastrophe models whose results can be adjusted to reflect climate change. MS Amlin has also progressed scenario analysis for transition and liability risk, to understand the potential impacts of climate change on these areas of climate risk. Where relevant, MS Amlin scenarios are generated in consultation with senior underwriters, in-house and external legal experts and 3rd parties. Analysis of transition and liability risk has been considered from a capital perspective, to ensure MS Amlin is sufficiently capturing the risks associated with climate change.

Senior Appointments

Throughout 2023, the managing agent continued to leverage a strong leadership bench and talent pool through a number of key changes.

In August, Martin Hudson stepped down as Non-Executive Chair of the MS Amlin Underwriting Limited Board, and was replaced by Simon Jeffreys later in 2023. Simon brings a wealth of knowledge and experience across the financial services sector including more than 13 years in the London insurance market as Non-Executive and Chairman of Aon UK. We thank Martin for his commitment and leadership, and wish him well for the future.

Philip Green, Chief Financial Officer, announced his plans to retire later in 2024 and Jessie Burrows has joined in January 2024 to become his successor. A structured handover is planned with Jessie working alongside Philip, before taking up the role fully when Philip departs. Jessie brings more than 25 years of experience in financial services, most recently as Managing Director, Customer Sales, Service and Claims, at Direct Line Group.

Grant Baxter, previously Chief Underwriting Officer, took the decision to move on from MS Amlin in October, at which time Martin Burke was appointed Interim Chief Underwriting Officer in line with planned succession. This position became permanent following receipt of regulatory approvals in January 2024.

With effect from 1 February 2024, Alberto Verga stepped down as Chief Operating Officer to assume the role of Managing Director for MS Amlin Corporate Services Limited. Natalia Wright, currently Head of Operations, will assume the role of Operations Director, subject to regulatory approvals.

Louise Musgrove stepped down from the Chief People Officer position in April, and after a short period as interim, her Deputy and identified successor, Gemma Lines was appointed to Chief People Officer on a permanent basis.

Report of the directors of the managing agent
(continued)

Following Martin Burke's appointment as Interim Chief Underwriting Officer, Martyn Rodden was appointed Interim Director of Underwriting Performance in October 2023 alongside his existing role as Director of Strategy & Transformation. With effect from 1 February and subject to regulatory approval, Martyn became Interim Chief Executive Officer of Mitsui Sumitomo Insurance Company (Europe), Limited.

In December 2023, Clare Constable, Head of Claims, was appointed to the position of Chief Claims Officer.

Directors

The current directors of the managing agent are shown on page 2. During the year and up to the date of signing, the following changes to the Board of Directors have occurred:

Name	Date of appointment	Date of resignation
G C Baxter	2 August 2023	4 October 2023
S J L Jeffreys	9 October 2023	
M Kawase	26 January 2023	
M P Hudson		31 August 2023
M Tomihari	29 August 2023	
S Watabe		31 March 2023

The following changes in the company secretary to the managing agent also occurred in the period:

Name	Date of appointment	Date of resignation
F Moule		7 August 2023
J Simek	7 August 2023	

The following changes in the active underwriter to the Syndicate also occurred in the period:

Name	Date of appointment	Date of resignation
G C Baxter	1 January 2023	4 October 2023
M T Burke	4 October 2023	
A J Carrier		1 January 2023

Going concern

The Syndicate has financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment. The directors have continued to review the business plans, liquidity and operational resilience of the Syndicate.

The 2024 year of account of Syndicate 2001 has opened and the directors have concluded that the Syndicate has sufficient resources to, and a reasonable expectation that it will, open a 2025 year of account. There is also surplus capital available in the Corporate Member. There is, therefore, no intention to cease underwriting or cease the operations of the Syndicate.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Independent auditor

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

Disclosure of information to the auditor

Each director who held office at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditor is unaware, and
- the director has taken all the steps that they ought to have taken as a director in order to make themself aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

On behalf of the Board

A J Carrier
Chief Executive Officer

27 February 2024

Statement of responsibilities of the directors of the managing agent

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

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

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of 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 these financial statements, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements;
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

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

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

Independent auditor's report to the member of Syndicate 2001

Opinion

We have audited the Syndicate annual accounts of Syndicate 2001 (the 'Syndicate') for the year ended 31 December 2023 which comprise the Statement of Profit or Loss, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Members' Balances, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate annual accounts:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

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

Going concern

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

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

Our conclusions based on this work:

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

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

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

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

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

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

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular:

Independent auditor's report to the member of Syndicate 2001 (continued)

- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as the valuation of insurance loss reserve and the valuation of premium estimates.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, unauthorised user and finance team leavers during the notice period, post-closing entries, journals posted without a user identify, those posted to accounts linked to an accounting estimates of IBNR, estimated premium income, those posted manually with blank descriptions and those posted to cash account; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

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

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

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

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

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

Secondly, the Syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Annual Return, for instance through the imposition of fines or litigation or the loss of the Syndicate's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, conduct and financial crime, health and safety, data protection laws, anti-bribery, employment law, money laundering, foreign corrupt practices, contract legislation, competition legislation and misrepresentation recognising the financial and regulated nature of the Syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

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

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

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

Other information - Report of the Directors of the managing agent

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in these respects.

Responsibilities of the Directors of the managing agent

As explained more fully in their statement set out on page 20, the Directors of the managing agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities

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

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

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

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

James Anderson (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor

Chartered Accountants
15 Canada Square,
London, E14 5GL

27 February 2024

Statement of profit or loss
for the year ended 31 December 2023

Technical account – general business	Note	2023 £m	2022 £m
Earned premiums, net of reinsurance			
Gross written premiums	5	1,748.7	1,576.8
Outward reinsurance premiums		(1,268.9)	(511.1)
Net written premiums		479.8	1,065.7
Change in the provision for unearned premiums			
Gross amount	12(c)	(101.3)	(87.1)
Reinsurers' share	12(c)	(54.4)	(69.5)
Change in the net provision for unearned premiums	12(c)	(155.7)	(156.6)
Earned premiums, net of reinsurance		324.1	909.1
Allocated investment return transferred from the non-technical account		19.7	(42.8)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	12(a)	(764.0)	(1,063.7)
Reinsurers' share	12(a)	184.6	360.3
Net claims paid	12(a)	(579.4)	(703.4)
Change in the provision for claims			
Gross amount	12(a)	1,273.1	244.6
Reinsurers' share	12(a)	(319.1)	(27.3)
Change in the net provision for claims	12(a)	954.0	217.3
Claims incurred, net of reinsurance	12(a)	374.6	(486.1)
Net operating expenses	6	(477.6)	(422.4)
Balance on the technical account for general business – transferred to non-technical account		**240.8**	**(42.2)**

Non-technical account – general business	Note	2023 £m	2022 £m
Balance on the general business technical account		240.8	(42.2)
Investment income	9	26.0	16.9
Realised losses on investments	9	(4.2)	–
Unrealised (losses)/gains on investments	9	20.2	(64.7)
Investment expenses and charges	9	(4.3)	(2.7)
Allocated investment return transferred to general business technical account		(19.7)	42.8
Foreign exchange gains/(losses)		(2.0)	3.2
(Loss)/Profit for the financial year		**256.8**	**(46.7)**

All operations of the Syndicate relate to continuing operations.

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the Statement of profit or loss. Therefore, no Statement of other comprehensive income has been presented.

The accompanying notes on pages 29 to 63 form part of these financial statements. Attention is drawn to note 4 which explains the impact of the 2023 RiverStone contracts have had on the primary statements.

Statement of financial position
at 31 December 2023

	Note	2023 £m	2022 £m
Investments			
Financial investments	11(c)	1,186.8	2,116.1
Reinsurers' share of technical provisions			
Provision for unearned premiums	12(c)	22.8	73.8
Claims outstanding	12(a)	644.7	989.3
		667.5	1,063.1
Debtors			
Debtors arising out of direct insurance operations	12(e)	470.5	556.5
Debtors arising out of reinsurance operations		461.9	589.7
Other debtors	11(d)	211.2	180.6
		1,143.6	1,326.8
Other assets			
Cash at bank and in hand	11(a)	150.3	2.8
Overseas deposits	11(b)	78.7	153.9
		229.0	156.7
Prepayments and accrued income			
Deferred acquisition costs	12(d)	218.0	206.2
Other prepayments and accrued income		23.8	22.2
		241.8	228.4
Total assets		**3,468.7**	**4,891.1**
Capital and reserves			
Member's balance		613.1	617.9
Technical provisions			
Provision for unearned premiums	12(c)	986.6	915.2
Claims outstanding	12(a)	1,713.3	3,045.2
		2,699.9	3,960.4
Creditors			
Creditors arising out of direct insurance operations	12(e)	33.6	156.1
Creditors arising out of reinsurance operations		94.3	121.2
Other creditors	11(e)	27.8	35.5
		155.7	312.8
Total liabilities		**3,468.7**	**4,891.1**

The accompanying notes on pages 29 to 63 form part of these financial statements. Attention is drawn to note 4 which explains the impact of the 2023 RiverStone contracts have had on the primary statements.

The financial statements on pages 25 to 28 were approved by the Board of Directors of MS Amlin Underwriting Limited and were signed on its behalf by

P J Green
Chief Financial Officer

27 February 2024

Statement of cash flows

for the year ended 31 December 2023

	Note	2023 £m	2022 £m
Cash flows from operating activities			
Profit/(loss) for the financial year		256.8	(46.7)
Decrease in gross technical provisions		(1,091.4)	(162.1)
Decrease in reinsurers' share technical provisions		353.6	105.1
Increase/(decrease) in debtors		108.9	(65.9)
Increase in creditors		(138.5)	(3.7)
Increase in other assets/liabilities		36.4	10.4
Investment return		(37.7)	50.5
Foreign exchange (gains)/losses		(7.9)	111.1
Net cash outflow from operating activities		(519.8)	(1.3)
Cash flows from investing activities			
Purchase of equity, debt instruments and derivatives		(2,148.3)	(4,691.7)
Sale of equity, debt instruments and derivatives		3,042.0	4,599.8
Investment income received		38.2	7.7
Investment expenses		(4.2)	–
Foreign exchange		–	(110.2)
Net cash inflow/(outflow) from investing activities		927.7	(194.4)
Cash flows from financing activities			
Distribution of profit		(13.3)	–
Cash call		–	56.5
Funds in Syndicate (releases)/increases		(248.3)	56.5
Net cash (outflow)/inflow from financing activities		(261.6)	113.0
Net increase/(decrease) in cash and cash equivalents		146.3	(82.7)
Cash and cash equivalents at the beginning of the year		2.8	89.6
Effect of exchange rate on cash and cash equivalents		1.2	(4.1)
Cash and cash equivalents at the end of the year	11(a)	**150.3**	**2.8**

The accompanying notes on pages 29 to 63 form part of these financial statements. Attention is drawn to note 4 which explains the impact of the 2023 RiverStone contracts have had on the primary statements.

Statement of changes in member's balance

for the year ended 31 December 2023

	2023 £m	2022 £m
Member's balance brought forward at 1 January	617.9	551.6
Profit/(loss) for the financial year	256.8	(46.7)
Funding (returned to)/received from member	(261.6)	113.0
Member's balance carried forward at 31 December	**613.1**	**617.9**

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

The accompanying notes on pages 29 to 63 form part of these financial statements.

Notes to the financial statements
for the year ended 31 December 2023

1. Basis of preparation

The financial statements have been prepared using the annual basis of accounting in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting standard 102 ('FRS 102'). FRS 102 requires the application of Financial Reporting Standard 103 ('FRS 103') in relation to insurance contracts. These requirements have been consistently applied to all years presented.

The financial statements are presented in pound sterling (GBP), which is the Syndicate's functional currency in 2023.

Going concern

The Syndicate has financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment. The directors have continued to review the business plans, liquidity and operational resilience of the Syndicate.

The 2024 year of account of Syndicate 2001 has opened and the directors have concluded that the Syndicate has sufficient resources to, and a reasonable expectation that it will, open a 2025 year of account. There is also surplus capital available in the Corporate Member. There is therefore no intention to cease underwriting or cease the operations of the Syndicate.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results will ultimately differ from those estimates.

Insurance claims outstanding

The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Syndicate. The methods, assumptions and estimates used by the Syndicate to estimate the insurance contract liabilities are described in note 12(i).

Unpaid claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the statement of profit or loss.

