

Important information about Syndicate Reports and Accounts

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Greenlight Innovations Syndicate 3456

Syndicate Annual Report and Accounts
31 December 2022

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Directors and administration

Managing Agent

Asta Managing Agency Ltd

Directors

P A Jardine (Chairman)*

R P Barke

C V Barley

E M Catchpole*

K A Green*

C N Griffiths

L Harfitt

A J Hubbard*

D B Jones

L J M McMaster

S D Redmond*

K Shah*

*Non-Executive Directors

Managing Agent's Registered Office

5th Floor
20 Gracechurch Street
London
EC3V 0BG

Managing Agent's Registered Number

1918744

Active Underwriter

A Gladwin

Bankers

Barclays
RBC Dexia
Citibank

Registered Auditor

PKF Littlejohn LLP

Signing Actuary

PKF Littlejohn LLP

Active Underwriter's report

For the 12 months ended 31 December 2022

Allocated Stamp Capacity	£15.3m
Gross Gross Written Premium	£5.0m
Gross Net Written Premium	£4.5m
Loss for the year	(£0.7m)

Greenlight Innovation Syndicate 3456 (the Syndicate) launched on April 1st 2022, as a dedicated insurtech Syndicate. The primary focus of the Syndicate is to provide capacity to Greenlight Re's growing stable of insurtech partners.

As the Syndicate only commenced business in Q2 2022 and the majority of its business is binder business which will attach over the full binder period, there is minimal written and earned premium at the end of the year. The Syndicate's expenses incurred is in line with the business plan and it is the expense that drives the calendar year loss given the modest level of earned premium.

I am pleased with the performance of the Syndicate to date. The market reaction to the Syndicate has been very positive both within Greenlight Re's stable of insurtech partners and more broadly. The Syndicate has written a number of innovative binders which we expect to ultimately be profitable once the full premium earns through. Market conditions generally continue to be favourable and we believe there is a significant opportunity to build a profitable insurtech focused Syndicate at Lloyd's over the next few years. Whilst the result may look disappointing on a GAAP basis, it is within our expectations for the first year as it takes time for premiums to flow through and we have incurred the up-front expenses of setting the operation up. We do however expect the year to be profitable at least in line with expectations on a year of account basis.

Andy Gladwin

Active Underwriter Syndicate 3456

27 February 2023

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the period ended 31 December 2022.

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

Results

The total recognised result for calendar year 2022 is a loss of \$840,986.

The Syndicate presents its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activity and review of the business

The Syndicate commenced underwriting as a Syndicate-in-a-Box (SIAB) in the Lloyd's market in 2022. The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market, with a specific focus of providing capacity to insurtech business.

Gross written premium income by class of business for the calendar year was as follows:

	2022 \$'000
Battery Energy Storage Systems	125
Invoice Factoring	170
Management Liability	1,204
Medical Stop Loss	4,146
Security Deposit Insurance	17
Travel	90
Reinsurance	338
Total	<u>6,090</u>

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

	2022 \$'000
Gross written premiums	6,090
Loss for the financial year	(841)
Combined ratio*	230.9%

**The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned on a calendar year basis. Lower ratios represent better performance.*

Managing Agent’s report continued

The performance of the Syndicate has been assessed by measuring, as a percentage of underwriting capacity, the 36-month forecasted result on a funded accounting basis for a “closed” underwriting year of account.

The forecast return on capacity for the 2022 year of account at 31 December 2022 is shown below.

	2022 YOA Open
Capacity (\$'000)	18,300
Forecast result (\$'000)	1,769
Forecast return on capacity (%)	9.7%

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Agency as part of the Syndicate’s business planning and Solvency Capital Requirement (‘SCR’) process. The Agency Risk Committee meets at least quarterly to oversee the risk management framework. The Syndicate-in-a-Box Board, an executive committee of the Agency Board, reviews the risk profile as reflected in the risk register, and monitors performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate-in-a-Box Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate-in-a-Box Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Asta Actuarial team and the Syndicate Management Committee.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate’s reinsurers and intermediaries. The Syndicate-in-a-Box Board’s policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates and inflation. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency’s policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would

Managing Agent's report continued

be subject to review by the Syndicate-in-a-Box Board. Through the course of 2022 we have seen large foreign currency fluctuations and the value of the Great British Pound (GBP) fall to record lows against the United States Dollar (USD). Other major currencies such as the Canadian Dollar (CAD) and the Australian Dollar (AUD) have also materially strengthened against the pound.

