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SYNDICATE 3002

ANNUAL REPORT AND ACCOUNTS

YEAR ENDED 31 DECEMBER 2023

CONTENTS

SYNDICATE INFORMATION

MANAGING AGENT:

Managing agent	AXA XL Underwriting Agencies Limited ("AXUAL")	
Managing agent's company number	01815126	
Directors	P Bishop	(Non-Executive)
	M Cantor-Grable	(Non-Executive)
	M Cummings	
	N Hinshelwood	(Non-Executive)
	J Lejeune	(Non-Executive)
	S McGovern	
	B Poupart-Lafarge	(Non-Executive)
	C Richmond	(Non-Executive)
	N Williams	(Non-Executive)
Company secretary	A M Bond	
Registered office	20 Gracechurch Street London EC3V 0BG	

SYNDICATE:

Active underwriter	S Hearn
Independent Auditor	Ernst & Young LLP 25 Churchill Place, Canary Wharf London E14 5EY

FINANCIAL HIGHLIGHTS

Key Performance Indicators (KPI's)	**2023**	*2022*
Syndicate capacity (£'m)	**31**	*26*
Gross premiums written (£'m)	**30**	*30*
Net premiums written (£'m)	**30**	*26*
Net Premiums earned (£'m)	**28**	*26*
Underwriting result (£'m)	**6**	*(4)*
Profit/(Loss) for the financial year (£'m)	**7**	*(5)*
Claims ratio (%)	**56**	*85*
Expense ratio (%)	**25**	*28*
Combined ratio (%)	**81**	*113*

Claim ratio is the percentage of net incurred claims in relation to the net earned premiums.

Expense ratio is the percentage of net operating expenses in relation to the net earned premiums.

The combined ratio is the sum of the ratios of net operating expenses and net incurred claims to net earned premiums. A combined ratio of less than 100% represents an underwriting profit.

STRATEGIC REPORT OF THE MANAGING AGENT
FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors of AXUAL, the managing agent, present their strategic report and audited financial statements for the year ended 31 December 2023.

Principal activities

The principal activity of Syndicate 3002 ("the Syndicate") is to underwrite term life insurance business within the Lloyd's of London market. The Syndicate trades through Lloyd's worldwide licenses, rating and brand. Lloyd's has an A (Excellent) rating from A.M.Best, AA- (Very Strong) rating from S&P and AA- (Very Strong) rating from Fitch. AXA S.A. which backs the Syndicate has an AA- (Stable) rating from S&P, Aa3 (Stable) rating from Moody's and A+ Superior (Stable) rating from A.M.Best.

The Syndicate's strategy is to focus on developing UK and International term life insurance and reinsurance solutions, both on a standalone basis and in conjunction with the Accident and Health policies offered by Syndicate 2003.

Results and performance

The Syndicate reported a profit for the year of £6.7m (*2022: loss of £5.4m*), as set out on pages 12 and 13. The overall investment return for the year was £1.1m (*2022: loss of £0.2m*).

The underwriting result (net earned premiums minus net claims incurred and net operating expenses) for 2023 was a profit of £5.2m (*2022: £3.4m loss*).

During the year, the Syndicate wrote £29.9 m in gross premiums, a 1% increase compared to the previous year (*2022: £29.7m*). The Syndicate's combined ratio has improved from 113% to 81%.

The 2021 year of account will be closed at the end of 2023 with a gain of £1m which is equivalent to a positive return equal to 3.2% of capacity.

Strategy and future outlook

AXUAL's strategy is to leverage the inherent strengths of the Lloyd's market to write a portfolio of business that provides a better return than the market over the underwriting cycle. We aim to differentiate ourselves through offering underwriting excellence in specialised areas of insurance and reinsurance. Our objective to support our underwriters with a flexible underwriting environment, superior analytics, efficient claims handling and a robust Enterprise Risk Management framework continues.

The Syndicate's focus is to continue sustainable and disciplined growth across the business it writes. An enhanced focus is being placed on portfolio analysis and optimization actions to exit or re-underwrite poor performing accounts and grow better performing accounts.

The Syndicate will continue to transact term life insurance business. Disciplined development of the business will continue to be encouraged and supported by the Board.