Details of the Syndicate's outstanding claims reserves and claims development are given in note 12(b).

Insurance contract premium

The gross written premiums are initially based on estimated premium income ('EPI') of each contract. The calculation of EPI is inherently subjective and attained through a combination of underwriters' best estimates at a policy level and actuarial techniques at a portfolio level, based on observable historical trends. The EPI in respect of binding authorities, is deemed to be written in full at the inception of the contract and estimates are made to allow for business incepted but not yet reported. These estimates are reviewed on a quarterly basis by underwriters and independently assessed by the actuarial and finance teams. Subsequent adjustments, based on reports of actual premium by the insureds, ceding companies, intermediaries or coverholders, or revisions in estimates, are recorded in the period in which they are determined.

The estimation of earned premium uses judgement about the profile of risk over the coverage period of (re)insurance contracts. For premium written under binding authorities, the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts. Some classes of business may be exposed to a seasonal pattern for the incidence of claims. Where this is the case, the earnings profile of the related premium is aligned.

Financial assets and financial liabilities

The fair value of financial assets and financial liabilities that are not traded in an active market (Level 2 and 3) is determined by valuation models and unobservable inputs (for Level 3 only). Judgement is used to select a variety of valuation methods and make assumptions that are mainly based on market conditions existing at the end of the reporting period. Details of these methods and assumptions are described in note 11(f).

Notes to the financial statements

for the year ended 31 December 2023

3. Significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and prior years.

Insurance contract premiums

Gross written premium comprise premium on insurance contracts incepting during the financial year together with adjustments to premium written in prior periods.

Premium is disclosed gross of brokerage and taxes, or duties levied on them. The proportion of gross written premium, gross of commission payable, attributable to periods after the reporting date is deferred as a provision for unearned premium. The change in this provision is taken to the statement of profit or loss in order that revenue is recognised over the period of the risk.

Premium is recognised as earned over the policy contract period. The earned element is calculated separately for each contract on a basis where the premium is apportioned over the period of risk.

Acquisition costs

Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are deferred on inception to be expensed on the same basis as the earned proportions of the premiums they relate to.

Reinsurance premiums ceded

Reinsurance premiums ceded comprise premiums on reinsurance arrangements bought which incept during the financial year, together with adjustments to premium ceded in prior periods. The proportion of reinsurance premium ceded attributable to periods after the reporting date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

Insurance contract liabilities

Claims paid are defined as those claims transactions settled up to the balance sheet date including the internal and external claims settlement expenses allocated to those transactions.

Claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Provisions are determined by management based on experience of claims settled and on statistical models which require certain assumptions to be made regarding incidence, timing and number of claims, and any specific factors such as adverse weather conditions. Also included in the estimation of incurred claims are factors such as the potential for judicial or legislative inflation. Any changes to the amounts held are adjusted through the statement of profit or loss. Provisions are established above an actuarial best estimate as an additional degree of caution.

The unpaid claims reserves also includes, if necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premiums provision across all YOA.

Some insurance contracts permit the Syndicate to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Syndicate may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries and subrogation reimbursements are included as allowances in the measurement of the insurance liability for unpaid claims, and recognised in insurance and reinsurance receivables when the liability is settled.

Reinsurance recoveries

The Syndicate has reinsurance treaties and other reinsurance contracts that transfer significant insurance risk. The benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets.

These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Where there is objective evidence that a reinsurance asset is impaired, the Syndicate reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss.

Notes to the financial statements
for the year ended 31 December 2023

3. Significant accounting policies (continued)

Financial assets

The Syndicate's financial assets are classified at fair value through profit and loss ('FVPL'). This classification requires all fair value changes to be recognised immediately within the investment return line in the statement of profit or loss. The Syndicate has availed itself of the option in FRS 102 to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement to its financial assets and financial liabilities.

Within the FVPL category, holdings in collective investment schemes, fixed income securities, equity securities, property funds and certain derivatives are classified as 'trading' as the Syndicate buys with the intention to resell.

All other assets at FVPL are classified as 'other than trading' within the FVPL category as they are managed, and their performance is evaluated, on a FVPL basis.

Purchases and sales of investments are recognised on the trade date, which is the date the Syndicate commits to purchase or sell the assets. These are initially recognised at fair value and are subsequently re-measured at fair value based on quoted bid prices. Transaction costs are recognised directly in the statement of profit or loss when incurred. Changes in the fair value of investments are included in the statement of profit or loss in the year in which they arise. The uncertainty around valuation is discussed further in note 11(f).

Reinsurance to close

A reinsurance to close transaction is treated as the extinguishment of the related net insurance liabilities for the closed underwriting year. This extinguishment of the liabilities is reflected as a movement in prior period reserve estimates. The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims incurred but not reported), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein.

The Syndicate has paid RITC premiums to another Lloyd's syndicate to assume its ongoing liabilities. The nature of this arrangement is that of a reinsurance contract and as such the Syndicate retains liability in the event of any failure of this Lloyd's syndicate and the Lloyd's chain of security. There is no mechanism for the Syndicate to quantify its exposure in this regard and the directors consider that the possibility of having to assume these liabilities is remote.

For details on a reinsurance to close transaction entered into during 2023, see note 4.

Derivative financial instruments

Derivative financial instruments primarily include currency swaps, currency and interest rate futures, currency options and other financial instruments that derive their value mainly from underlying interest rates or foreign exchange rates. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into and subsequently remeasured to their fair value at the end of each reporting period. Derivative fair values are determined from quoted prices in active markets where available or, where these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Gains and losses arising from changes in the fair value of derivative instruments are recognised as they arise in the statement of profit or loss.

Investment return

The investment return comprises investment income, investment gains less losses, and is net of investment expenses and charges.

Realised gains or losses are calculated as the difference between the net sales proceeds and their purchase price in the financial year or their valuation at the commencement of the year. Unrealised gains and losses are calculated as the difference between the valuation of investments at the balance sheet date and their purchase price in the financial year and their valuation at the commencement of the year.

All of the investment return arising in the year is reported initially in the non-technical account. A transfer is then made from the non-technical account to the technical account to reallocate investment return relating to underwriting business.

Tax

No provision has been made in respect of UK income tax on trading income. It is the responsibility of the member to settle their tax liabilities. Overseas taxation comprises US Federal Income tax and Canadian Federal Income tax. The amounts charged to the member are collected centrally through Lloyd's Members' Services Unit as part of the member's distribution process. The ultimate tax liability is the responsibility of the underwriting member.

3. Significant accounting policies (continued)

Foreign currencies

The Syndicate's financial statements are presented in pounds sterling (GBP) which was the functional and presentational currency of the Syndicate in 2023.

Transactions in foreign currencies are translated into sterling at the foreign exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities denominated in foreign currencies are translated into the relevant functional currency at the rates of exchange ruling at the balance sheet date (underwriting related balances, such as Reinsurers' share of technical provisions and Technical provisions, are considered to be monetary balances). Non-monetary assets and liabilities denominated in foreign currencies are translated into sterling at the rate prevailing on the date in which the asset or liability first arose or, where such items are revalued, at the latest valuation date. Exchange differences are recognised within the 'non-technical account'.

Loans and receivables

Loans and receivables are initially recognised at fair value plus directly related costs and subsequently measured at amortised cost less any impairment losses. If there is objective evidence that an impairment loss on loans and receivables has been incurred, the Syndicate measures the amount of the loss as the difference between the carrying amount and the present value of estimated future cash flows discounted at the effective rate of the loan and receivable at initial recognition. Impairment losses are recognised in the statement of profit and loss and the carrying amount of the loan and receivable is reduced by establishing an allowance for the impairment loss. If in a subsequent period the amount of the impairment loss reduces and the reduction can be ascribed to an event after the impairment was recognised, the previously recognised loss is reversed by adjusting the allowance.

Other payables

Other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

Insurance debtors and creditors

Insurance debtors and creditors are primarily non-derivative financial assets and liabilities with fixed or determinable payments and not quoted on an active market. These include amounts due to and from agents, brokers and insurance contract holders.

Debtors are initially recognised when due at transaction price, and where applicable are subsequently measured at amortised cost. The recoverability of these assets is assessed at each balance date and appropriate provision made to ensure that the balances properly reflect the amounts that will ultimately be received, taking into account counterparty credit risk and the contractual terms of the contract.

Where a receivable is impaired, the Syndicate reduces the carrying amount of the insurance receivable accordingly and recognises the impairment loss in the statement of profit or loss.

Creditors are initially recognised at transaction price, and where applicable are subsequently measured at amortised cost.

Cash and cash equivalents

Cash and cash equivalents include cash in hand, unrestricted balances held with banks and other highly liquid financial assets with original maturities of less than three months, which are subject to insignificant credit risk, and are used by the Syndicate for the management of its short-term commitments.

Amounts owed to credit institutions, comprising bank overdrafts, are measured at amortised cost and repayable on demand.

Notes to the financial statements

for the year ended 31 December 2023

4. Impact of RITC and QS transactions

As described in the managing agent's report, in early 2023 MS Amlin concluded two material transactions to remove the impact of discontinued classes of business from the future results of the Syndicate. The contracts were both concluded with RiverStone Syndicate 3500 and are summarised as follows:

- A (split) reinsurance to close contract for the 2018 and prior years of account. This transfers the financial benefits/liabilities for all[5] future cash flows to RiverStone Syndicate 3500. ('2023 RITC')
- A quota share arrangement, also with RiverStone Syndicate 3500, that allowed for the discontinued lines written in 2019 and subsequent years of account to be fully reinsured. ('Quota Share')

(collectively these contracts are referred to as the '2023 RiverStone contracts')

These contracts have a material impact on the primary statements of the Syndicate for 2023 as set out below. Additional information is included in specific notes where relevant.

For the 2023 RITC, the amounts presented below are subject to a true-up mechanism with RiverStone. This process is not complete at the date of the accounts and therefore the amounts quoted below are estimates and subject to some uncertainty.

a) Statement of profit or loss

The technical account for general business is divided in the table below between the retained business and business transferred by the 2023 and 2022 RiverStone contracts.

Technical account – general business	**Note**	**Retained £m**	**Transferred £m**	**As reported £m**
Gross earned premiums		*1,650.3*	(2.9)	*1,647.4*
Earned premiums, net of reinsurance		1,337.2	(1,013.1)	324.1
Allocated investment return transferred from the non-technical account		19.7	–	19.7
Gross incurred claims		*(721.3)*	*1,230.4*	*509.1*
Claims incurred, net of reinsurance		(680.9)	1,055.5	374.6
Operating expenses	6	(477.4)	(0.2)	(477.6)
Balance on the technical account for general business – transferred to non-technical account		**198.6**	**42.2**	**240.8**

5. Note that certain Covid and Political Risk contracts have been reinsured back to Syndicate 2001.

Notes to the financial statements

for the year ended 31 December 2023

4. Impact of RITC and QS transactions (continued)

b) Statement of financial position

The financial position line items most impacted by the 2023 RiverStone contracts are set out below. The table sets out the opening balance, the impact of the 2023 RiverStone contracts, the sum of all other movements and the closing position. The impact of the 2023 RiverStone contracts are presented at a fixed exchange rate for the currencies involved.

	Note	2022 £m	2023 RiverStone contracts £m	Other movements £m	2023 £m
Investments					
Financial investments		2,116.1	(784.0)	(145.3)	1,186.8
Reinsurers' share of technical provisions					
Provision for unearned premiums	12(c)	73.8	–	(51.0)	22.8
Claims outstanding	12(a)	989.3	(136.0)	(62.5)	644.7
		1,063.1	(136.0)	(113.5)	667.5
Other assets					
Overseas deposits	11(b)	153.9	(89.5)	14.3	78.7
Other assets/(liabilities)		1,245.2	(153.3)	149.2	1,380.0
		1,399.1	(242.8)	163.5	1,458.7
Total assets		**4,578.3**	**(1,162.8)**	**(95.3)**	**3,313.0**
Member's balance		617.9	51.3	(47.0)	613.1
Technical provisions					
Provision for unearned premiums	12(c)	915.2	(1.9)	72.4	986.6
Claims outstanding	12(a)	3,045.2	(1,212.2)	(119.7)	1,713.3
		3,960.4	(1,214.1)	(48.3)	2,699.9
Total liabilities		**4,578.3**	**(1,162.8)**	**(95.3)**	**3,313.0**

c) Statement of cash flows

The net cash flow from operating activities in the Statement of cash flows of £731.0 million includes the movement for the 2023 RiverStone contracts and therefore shows a significant cash outflow. When the impact of this is removed, the retained business has a cash inflow from operating activities of £420.3 million.