A multitude of factors including Brexit, the Covid 19 pandemic and the Russian invasion of Ukraine has seen inflation increase to its highest level since 1982. Inflation is now expected to remain elevated for longer than previously forecast on higher commodity costs and broader price pressures and these expectations can pose difficulties in the insurance market. Uncertainty surrounding how long existing inflation issues will last could threaten the long-term stability of the insurance industry's reserve levels and underwriting profitability. Inflation has been at the forefront of Lloyds additional reporting from Q2 2022 onwards and reserves have been analysed and uplifted where appropriate. Expense budgets for both 2022 and 2023 have been adjusted to reflect the current and forecast inflationary environment.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk the Syndicate-in-a-Box Board reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from Capital providers.

The Syndicate has in place a working capital facility with its capital provider, Greenlight Re.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of an operational risk and control framework, detailed procedures manual, thorough training programme and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a Compliance Officer who manages a function that monitor business activity and regulatory developments to assess any effects on the Agency.

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its customer risk through a suite of risk indicators and reporting metrics as part of its documented customer risk framework. The customer risk framework is consistently applied across all Asta syndicates and is overseen by the Conduct Oversight Group (COG), which is an Asta Managing Agency (AMA) Board Committee that includes a non-executive director as a member who fulfils the role of Customer Champion.

Managing Agent's report continued

Group / strategic risk

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Future developments

The Syndicate will continue to transact the current classes of general direct insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

The capacity for the 2023 year of account is £31.3m (2022: £15.3m).

Environmental, Social and Governance (ESG)

During 2022, Asta has agreed its ESG policy, which defines the principles of ESG, the managing agency's approach and key initiatives to implement the policy. Asta has also further supported syndicates in the definition of their own ESG strategies, in line with Lloyd's requirements. The Asta syndicate ESG framework is aligned to Lloyd's ESG guidance from October 2021, and to Asta's climate change work detailed below.

Syndicate 3456 has also defined an ESG strategy which defines its overall strategy statement, principles and specific approach to Underwriting and Investments.

Climate change

Following the Prudential Regulation Authority's (PRA) Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, Asta have built a climate change framework, applicable to all syndicates, covering physical, transition and liability climate change risks, based on the underlying business written by each syndicate. Asta's managed syndicates accept climate change risk where it is an inherent part of an insurance business model, providing it is understood, managed and controlled and/or compensated. There is no appetite for uncontrolled, unmanaged exposure to the financial risks of climate change.

A measure for climate change exposure within insurance risk appetites has been implemented to highlight where time and resource is most required in order to manage the potential exposure and successfully steer portfolios through global changes. The Syndicate has identified the level of climate change exposure in its business plans and will manage this accordingly, with the ability to change the level of risk being taken in future and thereby amend the oversight and monitoring framework.

The framework ensures Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing the financial risks associated with climate change. The AMA Chief Financial Officer, who is a Board member, is responsible for the climate change framework, including identifying and managing financial climate related risks.

Asta continue to monitor and consider regulatory guidance as it is released on managing the financial risks of climate change (eg. the PRA's Dear CEO letter in October 2022 giving

Managing Agent's report continued

feedback on their thematic review of the market's response to the 2019 Supervisory Statement).

Coronavirus

The company has now fully transitioned to a hybrid working practice that allows staff to work both at home and within the office environment. The Agency has been able to deliver from both a regulatory and client standpoint with no adverse outcomes through remote working. Through 2022 Covid has become very much business as usual and exceptional measures have been phased out.