5. Technical account analysis

An analysis of the underwriting result before investment return and net technical provisions is set out below:

2023	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	Total £m	Net technical provisions £m	Commissions on gross premiums earned £m
Direct insurance								
Accident and health	33.0	33.2	(9.4)	(12.9)	(8.9)	**2.0**	41.6	(10.5)
Motor (third party liability)	16.9	16.0	(7.7)	(7.1)	(3.1)	**(1.9)**	19.6	(5.9)
Motor (other classes)	62.4	74.9	(29.0)	(20.6)	(23.8)	**1.5**	90.9	(15.1)
Marine, aviation and transport	204.4	197.3	58.3	(58.6)	(160.3)	**36.7**	235.9	(43.9)
Fire and other damage to property	399.6	370.0	163.6	(118.4)	(370.0)	**45.2**	462.1	(91.0)
Third party liability	141.5	119.8	391.9	(52.8)	(438.9)	**20.0**	149.3	(43.9)
Miscellaneous	64.9	57.2	0.4	(20.3)	(29.6)	**7.7**	72.1	(16.1)
	922.7	868.4	568.1	(290.7)	(1,034.6)	**111.2**	1,071.5	(226.4)
Reinsurance	826.0	779.0	(59.0)	(186.9)	(423.2)	**109.9**	960.9	(87.5)
Total	**1,748.7**	**1,647.4**	**509.1**	**(477.6)**	**(1,457.8)**	**221.1**	**2,032.4**	**(313.9)**

2022	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	Total £m	Net technical provisions £m	Commissions on gross premiums earned £m
Direct insurance								
Accident and health	36.9	35.7	(20.6)	(9.1)	(5.9)	**0.1**	68.0	(11.0)
Motor (third party liability)	13.7	13.8	(8.3)	(3.6)	(0.9)	**1.0**	27.7	(3.7)
Motor (other classes)	107.1	101.5	55.0	(26.3)	(120.8)	**9.4**	197.4	(28.7)
Marine, aviation and transport	184.7	166.4	(133.6)	(43.8)	23.4	**12.4**	330.3	(40.1)
Fire and other damage to property	356.1	315.8	(192.4)	(80.3)	(41.0)	**2.1**	608.5	(75.4)
Third party liability	113.8	110.1	29.2	(28.0)	(125.8)	**(14.5)**	210.9	(29.4)
Miscellaneous	52.9	49.4	(32.1)	(12.6)	(5.8)	**(1.1)**	93.7	(10.9)
	865.2	792.7	(302.8)	(203.7)	(276.8)	**9.4**	1,536.5	(199.2)
Reinsurance	711.6	697.0	(516.3)	(218.7)	29.2	**(8.8)**	1,360.8	(98.0)
Total	**1,576.8**	**1,489.7**	**(819.1)**	**(422.4)**	**(247.6)**	**0.6**	**2,897.3**	**(297.2)**

All premiums are concluded in the UK. The reinsurance balance is gross of commission and profit participation earned by the Syndicate as detailed in note 6. The above analysis is as per Lloyd's requirements and is different to how the managing agent views how the Syndicate is managed.

As discussed further in note 4, the extinguishment of liabilities in the 2023 RiverStone contracts have distorted the claims incurred and the reinsurance balance components of the 2023 segmental analysis. In a similar way, the 2022 RiverStone contracts (predominantly related to Motor and Third Party Liability business) has distorted the comparative period.

The geographical analysis of gross written premiums by location of client, as a proxy for risk location, is as follows:

	2023 £m	2022 £m
UK	316.5	289.5
European Union	105.7	87.8
USA	814.5	768.9
Other	512.0	430.6
Total	**1,748.7**	**1,576.8**

Notes to the financial statements
for the year ended 31 December 2023

6. Net operating expenses

	Note	2023 £m	2022 £m
Acquisition costs		335.8	315.9
Change in deferred acquisition costs	12(d)	(21.9)	(18.7)
Administrative expenses		137.1	124.8
Managing agent's fees		16.0	16.0
Lloyd's charges		13.2	14.2
Reinsurance commission and profit participation		(2.7)	(29.8)
Total		**477.5**	**422.4**

Total commissions for direct insurance business for the year amounted to £226.4 million (2022: £199.2 million).

Administrative expenses include:

Fees payable to the Syndicate's auditor for:	2023 £'000	2022 £'000
– Audit of the Syndicate's annual report	1,890	1,110
– Other audit-related services	55	31

For the audit of MS Amlin Underwriting Limited's financial statements, the auditor's remuneration was £43,400 (2022: £40,000).

7. Staff costs

All staff are employed by MS Amlin Corporate Services Limited ('MS ACS'). The following amounts were recharged to the Syndicate in respect of salary costs:

	2023 £m	2022 £m
Wages and salaries	45.7	43.1
Social security costs	5.8	5.9
Other pension costs	5.0	4.6
Total	**56.5**	**53.6**

Pension costs reflect contributions paid to the MS Amlin defined contribution scheme.

Notes to the financial statements

for the year ended 31 December 2023

8. Directors' emoluments

Executive directors and certain non-executive directors are also directors or employees of other companies within the MSI Group. As such a proportion of the total emoluments have been allocated to the Syndicate. However, this is not necessarily a reflection of the amount, if any, charged to the Syndicate by the company employing the director. Only amounts in respect of qualifying services are disclosed in the table below.

The directors of the managing agent received the following proportionate total emoluments during their time in office:

	2023 £'000	2022 £'000
Salaries and other short-term benefits	2,491	3,042
Amounts received under cash based long-term incentive schemes	289	112
Employer's contribution to pension schemes	9	13
Termination benefits	45	–
Total	**2,834**	**3,167**

Payments were made to two directors (2022: three) in respect of defined contribution pension schemes. No payments were made in respect of defined benefit pension schemes in the current or prior year. During the year, five directors were members of long-term incentive schemes (2022: five).

The highest paid director received the following proportionate total emoluments during their time in office:

	2023 £'000	2022 £'000
Salaries and other short-term benefits	742	1,005
Amounts received under cash based long-term incentive schemes	289	–
Total	**1,031**	**1,005**

The highest paid director is (2022: is) a member of a long-term incentive scheme and did not (2022: did not) receive payment in respect of either a defined benefit or defined contribution pension scheme.

The two (2022: one) active underwriters during the year received the following proportionate remuneration charged as a Syndicate expense for the period they were appointed:

	2023 £'000	2022 £'000
Salaries and other short-term benefits	425	1,005
Employer's contribution to pension schemes	5	–
Total	**430**	**1,005**

9. Investment return

	2023 £m	2022 £m
Interest income on cash and cash equivalents	5.9	1.6
Interest income on overseas deposits	2.9	2.6
Income from financial assets at fair value through profit and loss	17.2	12.7
Investment Income	26.0	16.9
Net realised losses on financial assets measured at fair value through profit or loss	(4.2)	–
Net unrealised (loss)/gains on financial assets measured at fair value through profit or loss	20.2	(64.7)
Investment expenses and charges	(4.3)	(2.7)
Total investment profit/(loss)	**37.7**	**(50.5)**

The above figures include investment profit of £18.0 million (2022: loss of £7.7 million) on cash, bonds, equity and property investments deposited by the Corporate Member into the Funds in Syndicate balance.

	2023 £m	2022 £m
Calendar year investment yield:		
Average Syndicate funds available for investment during the year		
Pound sterling	49.8	98.1
Euro	41.0	84.4
US dollar	492.7	933.9
Canadian dollar	181.1	298.7
Australian dollar	35.1	65.8
New Zealand dollar	13.3	13.1
Japanese yen	11.5	20.9
Combined	824.4	1,514.9
Aggregate gross investment return on Syndicate investments for the year (excluding expenses and charges)	35.3	(42.8)
Gross calendar year investment yield:		
Pound sterling	6.9%	(0.2%)
Euro	(0.4%)	(2.4%)
US dollar	3.7%	(3.8%)
Canadian dollar	5.1%	(2.1%)
Australian dollar	5.5%	0.5%
New Zealand dollar	5.1%	0.3%
Japanese yen	(0.5%)	(2.3%)
Combined	**4.0%**	**(2.7%)**

The average amount of Syndicate funds available for investment has been calculated as the monthly average balance of investments and overseas deposits. The yield percentages exclude immaterial sources of income. As explained further in note 4, the reduction in the average funds under management is driven by the premium paid in respect of the 2023 RiverStone contracts.

Notes to the financial statements

for the year ended 31 December 2023

10. Foreign exchange risk

The Syndicate's functional and presentation currency is pound sterling. The Syndicate holds assets and liability balances in major base currencies of pound sterling, euro, US dollar and Canadian dollar, and additional currencies of New Zealand dollar, Japanese yen and Australian dollar. The Syndicate attempts to match the value of the assets held in these currencies with the equivalent liabilities to minimise foreign exchange exposure.

Foreign exchange exposure arises when business is written in non-functional currencies. These transactions are translated into the functional currency pound sterling at the prevailing spot rate once the premiums are received. Consequently, there is exposure to currency movements between the exposure being written and the premiums being received. Payments in non-base currencies are converted back into the underlying currency at the time a claim is to be settled; therefore, the Syndicate is exposed to exchange rate risk between the claim being made and its subsequent settlement.

The closing rates of exchange used by the Syndicate are shown below

Currency	2023	2022
AUD	1.8685	1.7736
CAD	1.6871	1.6395
EUR	1.1535	1.1295
JPY	179.5570	158.4660
NZD	2.0150	1.9037
USD	1.2731	1.2083

The Syndicate will also occasionally transact currencies on a forward basis particularly when net monetary assets/liabilities exceed pre-agreed thresholds. All forward contracts are carried out with well-rated banks, so as to limit the counterparty risk. The investment managers also hold forward foreign exchange contracts in their portfolios at the year-end in order to hedge non-base currency investments. All forward contracts are marked to market in their valuations.

10. Foreign exchange risk (continued)

The table below presents the Syndicate's member's balance by major base currency before the effect of any hedging instruments. The amounts are stated in the pound sterling equivalent of the local currency using the exchange rates as disclosed in the table above. The financial investments are presented on a look through basis and include overseas deposits.

2023	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	JPY £m	Other £m	Total £m
Financial investments	506.8	480.6	57.1	154.2	15.0	4.9	46.9	**1,265.5**
Reinsurers' share of technical provisions	119.9	494.9	19.8	32.9	–	–	–	**667.5**
Insurance and reinsurance receivables	74.4	729.5	27.4	56.9	30.1	(0.8)	14.9	**932.4**
Cash at bank	31.0	95.7	0.9	–	–	0.3	22.4	**150.3**
Other assets	215.8	175.0	12.5	20.2	11.1	0.2	18.2	**453.0**
Technical provisions	(254.9)	(1,931.5)	(137.0)	(155.6)	(114.9)	(5.4)	(100.6)	**(2,699.9)**
Insurance and reinsurance payables	(31.7)	(95.3)	0.3	(1.2)	–	–	–	**(127.9)**
Other creditors	(0.2)	(3.0)	(1.3)	(5.2)	0.8	–	(18.9)	**(27.8)**
Net assets	**661.1**	**(54.1)**	**(20.3)**	**102.2**	**(57.9)**	**(0.8)**	**(17.1)**	**613.1**

2022	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	JPY £m	Other £m	Total £m
Financial investments	818.1	882.0	105.0	264.2	101.4	16.7	82.6	**2,270.0**
Reinsurers' share of technical provisions	220.1	785.0	20.1	37.9	–	–	–	**1,063.1**
Insurance and reinsurance receivables	145.2	888.4	28.4	37.6	19.2	0.4	27.0	**1,146.2**
Cash at bank	3.6	(2.6)	0.2	–	–	0.3	1.3	**2.8**
Other assets	200.0	167.4	13.1	13.5	7.7	0.2	7.1	**409.0**
Technical provisions	(493.6)	(2,720.1)	(183.8)	(245.4)	(173.6)	(14.3)	(129.6)	**(3,960.4)**
Insurance and reinsurance payables	(45.0)	(201.9)	(14.8)	(15.6)	–	–	–	**(277.3)**
Other creditors	(23.2)	(8.4)	(2.1)	(1.8)	–	–	–	**(35.5)**
Net assets	**825.2**	**(210.2)**	**(33.9)**	**90.4**	**(45.3)**	**3.3**	**(11.6)**	**617.9**

If the foreign currencies were to strengthen/weaken by 10% against pound sterling, the movement in the monetary net assets and liabilities of the Syndicate, before hedging activities, would result in the following gains/(losses) in the statement of profit or loss at 31 December 2023:

	31 December 2023		31 December 2022	
Currency	10% strengthening of currency against GBP £m	10% weakening of currency against GBP £m	10% strengthening of currency against GBP £m	10% weakening of currency against GBP £m
US dollar	(6.0)	4.9	(23.4)	19.1
Canadian dollar	11.4	(9.3)	10.0	(8.2)
Euro	(2.3)	1.8	(3.8)	3.1
Australian dollar	(6.4)	5.3	(5.0)	4.1
Total	**(3.3)**	**2.7**	**(22.2)**	**18.1**

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for the year ended 31 December 2023

11. Financial assets and liabilities

a) Cash and cash equivalents

	2023 £m	2022 £m
Cash and cash in hand	**150.3**	**2.8**

Cash and cash equivalents represent cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments that are subject to insignificant risk of changes in fair value.

Included in cash and cash equivalents is £126.8 million of restricted cash related to underwriting activities regulated by the Monetary Authority of Singapore for the Syndicate's operations in Singapore. In 2022, an amount of £132.4m related to these operations was presented within insurance and reinsurance receivables (see note 12(e)). The current year amount is presented within cash and cash equivalents to better reflect the nature of the balance and align with presentation requirements of FRS 102.

b) Overseas deposits

	2023 £m	2022 £m
Overseas deposits	**78.7**	**153.9**

Overseas deposits represent balances held with overseas regulators to permit underwriting in certain territories. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in debt and other fixed income securities.

c) Net financial investments

	At Valuation		At Cost	
	2023 £m	2022 £m	2023 £m	2022 £m
Financial assets at fair value through profit or loss				
Debt securities and other fixed income securities	219.5	633.0	213.5	652.5
Shares and other variable yield securities	24.4	24.6	24.4	24.6
Participation in investment pools	80.0	91.6	80.0	91.6
Holdings in collective investment schemes	858.1	1,350.9	724.9	1,248.8
Derivative financial instruments	8.4	3.4	–	–
Deposits with cedants	8.8	12.2	8.8	12.2
Other investments	0.1	0.4	0.1	0.4
Total financial assets at fair value through profit or loss	**1,199.3**	**2,116.1**	**1,051.7**	**2,030.1**
Financial liabilities at fair value through profit or loss				
Derivative financial instruments	(12.5)	–	–	–
Net financial investments	1,186.8	2,116.1	1,051.7	2,030.1
Listed investments included above:				
Debt securities and other fixed income securities	219.5	633.0	213.5	652.5

Underwriting liabilities are matched by bonds, investment pools, collective investment schemes and cash. Other more volatile assets, including equities, represent capital. Included above are funds of £480.8 million (2022: £714.0 million) deposited by the Corporate Member and held as capital assets (Funds in Syndicate ('FIS')).

Shares and other variable yield securities comprise minority shareholdings held by the Syndicate in unlisted companies and loans made to the Lloyd's Central Fund. The classification of the loans is as per Lloyd's guidance.

Included within Holdings in collective investment schemes at year end is £11.9 million invested from the cash held in respect to the Syndicate operations in Singapore as noted above in note 11(a).

11. Financial assets and liabilities (continued)

c) Net financial investments (continued)

The reconciliation of opening and closing net financial investments is as follows:

	2023 £m	2022 £m
At 1 January	2,116.1	1,968.1
Foreign exchange (losses)/gains	38.3	(110.2)
Net (disposals)/purchases	(983.6)	322.9
Net realised losses on assets	(4.2)	–
Net unrealised gains/(losses) on assets	20.2	(64.7)
At 31 December	**1,186.8**	**2,116.1**

d) Other debtors

	2023 £m	2022 £m
Receivable from Group companies	182.9	152.3
Other	28.3	28.3
Total	**211.2**	**180.6**

Included in amounts receivable from Group companies in the current and prior year is a loan to MS ACS. This loan of £60.4 million (2022: £12.6 million) is to fund change projects MS ACS is managing on behalf of MS Amlin. The loan is on a recurring 1-year term, repayable after a 12-month notice period and does not charge interest. £11.4m of the loan is recoverable within 12 months, with the remainder beyond 12 months (2022: £4.6m).

All other debtor amounts owed are unsecured, have no fixed date of repayment, are payable on demand, are non-interest bearing and are recoverable within 12 months.

e) Other creditors

	2023 £m	2022 £m
Payable to Group companies	13.7	13.2
Accruals and deferred income	2.3	6.0
Other	11.8	16.3
Total	**27.8**	**35.5**

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment, are payable on demand and are non-interest bearing.

Other creditors are all current, both in the current and prior years.

11. Financial assets and liabilities (continued)

f) Fair value hierarchy

For financial instruments carried at fair value the Syndicate has categorised the measurement basis into a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level 2: Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices).

Level 3: Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

Shares and other variable yield securities

Listed equities traded on a primary exchange in an active market are classified as Level 1. Minority shareholdings held by the Syndicate in unlisted companies are classified as Level 3.

Variable yield securities are represented by loans to the Lloyd's Central Fund and are classified as Level 3.

Debt and other fixed income securities

The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets.

Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1. This is typically the case for government bonds. Level 1 also includes bond funds, where fair value is based upon quoted prices. Where the market is inactive or the price is adjusted, but significant market observable inputs having been used by the pricing sources, then these are considered to be Level 2. This is typically the case for government agency debt, corporate debt, mortgage and asset-backed securities and catastrophe bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Participation in investment pools

These are units held in money market funds and the value is based upon unadjusted, quoted and executable prices provided by the fund manager and classified as Level 1.

Holdings in collective investment schemes

These represent investments in open-ended investment unit trusts. The fair value of the investment in unlisted open-ended investments is determined using an unadjusted net asset value, which results in a Level 2 valuation. The unadjusted net asset value is used as the units are redeemable at the reportable net asset value at the measurement date. Level 3 investments in collective investment schemes are valued using net asset statements provided by independent third parties.

Derivatives

Listed derivative contracts, such as futures, that are actively traded are valued using quoted prices from the relevant exchange and are classified as Level 1. Over the counter currency options are valued by the counterparty using quantitative models with multiple market inputs such as foreign exchange rate volatility. The market inputs are observable, and the valuation can be validated through external sources. These are classified as Level 2.

11. Financial assets and liabilities (continued)

f) Fair value hierarchy (continued)

Net financial investments by fair value grouping:

				2023				2022
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Financial assets held for trading at fair value through profit or loss								
Debt and other fixed income securities	133.5	86.0	–	219.5	334.9	298.1	–	633.0
Shares and other variable yield securities	–	–	24.4	24.4	–	–	24.6	24.6
Participation in investment pools	80.0	–	–	80.0	91.6	–	–	91.6
Holdings in collective investment schemes	0.7	624.2	233.2	858.1	6.5	1,091.3	253.1	1,350.9
Deposits with Cedants	–	–	8.8	8.8	–	–	12.2	12.2
Derivative financial instruments	4.9	3.5	–	8.4	–	3.4	–	3.4
Other	0.1	–	–	0.1	0.4	–	–	0.4
Total financial assets	**219.2**	**713.7**	**266.4**	**1,199.3**	433.4	1,392.8	289.9	2,116.1
Liabilities								
Financial liabilities held for trading at fair value through profit or loss								
Derivative financial instruments	(3.4)	(9.1)	–	(12.5)	–	–	–	–
Total financial liabilities	**(3.4)**	**(9.1)**	**–**	**(12.5)**	–	–	–	–
Net financial investments	**215.8**	**704.6**	**266.4**	**1,186.8**	433.4	1,392.8	289.9	2,116.1

The table above excludes the Syndicate's holdings of cash and cash equivalents of £150.3 million (2022: £2.8 million). These are measured at fair value and are categorised as Level 1. Additionally, this table also excludes the Syndicate's overseas deposits, of which £23.8 million (2022: £50.4 million) are categorised as Level 1 and £55.0 million (2022: £103.5 million) are categorised as Level 2.

The majority of the Syndicate's investments are valued based on quoted market information or other observable market data. The Syndicate holds 22.4% (2022: 13.7%) of its net financial investments at a fair value based on estimates and recorded as Level 3 investments. Level 3 investments in collective investment schemes are valued using net asset statements provided by independent third parties, and therefore no sensitivity analysis has been prepared. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

Transfers between levels of the fair value hierarchy

The managing agent's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the start of the relevant reporting period during which the transfers are deemed to have occurred.

There were no transfers between the levels in the current or prior years.

11. Financial assets and liabilities (continued)

f) Fair value hierarchy (continued)

The table below analyses the movements in assets classified as Level 3 investments during 2023:

	Property funds £m	Hedge fund £m	Unlisted equities £m	Deposits with cedants £m	Loans to Central Fund £m	Total £m
At 1 January 2023	207.3	45.7	1.6	12.2	23.0	289.8
Total net (losses)/gains recognised in investment return in profit or loss	(27.8)	1.2	(0.1)	–	–	(26.7)
Sales	(8.4)	–	–	(31.8)	–	(40.2)
Purchases	9.0	–	6.1	28.4	–	43.5
At 31 December 2023	**180.1**	**46.9**	**7.6**	**8.8**	**23.0**	**266.4**

Total net unrealised loss for the year recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting year	**(18.7)**

	Property funds £m	Hedge fund £m	Unlisted equities £m	Deposits with cedants £m	Loans to Central Fund £m	Total £m
At 1 January 2022	199.1	24.0	3.6	9.7	23.0	259.4
Total net gains recognised in investment return in profit or loss	33.2	1.5	(2.0)	–	–	32.7
Sales	(28.3)	–	–	(27.0)	–	(55.3)
Purchases	3.4	20.2	–	29.5	–	53.1
At 31 December 2022	**207.4**	**45.7**	**1.6**	**12.2**	**23.0**	**289.9**

Total net unrealised loss for the year recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting year	**42.2**

g) Investment risk

The following section describes the Syndicate's investment risk management from a quantitative and qualitative perspective.

The Syndicate has two main categories of assets:

- Underwriting assets – premium received and held to meet future insurance claims.
- Capital assets – capital required by Lloyd's to support the underwriting business. These represent funds deposited by the Corporate Member as FIS plus working capital and surplus funds.

Investment governance

The managing agent manages the Syndicate's investments in accordance with the investment governance framework that is set by the Board. The framework is reviewed on a regular basis to ensure that the Board's fiduciary and regulatory responsibilities are being met. Oversight of investments is delegated to the Investment Committee ('IC') and day-to-day management of the investments was previously delegated to MS Amlin Business Services ('MS ABS') up to 31 December 2022. From 1 January 2023, day-to-day management was transferred to MS Amlin Investment Management Limited ('MS AIML').

The IC comprises the Chief Finance Officer as Chairman, with the Chief Executive Officer and Chief Risk Officer as the other members. The IC meets quarterly and supports the Risk & Solvency Committee ('R&SC') and the Board in carrying out investment related responsibilities. During the period, MS AIML was responsible for asset allocation and the appointment of external investment managers and custodians, within guidelines recommended by the IC and approved by the Board. The IC is kept updated on relevant issues relating to day-to-day management.

Investment management

Investments are managed on a multi-asset, multi-manager basis. Exposure to the asset classes is achieved using physical holdings of the asset class or derivative instruments and may be managed by MS AIML or by outsourced managers, on a segregated, pooled or commingled basis. Manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers have discretion to manage the investments on a day-to-day basis within investment guidelines and / or prospectuses applicable to their portfolios that ensure that they comply with the investment frameworks. The managers' performance, compliance and risk are monitored on an on-going basis.

11. Financial assets and liabilities (continued)

g) Investment risk (continued)

Risk tolerance

Investment risk tolerances are set by the Board following recommendation from the R&SC and IC. The primary tolerance is the Value at Risk ('VaR') metric which is set to be consistent with the risk appetite that maintains the solvency levels in a 1-in-200 year event and considers factors such as the capital capacity and the capital management policy. Tolerances may be lower when capital capacity is constrained and vice versa. Investment risk is monitored by MS AIML using a market-recognised third-party risk model and reported to the IC (with escalations to the R&SC) on a quarterly basis.