Russian Invasion of Ukraine

During February 2022, Russia instigated military action in Ukraine. This event was assessed by the Directors as an event that will increase risk and uncertainty globally in the foreseeable future and that view is unaltered.

The Syndicate has reviewed its portfolio and has little to no direct exposure in the region and no specific claim reserve have been made. The Syndicate has been impacted by secondary factors of the conflict namely the rise in social and economic inflation which impacts operational cost on a day-to-day basis and the increased cost of future claims.

Directors and Officers

Details of the Directors of the Managing Agent that were serving at the year end and up to the date of signing of the financial statements are provided on page 1. Changes to Directors and Officers from the last report were as follows:

N J Burdett**	Resigned 13 July 2022
M D Mohn	Resigned 13 July 2022
L J M McMaster	Appointed 12 September 2022
J M Tighe	Resigned 23 November 2022
D J G Hunt	Resigned 1 December 2022
E M Catchpole	Appointed 1 January 2023
S P A Norton	Resigned 23 February 2023
D B Jones	Appointed 23 February 2023

Company Secretary**

Disclosure of information to the auditor

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's Auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditors

The Managing Agent intends to reappoint PKF Littlejohn LLP as the Syndicate's auditor.

Managing Agent's report continued

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 28 April 2023.

On behalf of the Board

C V Barley
Director
27 February 2023

Statement of Managing Agent's responsibilities

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

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

In preparing the financial statements, the Managing Agent is required to:

- select suitable accounting policies and then apply them consistently subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- prepare the Syndicate accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate-in-a-Box and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate-in-a-Box and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Syndicate 3456

Report on the audit of the syndicate annual accounts

Opinion

We have audited the syndicate annual accounts of Syndicate 3456 (the syndicate) for the year ended 31 December 2022 which comprise the Income Statement, the Statement of changes in members' balances, the Statement of financial position, the Statement of cash flows and notes to the syndicate annual accounts, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the syndicate annual report and accounts, other than the syndicate annual accounts and our auditor's report thereon.

Independent auditor's report continued

The managing agent is responsible for the other information contained within the syndicate annual report. Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on other matters prescribed by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the managing agent's report for the financial year for which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters in relation to which the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us 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 and returns; or
- certain disclosures of managing agent emoluments and other benefits specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

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

Independent auditor's report continued

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue to write new business, disclosing, as applicable, matters related to its ability to continue to operate and using the going concern basis of accounting, unless the managing agent intends to cease to operate the syndicate or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

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

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

- We obtained an understanding of the syndicate and the insurance sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the syndicate annual accounts. We obtained our understanding in this regard through discussions with management and the application of our cumulative audit knowledge and experience of the insurance sector. We determined the principal laws and regulations relevant to the syndicate in this regard to be those arising from the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), Lloyd's of London and The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 and the financial reporting framework (UK GAAP).
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the syndicate with those laws and regulations. These procedures included, but were not limited to:
 - agreement of the syndicate annual accounts disclosures to regulatory requirements;
 - enquiries of management and review of minutes of Board and management meetings throughout the period;
 - understanding the syndicate's policies and procedures in monitoring compliance with laws and regulations;
 - inspection of correspondence with Lloyd's of London, the PRA and FCA; and
 - reviewing compliance reports and internal audit reports relating to the syndicate.

Independent auditor's report continued

- We also identified possible risks of material misstatement of the syndicate annual accounts due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the syndicate annual accounts relating to the valuation of technical provisions and the calculation of the reinsurer's share of technical provisions. To address this, we challenged the assumptions and judgements made by management when auditing those significant accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to, the testing of journals, reviewing accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that were unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the syndicate annual accounts or non-compliance with laws and regulations. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the syndicate annual accounts, as we will be less likely to become aware of instances of non-compliance. This risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, conclusion, omission, or misrepresentation.

A further description of our responsibilities for the audit of the syndicate annual accounts ("financial statements") is located on the Financial Reporting Council's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with Part 2 of 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.