Asset allocation

The IC is responsible for recommending the Investment Guidelines for approval by the Board. The guidelines include performance measures, risk tolerances and strategic and tactical asset allocation limits. MS AIML have discretion to manage the asset allocation that they judge will provide the appropriate risk/reward balance, whilst respecting the VaR, tolerance and the asset class, liquidity and counterparty limits set out in the investment guidelines. The expected timescale for future cash flows in each currency is calculated by the Actuarial team for policyholder portfolios, the average of these forms the basis of asset liability duration management. The IC reviews/challenges the MS AIML asset allocation and investment risk stance on a quarterly basis.

The asset allocation of the Syndicate's investments is set out below.

	31 December 2023				31 December 2022			
	Underwriting assets £m	Capital assets £m	Total assets £m	Total %	Underwriting assets £m	Capital assets £m	Total assets £m	Total %
Government securities	142.9	–	142.9	12.0	362.4	–	362.4	17.1
Government agencies/ guaranteed bonds	–	–	–	–	–	–	–	–
Asset-backed securities	–	–	–	–	–	–	–	–
Mortgage-backed securities – Prime	4.5	–	4.5	0.4	21.8	–	21.8	1.0
Corporate bonds	72.1	–	72.1	6.1	248.8	–	248.8	11.8
Debt and other fixed income securities	219.5	–	219.5	18.5	633.0	–	633.0	29.9
Share and other variable yield securities	24.4	–	24.4	2.1	24.6	–	24.6	1.2
Pooled vehicles	145.7	284.5	430.2	36.2	559.2	401.5	960.7	45.4
Property funds	–	180.0	180.0	15.2	–	207.4	207.4	9.8
Other liquid investments & cash	320.3	12.3	332.6	28.0	188.5	101.5	290.0	13.7
Other	0.1	–	0.1	0.0	0.4	–	0.4	–
Total	**710.0**	**476.8**	**1,186.8**	**100.0**	**1,405.7**	**710.4**	**2,116.1**	**100.0**

As explained further in note 4, the reduction in underwriting assets is driven by the RiverStone contracts. The reduction in capital assets results from a combination of factors including a reduction in overall capital requirements, improved profitability and capital structure decisions made by the Corporate Member.

11. Financial assets and liabilities (continued)

h) Market risk

This section describes the aspects of market risk that concerns the risks associated with valuation, interest rates, and liquidity. Counterparty credit is covered in note 11(j) and foreign exchange risk is described in note 10.

Valuation risk

The Syndicate's earnings are directly affected by changes in the valuations of the investments held in the portfolios. These valuations vary according to the movements in the underlying markets. The Syndicate's assets are marked to market at bid price. Prices are supplied by the custodians, whose pricing processes are covered by their published annual audits. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources. These pricing sources use closing trades, or where more appropriate in illiquid markets, pricing models. Property funds are based on the most recent price available, which in some instances may be a quarter in arrears. Where a property transaction has taken place the transaction price is used if it is the most recent price available.

The managing agent operates an established control framework with respect to fair value measurement which ensures the valuation of financial assets and financial liabilities meets the requirements of FRS 102. As part of this process, the managing agent reviews the valuation policies of its custodians along with the evidence provided by the custodians to support fair value measurement. The prices are also reconciled to the fund managers' records to check for reasonableness. Further details of the fair value measurement of financial assets and financial liabilities are included in note 11(f).

The valuation of investments is sensitive to equity risk. The impact on profit before tax of a 5% improvement/deterioration in the total market value of shares would be a £4.1 million gain/loss (2022: £4.5 million gain/loss) when applying a consistent methodology to the previous year.

Interest rate risk

Investors' expectations for interest rates will impact bond yields. The value of the Syndicate's bond holdings is therefore subject to fluctuation as bond yields rise and fall. If the yield falls the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration. The greater the duration of a security the greater its price volatility.

The maturity bands of the Syndicate's debt and fixed income securities holdings as at 31 December 2023 are shown below.

Underwriting assets	2023 £m	2022 £m
Less than 1 year	4.5	12.2
1-2 years	10.5	52.2
2-3 years	3.8	109.1
3-4 years	77.4	233.9
4-5 years	90.4	176.4
Over 5 years	32.9	49.2
Total	**219.5**	**633.0**

The underwriting liabilities are not currently discounted and therefore their value is not impacted by interest rate movements. Cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise and therefore capital values will fall. Included in the above is £1.6 million (2022: £3.6 million) of accrued interest.

The average durations of the Syndicate's underwriting liabilities and the associated combined bond and cash portfolios as at 31 December were as follows:

	2023		2022	
	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Pound sterling	0.4	1.7	(0.1)	3.3
US dollar	2.6	3.3	1.3	3.3
Euro	1.6	2.0	(0.2)	2.9
Canadian dollar	2.9	2.3	2.9	3.2

11. Financial assets and liabilities (continued)

h) Market risk (continued)

The impact of a 50 basis point movement in interest rates on the Syndicates result and net assets is show below.

	2023 £m	2022 £m
50 basis point increase in interest rates	(12.8)	(17.9)
50 basis point decrease in interest rates	13.4	17.4

i) Liquidity risk

It is important to ensure that claims are paid as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are also held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Syndicate's assets, which may result in realising prices below fair value, especially in periods of below normal investment market activity. The policy of limiting the extent of duration divergence between the policyholders' assets and the liabilities helps to reduce the risk of a cash flow mismatch.

The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts at 31 December 2023:

	Contractual cash flows (undiscounted)					
31 December 2023 **Financial assets**	**No stated maturity** **£m**	**0-1 yr** **£m**	**1-3 yrs** **£m**	**3-5 yrs** **£m**	**>5 yrs** **£m**	**Carrying amount** **£m**
Debt and other fixed income securities	–	28.0	105.8	101.2	24.5	219.5
Shares and other variable yield securities	24.4	–	–	–	–	24.4
Participation in investment pools	80.0	–	–	–	–	80.0
Holdings in collective investment schemes	858.1	–	–	–	–	858.1
Derivative financial instruments	–	8.4	–	–	–	8.4
Other investments	0.1	–	–	–	–	0.1
Other debtors	–	1,132.6	–	–	–	1,132.6
Deposits with cedants	6.3	–	–	–	–	6.3
Cash	150.3	–	–	–	–	150.3
Total financial assets	1,119.2	1,169.0	105.8	101.2	24.5	2,479.7
Financial liabilities						
Derivative financial instruments	–	(12.5)	–	–	–	(12.5)
Total financial liabilities	–	–	–	–	–	–
Net financial assets	**1,119.2**	**1,156.5**	**105.8**	**101.2**	**24.5**	**2,467.2**

	Expected cash flows (undiscounted)					
31 December 2023 **Insurance liabilities**	**No stated maturity** **£m**	**0-1 yr** **£m**	**1-3 yrs** **£m**	**3-5 yrs** **£m**	**>5 yrs** **£m**	**Carrying amount** **£m**
Outstanding claims	–	670.9	561.2	226.8	254.4	1,713.3
Less reinsurers' share of outstanding claims	–	(252.5)	(211.2)	(85.3)	(95.7)	(644.7)
Creditors	–	153.4	–	–	–	153.4
Total	–	571.8	350.0	141.5	158.7	1,222.0
Difference in contractual cash flows	**1,119.2**	**584.7**	**(244.2)**	**(40.3)**	**(134.2)**	**1,245.2**

11. Financial assets and liabilities (continued)

i) Liquidity risk (continued)

31 December 2022 Financial assets	No stated maturity £m	Contractual cash flows (undiscounted) 0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Debt and other fixed income securities	–	34.0	210.2	476.2	7.6	633.0
Shares and other variable yield securities	24.6	–	–	–	–	24.6
Participation in investment pools	91.6	–	–	–	–	91.6
Holdings in collective investment schemes	1,350.9	–	–	–	–	1,350.9
Derivative financial instruments	–	3.4	–	–	–	3.4
Other investments	0.4	–	–	–	–	0.4
Other debtors	–	1,318.5	–	–	–	1,318.5
Deposits with cedants	12.2	–	–	–	–	12.2
Cash	2.8	–	–	–	–	2.8
Total financial assets	1,482.5	1,355.9	210.2	476.2	7.6	3,437.4
Financial liabilities						
Derivative financial instruments	–	–	–	–	–	–
Total financial liabilities	–	–	–	–	–	–
Net financial assets	**1,482.5**	**1,355.9**	**210.2**	**476.2**	**7.6**	**3,437.4**

31 December 2022 Insurance liabilities	No stated maturity £m	Expected cash flows (undiscounted) 0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	–	1,088.2	988.8	452.2	516.1	3,045.3
Less reinsurers' share of outstanding claims	–	(353.5)	(321.2)	(146.9)	(167.7)	(989.3)
Creditors	–	307.0	–	–	–	307.0
Total	–	1,041.7	667.6	305.3	348.4	2,363.0
Difference in contractual cash flows	**1,482.5**	**314.2**	**(457.4)**	**170.9**	**(340.8)**	**1,074.4**

Liquidity in the event of a major disaster is tested regularly using internal cash flow forecasts and realistic disaster scenarios. In addition, the policyholders' funds investment guidelines require at least 25% of the funds to be held in government bonds and/or cash equivalents, which are highly liquid. If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the corporate funds.

The current and non-current portions of the other non-derivative financial liabilities are available in note 11(c).

j) Credit risk

Credit risk is the risk that the Syndicate becomes exposed to loss if a specific counterparty fails to perform its contractual obligations in a timely manner impacting the Syndicate's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. The Syndicate is exposed to credit risk in its investment portfolio, its insurance and reinsurance debtors, its cash at bank and its overseas deposits. The table on the next page analysis's the credit ratings applied to counterparties for each type of balance.

The Syndicate's credit risk is mitigated by the collateral received from counterparties, details of which are given in note 11(l). Collateral of £105.9 million (2022: £216.1 million) is held in third party trust funds to guarantee the Syndicate against certain reinsurance counterparties.

Notes to the financial statements

for the year ended 31 December 2023

11. Financial assets and liabilities (continued)

j) Credit risk (continued)

31 December 2023	Debt securities £m	Participation in investment pools £m	Insurance and reinsurance receivable £m	Reinsurers' share of outstanding claims £m	Cash at bank and in hand £m	Overseas deposits £m
AAA	82.2	–	–	–	–	30.4
AA	71.1	–	–	282.1	–	3.9
A	56.1	–	49.0	212.1	146.6	5.2
BBB	10.1	–	–	–	–	4.2
Less than BBB	–	–			–	10.7
Not Rated	–	80.0	883.4	150.5	3.6	24.3
Total	**219.5**	**80.0**	**932.4**	**644.7**	**150.2**	**78.7**

31 December 2022	Debt securities £m	Participation in investment pools £m	Insurance and reinsurance receivable £m	Reinsurers' share of outstanding claims £m	Cash at bank and in hand £m	Overseas deposits £m
AAA	358.8	–	–	–	–	53.0
AA	72.0	–	–	158.3	–	14.1
A	152.5	–	29.7	667.3	2.8	10.6
BBB	49.7	–	–	0.1	–	8.0
Less than BBB	–	–	–	–	–	15.7
Not Rated	–	91.6	1,116.5	163.6	–	52.5
Total	**633.0**	**91.6**	**1,146.2**	**989.3**	**2.8**	**153.9**

Insurance and reinsurance

The table above includes premium receivables, representing amounts due from intermediaries. The quality of these receivables is not graded but based on historical experience there is limited default risk relating to these amounts. Credit risk in respect of premium debt is overseen by the Syndicate's Broker Committee and managed through a number of controls that include broker approval, annual financial review and internal rating of brokers and regular monitoring of premium settlement performance.

Also included are reinsurance receivables, which represent the amounts due at 31 December 2023, as well as amounts, expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned risks. These are stated net of provisions for impairment. The credit risk in respect of reinsurance receivables, including reinsurers' share of outstanding claims, is primarily managed by review and approval of reinsurance security by the Reinsurance Security Committee prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on the internal ratings for each reinsurer and Standard & Poor's ratings.