Thomas Seaman (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

27 February 2023

Statement of profit or loss

Technical account - General business

For the period ended 31 December 2022

	Notes	2022 \$'000
Gross premiums written	3	6,090
Outward reinsurance premiums		<u>(583)</u>
Net written premiums		5,507
Change in the provision for unearned premiums		
• Gross amount		(5,368)
• Reinsurers' share		<u>521</u>
Change in the net provision for unearned premiums	4	(4,847)
Earned premiums, net of reinsurance		660
Allocated investment return transferred from the non-technical account		-
Claims paid		
• Gross amount		-
• Reinsurers' share		<u>-</u>
		-
Changes in claims outstanding		
• Gross amount		(486)
• Reinsurers' share		<u>4</u>
Change in the net provision for claims	4	(482)
Claims incurred, net of reinsurance		(482)
Net operating expenses	5	<u>(1,042)</u>
Balance on technical account – general business		<u>(864)</u>

All the amounts above are in respect of continuing operations.

The notes on pages 23 to 45 form part of these financial statements.

Statement of profit of loss continued

Non-technical account

For the period ended 31 December 2022

	Notes	2022 \$'000
Balance on technical account – general business		(864)
Investment income	9	-
Investment expenses and charges		<u>-</u>
		-
Allocated investment return transferred to the general business technical account		
Other income – foreign exchange gains		<u>23</u>
Loss for the financial year		<u>(841)</u>

There were no recognised gains and losses in the year other than those reported in the Statement of Profit or Loss and hence no Statement of Other Comprehensive Income has been presented.

All the amounts above are in respect of continuing operations. The notes on pages 23 to 45 form part of these financial statements.

Statement of changes in members' balances

For the period to 31 December 2022

	2022 \$'000
Members' balances brought forward	-
Total comprehensive (loss) for the year	(841)
Distribution to members	-
Cash call	-
Members' Agents Fees	<u>(18)</u>
Members' balances carried forward at 31 December	<u>(859)</u>

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

The notes on pages 23 to 45 form part of these financial statements.

Statement of financial position

As at 31 December 2022

	Notes	2022 \$'000
Assets		
<i>Investments</i>		
Financial investments	10	-
<i>Reinsurers' share of technical provisions</i>		
Provision for unearned premiums	4	528
Claims outstanding	4	<u>4</u>
		532
<i>Debtors</i>		
Debtors arising out of direct insurance operations	11	460
Debtors arising out of reinsurance operations	12	4,832
Other debtors		<u>-</u>
		<u>5,292</u>
<i>Cash and other assets</i>		
Cash at bank and in hand		888
Other assets		<u>-</u>
		888
<i>Prepayments and accrued income</i>		
Deferred acquisition costs		605
Other prepayments and accrued income		<u>-</u>
		605
<i>Total assets</i>		<u>7,317</u>

The notes on pages 23 to 45 form part of these financial statements.

Statement of financial position continued

As at 31 December 2022

	Notes	2022 \$'000
Members' balance and liabilities		
<i>Capital and reserves</i>		
Members' balances		(859)
<i>Liabilities</i>		
<i>Technical provisions</i>		
Provision for unearned premiums	4	5,316
Claims outstanding	4	<u>488</u>
		5,804
<i>Creditors</i>		
Creditors arising out of direct insurance operations	13	-
Creditors arising out of reinsurance operations	14	577
Amounts owed to credit institutions		-
Other creditors		<u>1,640</u>
		2,217
<i>Accruals and deferred income</i>		<u>155</u>
<i>Total liabilities</i>		<u>8,176</u>
<i>Total members' balances and liabilities</i>		<u>7,317</u>

The notes on pages 23 to 45 form part of these annual accounts.