The Syndicate holds collateral from certain reinsurers including those that are non-rated as security against potential default. The details of reinsurance collaterals held and placed with third party trust funds are provided in note 11(l). Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The impact on profit for the financial year of a 1% variation in the reinsurance assets would be £6.4 million (2022: £9.9 million). The details of overdue reinsurance assets and insurance receivables are provided in notes 12(a) and 12(e).

Investments

As well as actual failure of a counterparty to perform its contractual obligations, the price of corporate bond holdings will be affected by investors' perception of a borrower's credit worthiness. Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. For each portfolio there are limits to the exposure to single issuers and to the total amount that can be held in each credit quality rating category, as determined by reference to credit rating agencies. At 31 December 2023, directly held bonds accounted for 16.4% of the portfolio (2022: 30.0%), the residual of the portfolio was held mostly in collective investment schemes. The credit ratings on debt securities are BNP Paribas composite ratings based on Standard & Poor's, Moody's and Fitch.

11. Financial assets and liabilities (continued)

k) Offsetting financial assets and financial liabilities

The Syndicate's derivative transactions with respect to over-the-counter options and currency forwards are subject to International Swaps and Derivatives Association master netting agreements. Transactions under such agreements meet the criteria for offsetting in the Syndicate's statement of financial position. The Syndicate also receives and pledges collateral in the form of cash in respect of the derivative transactions. The fair value of the Syndicate's options and currency forwards are not offset by such collaterals as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Syndicate or the counterparties.

The Syndicate listed futures are transacted under Global Principal Clearing agreements and are not subject to offsetting in the statement of financial position.

The disclosure provided in the tables below include derivatives that are set off in the Syndicate's statement of financial position at 31 December 2023, there is no designated hedge accounting relationship in the current or prior financial year .

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements.

	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial (liabilities)/ assets set off in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Financial instruments	Cash collateral movements	Net Amount
31 December 2023	£m	£m	£m	£m	£m	£m
Derivative instruments held for trading asset	179.9	(171.5)	8.4	4.8	5.1	13.5
Derivative instruments held for trading liability	(459.8)	447.3	(12.5)	(3.4)	9.3	(3.2)
Net	**(279.9)**	**275.8**	**(4.1)**	**1.4**	**14.4**	**10.3**

	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial (liabilities)/ assets set off in the statement of financial position	Net amounts presented in the statement of financial position	Related amounts not set off in the statement of financial position		
				Financial instruments	Cash collateral movements	Net Amount
31 December 2022	£m	£m	£m	£m	£m	£m
Derivative instruments held for trading asset	339.8	(237.9)	101.9	4.5	(3.1)	98.8
Derivative instruments held for trading liability	(394.5)	296.1	(98.4)	(0.5)	11.1	(87.3)
Net	**(54.7)**	**58.2**	**3.5**	**4.0**	**8.0**	**11.5**

l) Restricted funds held by the Syndicate

At 31 December 2023, the Syndicate holds restricted funds in the form of trust fund investments, letter of credit ('LOC') collaterals, initial margin calls on derivative financial instruments and collateral received from reinsurance counterparties.

Trust funds

The Syndicate holds gross assets of £3,468.7 million (2022: £4,891.1 million), offset by gross liabilities of £2,855.6 million (2022: £4,273.3 million), which are held within individual trust funds. The assets cannot be obtained or used until such time as each Syndicate underwriting year is closed and profits are distributed, or an advance profit release is made. The Funds in Syndicate, as set out on page 28 in the Statement of changes in member's balance are funds deposited by the Corporate Member and represent restricted capital for regulatory purposes.

Lloyd's Asia Trust Funds

Included within the assets mentioned above, are assets related to underwriting activities regulated by the Monetary Authority of Singapore. These assets are recognised as financial investments (£11.9 million) and cash at bank (£128.3 million). In the prior year, there was a cash balance of £132.4 million recognised as a debtor to the Syndicate, which has been reclassified during 2023 by the managing agent to align with presentation requirements of FRS 102. See note 11(a) for more details.

11. Financial assets and liabilities (continued)

l) Restricted funds held by the Syndicate (continued)

Derivative margins and collateral

Derivative instruments traded give rise to collateral being placed with, or received from, external counterparties. At 31 December 2023, included in other receivables and other payables are £10.6 million (2022: £9.1 million) margins and collaterals pledged, and £nil (2022: £nil) margins and collaterals held in relation to listed futures margins and other derivatives respectively.

Reinsurance collateral received

Collateral of £500.7 million (2022: £435.8 million) is held in third party trust funds to guarantee the Syndicate against reinsurance counterparty failures.

Insurance collateral placed

The Syndicate holds £730.3 million (2022: £889.5 million) of collateral in a US trust fund to meet US regulatory requirements, of which £415.3 million (2022: £432.6 million) is recognised as an asset to the Syndicate, with the balance fulfilled by letters of credit pledged on behalf of the Syndicate – the facility supplying these is described below.

m) Borrowings

Revolving Credit Facility

On 8 September 2022 the Syndicate, through the managing agent, entered into an unsecured £160.0 million multi-currency revolving credit facility with a syndicate of banks led by National Westminster Bank plc. This was a two-year facility. An accordion clause was included, where the facility could be increased to £250.0 million, if required. The interest rate basis is determined by the appropriate rate for each drawdown currency and loan type. This facility has an initial two-year term, with two one-year extension options at the end of this term.

As at 31 December 2023, no amounts have been drawn on this facility (2022: £nil). No changes were made to the facility during the year.

Letter of Credit Facility

The Syndicate, through the managing agent, has access to two Letter of Credit ('LOC') facilities detailed below.

1. Australia New Zealand Banking Group Limited – AU$150.0 million

   On 14 April 2022, the Syndicate, through the managing agent, entered into a facility to provide letters of credit that can be issued as collateral for the Lloyd's Australia Trust Fund ('LATF'). This is a two-year facility, with two one-year extension options at the end of the original term. An accordion clause is included, where the facility could be increased to AU$200.0 million, if required.

   As at 31 December 2023, AU$82.4 million (2022: AU$150.0 million) of LOCs have been lodged with the trustees of the LATF. Aside from an amendment to clarify financial covenant terms, no changes were made to the facility during the year.

2. ING Bank N.V. – $550.0 million

   On 20 October 2020, a $150.0 million facility was entered into to provide letters of credit that can be issued as collateral for the US Credit for Reinsurance Trust Fund ('CRTF'). This was a two-year facility, with two one-year extension options at the end of the original term. An accordion clause was included, where the facility could be increased to $300.0 million, if required.

   On 10 February 2022, the Syndicate, through the managing agent, entered into an amendment and restatement agreement to amend the facility to increase the total commitments to $550.0 million and a new accordion clause of $150.0 million. The original term was extended to 31 December 2022 as part of this agreement. No other changes were made to the other terms of the facility.

   The first one-year extension option was not exercised, and the facility was placed into run off until its termination. On 14 June 2023, the Syndicate, through the managing agent, entered into a new $500.0 million facility in order to replace the existing facility. Compared to the original facility, the accordion clause was amended to $200.0 million, and the beneficiaries extended to include the US Excess or Surplus Lines Trust Fund ('SLTF'). The CRTF and SLTF are collectively referred to as the Situs funds. All other terms remained consistent, and the new term set as two-years from the effective date, with two one-year extension options at the end of the new term.

   On 7 August 2023, the new facility became effective and the original facility cancelled, as new LOCs were lodged with the trustees of the Situs funds. As at 31 December 2023, $420.0 million (2022: $550.0 million) of LOCs have been lodged with the trustees of the Situs funds.

12. Insurance liabilities and reinsurance assets

a) Net outstanding claims

	Insurance liabilities £m	Reinsurer's share £m	2023 Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	2022 Net liabilities £m
At 1 January	3,045.2	(989.3)	2,055.9	3,048.8	(960.6)	2,088.2
Claims incurred during the current year	762.1	(55.9)	706.2	1,075.4	(451.4)	624.0
Movements arising from prior year claims	(1,271.2)	190.4	(1,080.8)	(256.3)	118.4	(137.9)
	(509.1)	134.5	(374.6)	819.1	(333.0)	486.1
Claims paid during the year	(764.0)	184.6	(579.4)	(1,063.7)	360.3	(703.4)
Change in provision for claims	(1,273.1)	319.1	(954.0)	(244.6)	27.3	(217.3)
Foreign exchange (gains)/losses	(58.8)	25.5	(33.3)	241.0	(56.0)	185.0
At 31 December	**1,713.3**	**(644.7)**	**1,068.6**	**3,045.2**	**(989.3)**	**2,055.9**

Further information on the calculation of outstanding claims and the risks associated with them is provided in note 12(i).

The movements arising from prior year claims line above includes movements relating to RiverStone contracts entered into during the current and prior year, with the movements explained further in note 4.

Outstanding claims are further analysed between notified outstanding claims and claims incurred but not reported below:

	Insurance liabilities £m	Reinsurer's share £m	2023 Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	2022 Net liabilities £m
Notified outstanding claims	612.3	(120.6)	491.7	1,436.3	(355.8)	1,080.5
Claims incurred but not reported	1,101.0	(524.1)	576.9	1,608.9	(633.5)	975.4
Total	**1,713.3**	**(644.7)**	**1,068.6**	**3,045.2**	**(989.3)**	**2,055.9**

The total reinsurers' share of outstanding claims is set out in the table below:

	2023 £m	2022 £m
Reinsurers' share of outstanding claims	644.7	989.3
Total	**644.7**	**989.3**

The managing agent assesses the Syndicate's reinsurers' share of outstanding claims for impairment on a quarterly basis by reviewing counterparty payment history and credit grades provided by rating agencies. The credit ratings of the Syndicate's reinsurers' share of outstanding claims are shown in note 11(j).

At 31 December 2023 and 2022 the reinsurers' share of outstanding claims was not overdue. The Syndicate holds collateral of £500.7 million (2022: £435.8 million) in relation to £105.9 million (2022: £215.2 million) of reinsurers' share of outstanding claims.

12. Insurance liabilities and reinsurance assets (continued)

b) Claims development

The tables below illustrate the development of the estimates of cumulative claims for the Syndicate on an underwriting year basis, illustrating how amounts booked have developed from one reporting period to the next. All tables are prepared on an undiscounted basis. Non-pound sterling balances have been converted using 2022 year end exchange rates to aid comparability. As explained further in note 4, the 2023 RITC transaction has resulted in the extinguishment of the 2018 and prior underwriting years of account in the Syndicate balance sheet. As such, these years of account have been eliminated from the table below.

Estimate of cumulative gross claims	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
At end of first year	558.5	544.4	499.1	543.6	365.0	–
One year later	1,244.9	863.8	959.4	863.0	–	–
Two years later	1,376.2	921.7	986.6	–	–	–
Three years later	1,285.0	892.4	–	–	–	–
Four years later	1,283.8	–	–	–	–	–
Cumulative payments	1,021.0	636.8	581.3	383.0	55.3	–
Estimated balance to pay	262.8	255.5	405.3	480.0	309.7	1,713.3

Estimate of cumulative net claims	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
At end of first year	407.1	358.0	291.6	367.4	335.6	–
One year later	905.1	611.1	558.6	662.8	–	–
Two years later	973.3	661.6	594.4	–	–	–
Three years later	935.7	574.3	–	–	–	–
Four years later	866.2	–	–	–	–	–
Cumulative payments	782.5	460.2	373.6	296.8	51.4	–
Estimated balance to pay	83.7	114.1	220.8	365.9	284.2	1,068.7

Total for all underwriting years	2023 £m	2022 £m
Net reserves recognised	1,068.7	2,055.9
Amounts recovered from reinsurers	644.6	989.3
Gross reserves included in balance sheet	**1,713.3**	**3,045.2**

c) Net unearned premium

Unearned premium	2023 Insurance liabilities £m	2023 Reinsurer's share £m	2023 Net liabilities £m	2022 Insurance liabilities £m	2022 Reinsurer's share £m	2022 Net liabilities £m
At 1 January	915.2	(73.8)	841.4	767.1	(122.6)	644.5
Change in provision for unearned premium	101.3	54.4	155.7	87.1	69.5	156.6
Foreign exchange (gains)/losses	(29.9)	(3.4)	(33.3)	61.0	(20.7)	40.3
At 31 December	**986.6**	**(22.8)**	**963.8**	**915.2**	**(73.8)**	**841.4**

The current and non-current portions for unearned premium are expected to be as follows:

Unearned premium	2023 Insurance liabilities £m	2023 Reinsurers' share £m	2023 Net liabilities £m	2022 Insurance liabilities £m	2022 Reinsurers' share £m	2022 Net liabilities £m
Current portion	883.6	(22.0)	861.6	580.4	(38.9)	541.5
Non-current portion	103.0	(0.8)	102.2	334.8	(34.9)	299.9
At 31 December	**986.6**	**(22.8)**	**963.8**	**915.2**	**(73.8)**	**841.4**

12. Insurance liabilities and reinsurance assets (continued)

d) Deferred acquisition costs

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

	Note	2023 £m	2022 £m
At 1 January		206.2	173.6
Change in deferred acquisition costs	6	21.9	18.7
Foreign exchange		(10.1)	13.9
At 31 December		**218.0**	**206.2**

The current and non-current portions are expected to be as follows:

	2023 £m	2022 £m
Current portion	192.7	132.2
Non-current portion	25.3	74.0
Total	**218.0**	**206.2**

e) Insurance and reinsurance receivables and payable

Insurance and reinsurance receivables

	2023 £m	2022 £m
Due from intermediaries	933.4	1,152.7
Less provision for impairment of receivables	(1.0)	(6.5)
Insurance and reinsurance receivables	**932.4**	**1,146.2**

Insurance and reinsurance receivables are all considered to be current liabilities, both in the current and prior years.