The financial statements on pages 17 to 45 were approved by Board of Directors on 24 February 2023 and were signed on its behalf by:

R P Barke
Director
27 February 2023

Statement of cash flows

For the year ended 31 December 2022

	Notes	2022 \$'000
Cash flows from Operating activities		
<i>Loss for the financial year</i>		(841)
Increase in gross technical provisions		5,804
(Increase) in reinsurers' share of gross technical provisions		(532)
(Increase) in debtors		(5,292)
Increase in creditors		2,217
Movement in other assets/liabilities		(450)
Investment Return		<u>-</u>
<i>Net cash inflows from operating activities</i>		906
Cash from Investing activities		
Purchases of other financial investments		
Sale of other financial investments		-
Movement in other assets/liabilities/foreign exchange		<u>-</u>
<i>Net cash (outflows) from investing activities</i>		<u>-</u>
Cash from Financing activities		
Payments of loss from members' personal reserve fund		-
Cash calls in period		-
Members' agent fees in period		<u>(18)</u>
<i>Net cash (outflows) from financing activities</i>		<u>(18)</u>
Net increase in cash and cash equivalents		888
Cash and cash equivalents at beginning of year		-
Changes to market value and currency		<u>-</u>
Cash and cash equivalents at end of year	15	<u>888</u>

Notes to the financial statements

For the period ended 31 December 2022.

1. Basis of preparation

Statement of compliance

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

These financial statements are prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value. The financial statements are prepared in USD which is the functional and presentational currency of the Syndicate and rounded to the nearest \$'000.

Having assessed the principal risks, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2. Accounting policies

Use of estimates

In preparing these financial statements, the Directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate-in-a-Box's accounting policies and the reported amounts of assets, liabilities, income and expenses.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the annual accounts.

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

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. There has been no discounting of claims.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Accounting policies continued

Significant accounting policies

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

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

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

The main assumption underlying future premium, is that past premium development can be used to project future premium development.

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. They are recognised on the date on which the policy commences.

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. An element of IBNR also relates to specific large losses, such as catastrophe events.

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

Accounting policies continued

Accordingly, the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The Directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

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

Unexpired risks

A provision for unexpired risks is made where claims and related expenses are likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

At the 31 December 2022 the Syndicate had a nil net unexpired risk provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio. It is not the Syndicate's policy to reallocate a portion of indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies, to acquisition costs.

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

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

Accounting policies continued

Reinsurance assets

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

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

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

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

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are not recognised when the de-recognition criteria for financial assets have been met.

Insurance and reinsurance payables

Insurance and reinsurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

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

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

Exchange differences are recorded in the non-technical account.

Accounting policies continued

The following balance sheet rates of exchange have been used in the preparation of these accounts:

	2022
	Year End
GBP	0.833
EUR	0.942
CAD	1.358
AUD	1.475

Financial assets and liabilities

In applying FRS 102, the Syndicate-in-a-Box has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

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

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

A financial asset or financial liability is measured initially at fair value plus, for a financial liability at amortised cost, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in the income statement. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Accounting policies continued

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

Accounting policies continued

Fair value measurement of investments

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

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

Level 1 financial instruments comprise government bonds that are regularly traded and deposits with credit institutions.

- Bonds have been valued at fair value using quoted prices in an active market.
- Deposits with credit institutions are included at cost plus accrued income.
- Money Market Funds are valued on a stable net asset value (NAV) basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.
- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data.

Taxation

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

Accounting policies continued

No provision has been made for any other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate-in-a-Box during the year have been included in the balance sheet under the heading 'other debtors'.

Profit commission

Profit commission is charged by the Managing Agent at a rate of 5% of profit. Such commission is recognised when the year of account becomes profitable but does not become payable until after the appropriate year of account closes normally at 36 months.

Pension costs

The Managing Agent operates a defined contribution scheme.

Syndicate operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed Syndicate's, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicate's are apportioned between the Managing Agent and the Syndicate's depending on the amount of work performed, resources used, and volume of business transacted.

3. Segmental analysis

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

2022	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	\$'000	\$'000	\$'000	\$'000	\$'000	\$'000
Marine	-	-	(1)	-	-	(1)
Fire and other damage to property	194	135	(92)	(58)	(21)	(36)
Third-party liability	21	15	(10)	(5)	(8)	(8)
Pecuniary loss	313	219	(147)	(75)	(1)	(4)
Total direct	528	369	(250)	(138)	(30)	(49)
Reinsurance Acceptances	5,562	353	(236)	(904)	(28)	(815)
	6,090	722	(486)	(1,042)	(58)	(864)

Commissions on direct insurance gross premiums written during 2022 were \$0.12m.

All premiums were concluded in the UK.

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions.

4. Technical provisions

	Gross provisions \$'000	2022 Reinsurance assets \$'000	Net \$'000
Claims outstanding			
Balance at 1 July	-	-	-
Change in claims outstanding	486	(4)	482
Effect of movements in exchange rates	2	-	2
Balance at 31 December	488	(4)	484
Claims notified	-	-	-
Claims incurred but not reported	488	(4)	484
Balance at 31 December	488	(4)	484
Unearned premiums			
Balance at 1 July	-	-	-
Change in unearned premiums	5,368	(521)	4,847
Effect of movements in exchange rates	(52)	(7)	(59)
Balance at 31 December	5,316	(528)	4,788
Deferred acquisition costs			
Balance at 1 July	-	-	-
Change in deferred acquisition costs	624	(13)	611
Effect of movements in exchange rates	(19)	-	(19)
Balance at 31 December	605	(13)	592

5. Net Operating Expenses

	2022
	\$'000
Acquisition costs	(693)
Change in deferred acquisition costs	624
Reinsurance ceding commissions	14
Change in deferred reinsurance ceding commissions	(13)
Administration expenses	<u>(974)</u>
Net operating expenses	<u>(1,042)</u>

Members' standard personal expenses amounting to \$304k are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contribution and Managing Agency fees.

6. Staff Costs

No salary costs were recharged to the Syndicate during 2022. All services are provided by Greenlight Re and the Managing Agent (which invoices the Syndicate for the services provided). The salary costs forming part of the overall service invoices are not separately identifiable.

7. Auditor's remuneration

	2022
	\$'000
Fees payable to the Syndicate's auditor of these financial statements	(40)
Other audit services pursuant to Regulations and Lloyd's Byelaw	(19)
Other non-audit services relating to actuarial review	<u>(26)</u>
	<u>(85)</u>

The auditor has provided no audit services to the Managing Agent, nor any associates of the Managing Agent, in the period ended 31 December 2022.

Auditor's remuneration is included as part of the administrative expenses in note 5 to the financial statements.

8. Emoluments of the Directors of Asta Managing Agency Ltd

The aggregate emoluments of the Directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of J. M. Tighe, S.P.A. Norton, D.J.G. Hunt and L Harfitt. J.M. Tighe and S.P.A Norton's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of D.J.G. Hunt and L Harfitt is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

No other compensation was payable to key management personnel.

The Active Underwriter's salary was not recharged to the Syndicate during 2022. (2021: nil)
The cost is borne by Greenlight Re.

9. Investment return

	2022
	\$'000
Income from other financial investments	-
Gains on realisation of investments	
- Fair value through profit or loss designated upon initial recognition	-
<i>Total investment income</i>	-
Losses on realisation of investments	
- Fair value through profit or loss designated upon initial recognition	-
Investment expenses and charges	-
	-
Unrealised gains and losses on investments	
- Financial instruments at fair value through profit and loss	-
<i>Total investment return</i>	-

10. Financial investments

	2022	
	Carrying value	Purchase price
	\$'000	\$'000
Shares and other variable yield securities and units in unit trusts	-	-
Debt securities and other fixed income securities	-	-
Deposits with credit institutions (overseas deposits)	-	-
	<hr/>	<hr/>
	-	-
	<hr/>	<hr/>

Amounts included within shares and other variable securities include money market funds. These are treated as cash equivalents with the carrying value and purchase price being the same. See note 15 for split of cash and cash equivalents.