Receivables arising from reinsurance contracts are comprised principally of amounts recoverable from reinsurers in respect of paid claims and premium receivables on inward reinsurance business, including reinstatement premium.

The managing agent assesses the Syndicate's insurance and reinsurance receivables for impairment on a quarterly basis by reviewing counterparty payment history and for circumstances which may give rise to a dispute or default. At 31 December 2023, insurance and reinsurance receivables at a nominal value of £28.5 million (2022: £20.0 million) were greater than three months overdue and provided for on the basis of credit rating to the value of £1.0 million (2022: £6.5 million).

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

The ageing analysis of insurance and reinsurance receivables overdue, before impairment provision, is as follows:

	2023 £m	2022 £m
Not overdue or less than 3 months	904.9	1,126.2
3 to 6 months	10.6	11.6
6 months to 1 year	14.7	8.7
Greater than 1 year	3.2	6.2
Total	**933.4**	**1,152.7**

Movements on the Syndicate's provision for impairment of receivables from contract holders and agents are as follows:

	2023 £m	2022 £m
At 1 January	6.5	12.0
Decrease in the provision	(5.5)	(5.5)
At 31 December	**1.0**	**6.5**

12. Insurance liabilities and reinsurance assets (continued)

e) Insurance and reinsurance receivables and payable (continued)

Insurance and reinsurance payables	2023 £m	2022 £m
Creditors arising out of direct insurance operations	33.6	156.1
Creditors arising out of reinsurance operations	94.3	121.2
Insurance and reinsurance payables	**127.9**	**277.3**

Insurance and reinsurance payables are all current, both in the current and prior years, However, the nature of claims negotiations and broker relationships may mean some of these payables result in non-current settlement. The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date. Insurance payables are comprised principally of premium payable for reinsurance, including reinstatement premium.

f) Insurance risk

The Syndicate accepts underwriting risk in a range of classes of business, including both short-and long-tail exposures, through two underwriting divisions (Insurance and Reinsurance). By underwriting insurance or reinsurance policies the underwriters use their skill and knowledge to assess each risk. Exposure information and data on past claims experience is used to evaluate the likely claims cost and therefore the premiums that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premiums charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premiums being calculated and charged or result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to target the amount of insurance exposure underwritten to be in line with management appetite. Each year a business plan is prepared and agreed which is used to monitor the amount of premium income, and exposure, to be written in total and for each class of business. Progress against this plan is monitored during the year. These premiums and exposures can be exceeded in exceptional circumstances but only with the approval of senior management. Apart from our UK business through Insolvency Risk Services, where there is a small portfolio of motor liability coverages with unlimited liability, all policies have a per loss limit which caps the size of any individual claims. Lines guides are used to define the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) by each underwriter. The Syndicate is also exposed to catastrophe losses which may impact many risks in a single event. Reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described below.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby the Syndicate is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that use their judgement to write risks on the Syndicate's behalf under clear authority levels.

The insurance liabilities underwritten by the Syndicate are reviewed on an individual risk, or contract, basis and through review of portfolio performance. All claims arising are reserved upon notification. Reserves are set for the portfolio by the Actuarial Function based on a cycle of quarterly reviews and input from other functions including underwriting, exposure management and claims.

Levels of paid and outstanding (advised but not paid) claims are reviewed and potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. Whilst a detailed and disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried.

Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which, in aggregate, exceed the reserve provision established. This is partly mitigated by the margin policy adopted by the Syndicate which is to carry reserves in excess of the mean actuarial best estimate. More details on reserving in section i) below.

The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risk already underwritten which cannot be re-priced until renewal at the end of the policy period.

The Syndicate is exposed to the impact of large catastrophe events such as windstorms, earthquakes or terrorist incidents. Exposure to such events is controlled and measured through loss modelling. It is possible that a catastrophe event could exceed the maximum expected event loss. This is particularly the case for the direct property proportion of the loss exposure, where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values from a particular scenario. Errors, or incorrect assumptions in the damage factor calculation, can result in incurred catastrophe event claims higher, or lower, than predicted due to unforeseen circumstances, inadequacies in data, or shortcomings in the models used.

In addition to catastrophe risk the Syndicate is exposed to systemic risks. This includes, but is not limited to, the potential for excess inflation to impact a range of risks or legislative changes to result in claims from a previously unforeseen source.

12. Insurance liabilities and reinsurance assets (continued)

g) Reinsurance and other risk mitigation arrangements

The Syndicate purchases a number of excess of loss reinsurances to protect itself from severe frequency or size of losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

The Syndicate previously purchased proportional reinsurance to supplement line size and to reduce exposure on individual risks. A part of the premiums ceded under such facilities were placed with MS Amlin AG under whole account quota share agreements, covering the net book of the Syndicate (excluding the P&C UK Business). The remaining open years for the whole account quota share arrangement are 2022 (7.5% share), 2021 and 2020 (both 17.5% share). These arrangements normally intend to commute after three years in line with the Lloyd's year of account reporting cycle.

As explained further in note 4, the Syndicate has acquired a Quota Share over the discontinued classes in the 2019 and post years of account that passes the risk associated with those classes to RiverStone Syndicate 3500.

h) Realistic Disaster Scenario (RDS) analysis

The Syndicate has a defined event risk tolerance, which determines the maximum net loss that the Syndicate intends to limit its exposure to major catastrophe event scenarios. At 31 December 2023 the maximum net loss was £203.9 million (2022: £205.2 million). The aforementioned numbers are based on the reporting period's closing FX rates.

These maximum losses are expected only to be incurred in extreme events – with an estimated occurrence probability for the elemental losses of approximately 1 in 50 years for each relevant natural peril region. The Syndicate also adopts risk tolerance maximum net limits for a number of other non-elemental scenarios including aviation collision, North Sea rig loss, terrorism, cyber and casualty events.

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include changes in rates of exchange, reduced order amount or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements.

Detailed deterministic and probabilistic analyses of catastrophe exposures are carried out every quarter and measured against the event risk tolerances, the business plan, and regulatory guidelines e.g. Lloyd's Franchise Guidelines. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Syndicate by insureds and ceding companies. The data is checked for any limitations e.g. data completeness, data quality, and exposures that could develop during the period e.g. binders. Adjustments are made in accordance with the underwriters that are subsequently reviewed and ratified by the Director of Underwriting Performance and the Chief Underwriting Officer.
- Exposures are modelled using a mixture of stochastic models and underwriter input to arrive at damage factors – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors are reviewed on a continual basis to ensure assumptions remain appropriate.
- Once Gross numbers are established, the in force reinsurance programme is then applied.
- Reinstatement premiums both payable and receivable are included in our loss estimates.

Due to the severe nature of these events, there is no guarantee that the assumptions and techniques deployed in calculating the impact of these events are 100% accurate. We review our assumptions when new information comes to light, e.g. post event analysis, scientific or academic research.

Notwithstanding, there could be a situation where the Syndicate experiences a loss from a severe event that exceeds the loss estimate or tolerance. The likelihood of a very severe catastrophe is considered to be remote e.g. beyond the 1 in 100, however these scenarios are modelled simulated events that have considerable uncertainty associated with them but are captured within the probabilistic modelling numbers.

12. Insurance liabilities and reinsurance assets (continued)

i) Claims reserving and IBNR

The Syndicate adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish reserves at a best estimate and that there is consistency from year to year. The overall reserves are set at a level above the mean actuarial 'best estimate' position in accordance with the margin policy. However, there is a risk that, due to unforeseen circumstances, the reserves carried are not sufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

Process and methodology

The reserving process commences with the proper recording and reporting of claims information which consists of paid and notified or outstanding claims. For the Lloyd's market most claims notifications are received through the Lloyd's market bureau (operated by DxC Technology Company on behalf of Lloyd's), with others received directly. Claims records are maintained for each policy and class. For notified or outstanding claims, a case reserve is established based on the views of underwriting management and claims managers, using external legal or expert advice where appropriate. This reserve is expected to be sufficient to meet the claim payment when it is finally determined. For some classes of business, particularly liability business, settlement may be several years after the initial notification of the claim, as it may be subject to complexities or court action. For claims received from the Lloyd's market bureau, the market reserve is generally set by the lead underwriter, but there are circumstances with larger claims where the Syndicate will post higher reserves than those notified.

To assist with the process of determining the reserves, triangulation statistics for each class are produced which show the historical development of premium, as well as paid and incurred losses, for each underwriting year. In all cases, the different potential development of each class of business is fully recognised. The development period varies by class, by method of acceptance and is also determined by the deductible of each policy written. For casualty business, the policy form will determine whether claims can be made on a claims made (as advised) or on a loss occurring (determined by date of loss) basis. This has a significant impact on the reporting period in which claims can be notified.

Management obtains a Statement of Actuarial Opinion from an external provider which also assists in the challenge of best estimate reserves.

IBNR

To establish a provision for IBNR claims, the actuarial team uses their experience and knowledge of the classes of business to estimate the potential future development of the incurred claims for each class for each underwriting year. This is known as the 'best estimate'. In setting the IBNR provision, estimates are made for the ultimate premium and ultimate gross claims value for each underwriting year. Allowance is then made for anticipated reinsurance recoveries to reach a net claim position. Reinsurance recoveries are calculated for outstanding and IBNR claims, sometimes through the use of historical recovery rates or statistical projections, and provisions are made as appropriate for bad debt or possible disputes.

The component of ultimate IBNR provision estimates and reinsurance recoveries that relates to future events occurring to the existing portfolio is removed in order to reflect generally accepted accounting practice. Meetings are initially held for each business unit in which underwriters, claims professionals and actuaries discuss the initial proposed estimates and revise them if it is felt necessary. At the next round of meetings, management discuss reserving issues with the actuaries and underwriters and challenge the proposed estimates. At this meeting, management propose the 'margin' for risk to be added to the best estimate. The margin for risk can be used to offset deterioration in best estimate reserves and is established by reference to diagnostics produced from the internal model and management judgement of future reserving risk. The reserves are finally challenged at the audit committee meeting which will recommend approval by the Board.

Areas of uncertainty

The reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR claims. The impact on profit of a 1% improvement/deterioration in the total net claims reserves would be £10.7 million gain/loss (2022: £20.6 million).

Property catastrophe claims, such as earthquake or hurricane losses can take several years to develop as adjusters visit damaged property and agree claim valuations. Until all the claims are settled it requires an analysis of the area damaged, contracts exposed and the use of models to simulate the loss against the portfolio of exposure in order to arrive at an estimate of ultimate loss to the Syndicate. There is uncertainty over the adequacy of information and modelling of major losses for a period that can range from several months to a number of years after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased repair cost inflation or a change in law.

12. Insurance liabilities and reinsurance assets (continued)

i) Claims reserving and IBNR (continued)

The long tail liability classes represent the most difficult classes to project because often claims are notified and settled several years after the expiry of the policy concerned. This is particularly the case for liability business written on a loss occurring basis. The use of historical development data is fundamental to reserving these classes. It is used in conjunction with the advice of lawyers and third party claims adjusters on material single claims. Known changes to wordings or the claims environment are also considered.