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

	Level 1	Level 2	Level 3	Total
	\$'000	\$'000	\$'000	\$'000
31 December 2022				
Shares and other variable yield securities and units in unit trusts	-	-	-	-
Debt securities and other fixed income securities	-	-	-	-
Overseas deposits	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>
Total	-	-	-	-
	<hr/>	<hr/>	<hr/>	<hr/>

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

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

on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Financial investments continued

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

11. Debtors arising out of direct insurance operations

	2022
	\$'000
Debtors arising out of direct insurers (within one year)	460
Debtors arising out of direct insurers (after one year)	<u>-</u>
Total	<u>460</u>

12. Debtors arising out of reinsurance operations

	2022
	\$'000
Due from ceding reinsurers (within one year)	4,832
Due from ceding reinsurers (after one year)	<u>-</u>
Total	<u>4,832</u>

13. Creditors arising out of direct insurance operations

	2022
	\$'000
Due to direct insurers (within one year)	-
Due to direct insurers (after one year)	<u>-</u>
Total	<u>-</u>

14. Creditors arising out of reinsurance operations

	2022
	\$'000
Due to ceding reinsurers (within one year)	577
Due to ceding reinsurers (after one year)	<u>-</u>
Total	<u>577</u>

15. Cash and cash equivalents

	2022
	\$'000
Cash at bank and in hand	888
Short term deposits with financial institutions	<u>-</u>
Total	<u>888</u>

16. Related parties

The ultimate parent company of Asta Managing Agency Ltd is Tennessee Topco Ltd following the acquisition of Asta Capital Ltd by the Davies Group Ltd on 13 July 2022.

Asta Managing Agency Ltd (Asta) is the Syndicate's Managing Agent. Asta provides services and support to the Syndicate in its capacity as Managing Agent. During the year, managing agency fees of \$0.12m were charged to the Syndicate. Asta also recharged \$0.49m worth of service charges in the year and as at 31 December 2022 \$0.07m was owed to Asta in respect of this service.

From time to time, syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on an arms-length basis.

During 2022 the Syndicate received a loan from its capital provider, Greenlight Re. At 31 December 2022, the loan amount was \$1.6m. The interest charged on this loan was set at 1% per annum.

During 2022, the Syndicate ceded \$0.61m of premium to a related party, Greenlight Reinsurance Ltd.

There were no expenses recharged from Greenlight Re during the year.

17. Disclosure of interests

During 2022 Asta was the Managing Agent for twelve Syndicates, two Special Purpose Arrangements and six Syndicates-in-a-Box. Syndicates 1609, 1699, 1729, 1892, 1980, 1988, 2288, 2525, 2689, 2786, 3268 and 4242 as well as Special Purpose Arrangements 1416 and 6131 and Syndicates-in-a-Box 4747, 1796, 1902, 2880, 3456 and 5183 were managed on behalf of third party capital providers.

On 1 January 2022, Asta took on the management of Syndicate 1699.

On 1 January 2022, Asta took on the management of Syndicate-in-a-Box 1902.

On 10 February 2022, Asta took on management of Syndicate-in-a-Box 2880.

On 10 February 2022, Asta reinsured to close Syndicate 1980 into Riverstone Syndicate 3500.

On 22 March 2022, Asta took on the management of Syndicate-in-a-Box 3456.

On 13 May 2022, Asta migrated the management of 3268 to IQUW.

On 10 June 2022, Asta took on the management of Syndicate-in-a-Box 5183.

On 18 July 2022, Asta took on the management of Syndicate-in-a-Box 1796.

On 1 October 2022, Asta migrated Syndicate 1729 and SPA 6131 to Dale Managing Agency.

On 1 January 2023, Asta took on the management of Syndicate 1985.

On 1 January 2023, Asta took on the management of Syndicate 1322.

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking several ancillary roles for other clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

18. Funds at Lloyd's

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

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

19. Off-balance sheet items

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

20. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Board, its committees and sub committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta Managing Agency board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

The Syndicate-in-a-Box Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. The Syndicate-in-a-Box Board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 3456 is not disclosed in these financial statements.

Lloyd's capital setting process

As a Syndicate-in-a-Box, 3456's Solvency Capital Requirement (SCR) is calculated by Lloyd's for the prospective underwriting year. This amount is intended to be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). Lloyd's also calculate 3456's 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.