Any trends that are not captured in the historical loss development are considered and adjustments applied if necessary. At 31 December 2023 the risk of claims inflation has been considered in detail as a particular risk to the adequacy of reserves given the current economic and legislative environment.

The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made.

The estimated premium income in respect of facility contracts, for example, binding authorities and line slips, are deemed to be written in full at the inception of the contract but actual premium may exceed or fail to meet initial estimates. The magnitude of claims arising from such facilities may differ from estimates as a result of differences between estimated and actual premium.

Russia – Ukraine War

The Syndicate has potential exposures to the Russia-Ukraine conflict across a number of lines of business. Estimates of the loss levels have been based on a combination of exposure analysis, scenario consideration and claims notifications. The key areas of uncertainty impacting the estimate are:

- The difficulty of understanding the geographical and individual physical damage losses whilst the war is ongoing.
- Ongoing litigation of aviation losses, overlaid with the potential for Russian government decrees.
- Political risk and contract frustration risks which are longer term in nature and therefore subject to changes in the status over a longer time horizon.
- Implications of the sanctions imposed following the invasion.

Finally, reinsurance coverage will be dependent upon the nature, timing and potential aggregation of the losses themselves.

At 31 December 2023, reserves in relation to the losses for this event were £166.6 million gross and £61.9 million net.

Inflation

The economic inflation environment introduces uncertainty into the level of claims payments. This has been subject to extensive analysis in 2023 with explicit provisions held to cover this risk. These provisions are held in addition to those derived using actuarial techniques, which assume a continuation of historical inflation into the future. There is significant uncertainty associated with the ultimate impact of heightened economic inflation as a result of:

- The excess level and duration of inflation across different global economies.
- The level of impact that economic inflation has on insurance claims, which is expected to vary significantly by class of business.
- The timing of the impact of inflation and consideration throughout the claims reserve setting process.

13. Capital

Capital framework at Lloyd's

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

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 2001 is not disclosed in these financial statements.

13. Capital (continued)

Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but no other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operate on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate to ultimate SCR. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining a SCR which reflects the capital requirement to cover a to ultimate 1 in 200 year net loss for that member. Over and above this, Lloyd's applies capital uplift to the member's capital requirement, known as the Economic Capital Assessment ('ECA').

The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied was 35% (2022: 35%) of the member's to ultimate SCR.

Provision of capital by members

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

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balance reported on the statement of financial position on page 26, represent resources available to meet the member's and Lloyd's capital requirements.

The Syndicate has only one member, MS Amlin Corporate Member Limited, and all of its capital for the 2023 and prior years of account is provided as both FIS and FAL.

14. Other risk disclosures

a) Operational risk

Operational risk is the risk that external events or the failure of people, systems or processes leads to losses to the Syndicate. This includes cyber security risk which is an ever evolving external threat, as the attack tools and methods used by attackers continue to mature and could threaten the Syndicates ability to protect or maintain the confidentiality, integrity or availability of data. These risks are managed by their Business Owners through the use of detailed procedure manuals and monitoring of compliance. Internal controls are recorded on the Risk Register and attested to by the Control Owners and Operators on at least an annual basis, through a process overseen by the Risk Team. In addition to oversight by Risk and Control Owners, the Risk Compliance Team and the MSI Group Internal Audit function assist the managing agent to meet the strategic and operational objectives for the Syndicate through an annual Integrated Assurance Plan which is approved by the Board and on a risk based approach, for the areas selected for review, independent appraisal of the adequacy and effectiveness of internal controls in operation and to provide reasonable assurance as to the adequacy of systems and procedures to enable compliance with all relevant regulatory and legal requirements.

b) Regulatory risk

Regulatory risk is one of the operational risks that the Syndicate manages through its internal control process and is the risk that the Syndicate fails to meet the regulatory requirements of the Financial Conduct Authority, Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. In addition to the Internal Control Process the managing agent has a Compliance Officer and Team who provide the managing agency with advice on Compliance matters, monitor regulatory developments and assesses the impact on agency policy.

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14. Other risk disclosures (continued)

c) Reinsurance to Close (RITC)

The Syndicate entered a “Split” Reinsurance to close (‘RITC’) contract on specific classes within its 2019 and prior years of account reserves in 2022. Further, in 2023, the Syndicate entered a second “Split” RITC contract on all classes within its 2018 and prior years of account reserves.

The Syndicate paid a RITC premium to another Lloyd’s syndicate to assume its ongoing liabilities in both contracts. The nature of this arrangement is that of a reinsurance contract and as such the Syndicate retains liability in the event of any failure of this Lloyd’s syndicate and the Lloyd’s chain of security. There is no mechanism for the Syndicate to quantify its exposure in this regard and the directors consider that the possibility of having to assume these liabilities is remote.

d) Strategic Risk

Strategic risk is the exposure to loss or uncertainty that the Syndicate has from the pursuit of its given strategy. The Syndicate manages this risk through a documented strategy and clear articulation of its risk appetites both of which are approved by the Board. Performance against plan and risk appetites are regularly monitored and reported on to the Board and its committees.

e) Environmental Social & Governance (ESG) Risk

ESG risk, which includes climate risk, is one of the most rapidly evolving and emerging strategic risks and therefore, the risk that MS Amlin is unable to meet its own expectations in this area as well as the expectations of external stakeholders is a risk that we monitor closely. This risk is managed through a documented sustainability strategy which we monitor progress against in the Sustainability Committee (see the Managing agents report for further details of our approach to ESG and Sustainability, including climate risk).

15. Commitments

In June 2023 the managing agent, with the agreement of the Corporate Member, entered into a subscription agreement with CSSO III GP S.à r.l. as general agent, for investment in two private equity funds, the Crown Secondaries Special Opportunities III Master SCSp fund and the Crown Secondaries Special Opportunities III Feeder B SCSp fund.

This subscription entails funds of $55.0 million invested over a period of up to five years. Payments made will be from the Funds in Syndicate balance and be recognised as financial investments on the Statement of financial position.

At 31 December 2023, $7.8 million was invested.

16. Related parties

Ultimate parent company

The smallest group of undertakings of which the managing agent is a member, and for which group financial statements are prepared is Mitsui Sumitomo Insurance Company, Limited (‘MSI’), a company incorporated in Japan. The ultimate parent company and controlling party is MS & AD Insurance Group Holdings, Inc., a company incorporated in Japan and is the largest group of undertakings in which the managing agent is a member, and for which group financial statements are prepared.

Consolidated financial statements for the smallest and largest group undertakings are available to the public and may be obtained from the Company Secretary at The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG.

The ultimate parent company address is Tokyo Sumitomo Twin Building (West Tower), 27-2, Shinkawa 2 Chome, Chuo-ku, Tokyo, Japan. The address of MSI is 9, Kanda-Surugadai 3 Chome, Chiyoda-ku, Tokyo, Japan.

Mitsui Sumitomo Insurance Company, Limited (MSI)

MSI provides capital in support of the Syndicate through FAL. The amount provided as at 31 December 2023 was £472.7 million (2022: £672.2 million). The current total is made up of Japanese government, corporate & municipal bonds of £472.7 million (2022: £563.7 million) and cash of £nil (2022: £108.5 million).

MS Amlin Corporate Member Limited

MS Amlin Corporate Member Limited (the ‘Corporate Member’) is the sole corporate member to the Syndicate. As per note 13, it provides capital to the Syndicate as FAL and FIS.

The amount provided as FIS as at 31 December 2023 was £491.2 million (2022: £722.4 million), including accrued income. The net decrease is due to movements occurring through Lloyd’s capital testing processes. The amount provided as FAL as at 31 December 2023 was provided through letters of credit to the value of $260.0 million (£204.0 million) (2022: $287.7 million, £239.2 million), sourced from a syndicated £460.0 million letter of credit facility led by Barclays Bank plc (2022: £250.0 million).

16. Related parties (continued)

MS Amlin Underwriting Limited

Managing agent's fees of £16.0 million (2022: £16.0 million) were charged to the Syndicate during the year, of which £nil (2022: £nil) was outstanding as at 31 December 2023.

There have been no transactions entered into or carried out during the year by the managing agent on behalf of the Syndicate in which it or any of its executives had directly or indirectly a material interest.

MS Amlin Corporate Services Limited

MS Amlin Corporate Services Limited ('MS ACS') was paid £122.9 million during the year (2022: £129.9 million) for expenses incurred directly and indirectly on behalf of the Syndicate. This included a management charge of £34.8 million (2022: £30.5 million) for central costs of the MSI Group that are attributable to the Syndicate. These expenses are shown in administrative expenses net of the allocation to claims handling costs. There is no profit element in the amounts paid to MS ACS. At 31 December 2023 the amount payable to MS ACS is £17.2 million (2022: £3.5 million payable). These amounts do not include the loan receivable from MS ACS as disclosed in note 11(d).

MS Amlin AG (Bermuda branch)

At the start of 2023, the company took the decision not to renew the whole account quota share reinsurance contract ('WAQS') with MS Amlin AG (Bermuda branch) (AB) for the 2023 year of account. Although the contract was not renewed, WAQS was still active for 2022 and 2021 years of account, where the arrangements were 7.5% and 17.5% respectively. All reinsurance contracts are agreed on an arm's length basis with terms that are consistent with those negotiated with third parties. The movement reflected through the statement of profit or loss in the current year is a reflection of the movement in the 2022 and 2021 contracts. The total premiums (less commissions retained) payable to AB in respect of 2023 were £6.3 million (2022: £65.3 million), of which £9.2 million (2022: £19.5 million) were outstanding as at 31 December 2023. The share of claims incurred receivable from AB in respect of 2023 was £36.0 million (2022: £90.0 million), of which £50.2 million (2022: £57.4 million) were outstanding as at 31 December 2023.

MS Amlin AG (Zurich branch)

During 2021, P&C UK renewed a quota share arrangement of 100% of its Employee's Liability and General Liability books with MS Amlin AG Zurich. The total premiums for the year were £nil million (2022: £0.3 million) with £nil (2022: £nil) outstanding as at 31 December 2023. The share of claims incurred receivable in respect of 2023 was £nil (2022: £4.9 million), of which £8.1 million (2022: £7.9 million) were outstanding as at 31 December 2023.

Leadenhall Capital Partners LLP

The Syndicate wrote £10.9 million (2022: £15.5 million) of gross premium and received £0.5 million (2022: £0.7 million) of commissions through an arrangement with Leadenhall Capital Partners LLP (including its insurance vehicle Horseshoe Re) during 2023. As at 31 December 2023, the Syndicate had £14.5 million (2022: £48.4 million) receivable, all of which is collateralised, and £20.9 million payable to Leadenhall Capital Partners (2022: £102.8 million).

16. Related parties (continued)

Service companies and brokers

Service companies and brokers and the income received, and expenses incurred by the Syndicate are summarised below.

Service company	2023 Gross written premium £m	2022 Gross written premium £m	2023 Claims incurred £m	2022 Claims incurred £m	2023 Net balance receivable £m	2022 Net balance receivable £m
Amlin UK Limited	–	–	–	(0.1)	–	–
MS Amlin (MENA) Limited	9.3	7.6	0.7	0.1	4.2	(0.4)
MS Amlin Asia Pacific Pte Limited	69.9	64.7	25.0	40.8	(4.5)	150.0
MS Amlin Labuan Limited	0.3	1.7	0.4	0.3	9.3	9.8
MS Amlin Marine N.V.	–	1.8	–	10.4	(1.7)	(3.6)
MS Amlin Reinsurance Managers Inc.	–	2.8	–	34.0	6.5	3.1
MS Amlin Underwriting Services Limited	–	0.9	–	3.9	(0.2)	0.7

No fees are paid by these companies to any of the directors of the managing agent.

The reduction in the net balance receivable for MS Amlin Asia Pacific Pte Limited, is primarily due to the decision by the managing agent to reclassify £132.4 million of the prior year balance as cash and financial investments during 2023. This is to align with presentation requirements of FRS 102.

Toro Prism Trust

During the year, the Syndicate invested in the Toro Prism Trust (the ‘Trust’) which is an open-ended investment unit trust authorised by the Central Bank of Ireland as a UCITS (Undertakings for Collective Investment in Transferable Securities) regulated by the European Union. The Trust is controlled by the MSI Group. The market value of the investments in the Trust at December 2023 is £623.8 million (2022: £1,091.5 million).

17. Events after the reporting period

There have been no significant events between the reporting date and the date these financial statements were authorised.

MS Amlin