Risk management continued

member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the Statement of Financial Position on page 15, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

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

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

The Syndicate purchases reinsurance as part of its risks mitigation programme. The Syndicate's reinsurance program is predominantly covered by a whole account, non-proportional losses occurring during policy which covers the calendar year. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Sub committees of the Syndicate-in-a-Box Board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate-in-a-Box Board.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an un-modelled event are greater than those arising from a modelled event.

Risk management continued

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions, such as legislative changes, uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear

The table below shows how a five percent increase or decrease in gross and net claim liabilities would affect the Syndicate's profit for the financial year and its members' balances.

	2022
	Loss/(Profit)
Gross	\$'000
Five percent Increase (claims liabilities)	24
Five percent decrease (claims liabilities)	(24)
Net	
Five percent Increase (claims liabilities)	24
Five percent decrease (claims liabilities)	(24)

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

Risk management continued

Estimate of cumulative gross claims incurred:

Underwriting year	2022
	\$'000
At end of underwriting year	488
One year later	-
Less cumulative paid	-
Liability for gross outstanding claims	<u>488</u>
Total gross outstanding claims (all years)	<u>488</u>

Estimate of cumulative net claims incurred:

Underwriting year	2022
	\$'000
At end of underwriting year	484
One year later	-
Less cumulative paid	-
Liability for gross outstanding claims	<u>484</u>
Total net outstanding claims (all years)	<u>484</u>

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts.

1. Credit Risk

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

Syndicate 3456 has the following policies and procedures are in place to mitigate the exposure to credit risk:

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Syndicate-in-a-Box Board.

Risk management continued

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

2022	\$'000			
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	-	-	-	-
Reinsurers share of claims outstanding	4	-	-	4
Debtors arising out of direct insurance operations	460	-	-	460
Debtors arising out of reinsurance operations	4,832	-	-	4,832
Overseas deposits	-	-	-	-
Other debtors	1,133	-	-	1,133
Cash at bank and in hand	888	-	-	888
Total	7,317	-	-	7,317

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2022 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated.

Debtors, other than amounts due from reinsurers on ceded business, have been excluded from the table as these are not rated.

2022	\$'000					Total
	AAA	AA	A	BBB or less	Not Rated	
Shares and other variable yield securities	-	-	-	-	-	-
Reinsurers share of claims outstanding	-	-	4	-	-	4
Debtors arising out of reinsurance operations	-	-	-	-	-	-
Overseas deposits	-	-	-	-	-	-
Cash at bank and in hand	-	-	888	-	-	888
Total	-	-	892	-	-	892

Risk management continued

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

2. Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations.

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

2022	\$'000					Total
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	
Claims outstanding	-	147	155	85	101	488
Creditors	-	2,217	-	-	-	2,217
Total	-	2,634	155	85	101	2,705

3. Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

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

4. Currency risk

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

The Syndicate's functional currency is US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euros, Canadian Dollars and Australian Dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Risk management continued

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

2022	\$'000					Total
	GBP	USD	EUR	CAD	AUD	
Total Assets	1,005	6,293	19	-	-	7,317
Total Liabilities	(1,935)	(6,222)	(19)	-	-	(8,176)
Net Assets	(930)	71	-	-	-	(859)

The Syndicate matches its currency position, so it holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates. As a result, the Syndicate holds a significant proportion of its assets in foreign currency adjustments.

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of the Sterling against the value of the US dollar, Euro, Canadian dollar and Australian dollar simultaneously. The analysis is based on the information as at 31st December 2022.

Impact on profit and member's balance

	2022 £'000
Sterling weakens	
10% against other currencies	(93)
20% against other currencies	(186)
Sterling strengthens	
10% against other currencies	93
20% against other currencies	186

Risk management continued

5. Interest rate risk

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

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

The Syndicate has no significant concentration of interest rate risk.

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

21. Post balance sheet events

There are no post balance sheet events to report.