For the 2024 underwriting year, the Syndicate will continue to purchase intra group reinsurance with XL Bermuda Ltd.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Risk Management

The Syndicate faces strategic, financial and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment, reserving, changes in laws or regulations, information systems, business interruption and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on our profitability, capital strength and liquidity which is managed by the Managing Agent's Risk Management (RM) function who implement the Risk Management Framework ("RMF").

The RMF is reviewed by the Board, at least annually which includes a self attestation of compliance with the Framework which is completed by the UK Risk function. The RMF would be reviewed more regularly if the Company was subject to a major change in regulatory requirements, strategy or organisational structure.

The aim of the RMF is to:

- Set out the Syndicates approach to Risk Management, including the governance processes in place including the roles and responsibilities across the three lines of defence in the management of risks faced by the business;
- Support business objectives and strategy;
- Provide management information to facilitate the identification and understanding of material risks including related mitigants;
- Contribute to the Company's overall internal control framework by helping to manage the inherent complexity within the business;
- Support regulatory risk management requirements; and
- Set out the approach for creating a positive risk culture.

Key risks and uncertainties facing the Syndicate are:

Risk	*Description*	*Mitigation*
Insurance risk	Insurance risk arises from the Syndicate's life insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection.	The Syndicate seeks to maintain a diversified and well-balanced portfolio of risks. The Syndicate's underwriting and reinsurance strategies are set within the context of the overall AXA XL strategies, approved by the AXUAL Board and communicated clearly throughout the business through policy statements and guidelines.
Market risk	Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.	Monitoring of interest rate movements and foreign exchange fluctuations are performed on an ongoing basis
Liquidity risk	Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Syndicate is the obligation to pay claims as they fall due.	The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Syndicate manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.
Operational risk	Operational risk is the risk of loss, resulting from inadequate or failed internal processes, or from people and systems, or from external events	The Managing Agent manages this risk through a formal disaster recovery plan, monitoring of risk, and by the Syndicate's inclusion in AXA XL's Internal Control Framework.
Credit risk	Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. This includes reinsurance counterparty and investment counterparty risk.	Credit risk is identified through the business planning process, counterparty creditworthiness reviews, regulator monitoring, and limits to exposure on a single counterparty.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Geopolitical Risk and Conflict

On 24 February 2022, Russia invaded Ukraine and the war between the two countries continues. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighbouring countries (e.g. Belarus) or that conduct business with their counterparties, the war is affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as higher inflation and global supply-chain disruption.

The ongoing conflict in Israel and Gaza, and subsequent regional impacts, have further exacerbated these pressures.

During the year the Directors have been monitoring these situations closely to identify potential exposures arising out of underwriting but also to investments, operational issues including potential cyber attacks, impacts from sanctions and the Directors have considered expansion or changes to the conflicts. From a claims perspective no material exposure to this conflict is expected on the Syndicate.

Engaging with stakeholders

The Board is cognisant of the stakeholders of the Syndicate's managing agent, AXA XL Underwriting Agencies Limited (the "Company" or "AXUAL") and the importance of strong relationships coupled with appropriate levels of communication and engagement.

People

The workforce’s culture, values, behaviours, performance, and engagement drive how the Company serves its customers and interacts with suppliers.

The Company operates within the framework of AXA XL’s service company model and is the recipient of services provided by one of its sister companies. Although the Company does not have any direct employees, the Board monitors people-related issues for the Company through regular reports to its Governance Committee on topics including people strategy, succession planning, remuneration, inclusion and diversity, employee engagement surveys and annual Gender and Ethnicity Pay Gap reporting in the UK.

The Company is committed to engaging with its workforce and representatives from the workforce contribute to and participate in decisions where appropriate, including via regular Town Halls with Q&A, Engagement Surveys and the formal Employee Representative Body, which represents the colleague voice.

The Company, in line with the AXA XL Division, is dedicated to providing equal opportunities to all its employees, regardless of their ‘protected characteristics'. The Company strives to create a diverse and inclusive workplace that values and encourages individual differences and treats all employees with dignity and respect. To facilitate this, there is a robust Diversity, Equity and Inclusion (D,E&I) strategy and roadmap in place in the UK to ensure that concrete goals are set and leaders are held accountable for achieving them. The roadmap and governance is set and monitored by the UK Inclusion & Diversity Board.. To support the D,E&I strategy, the following mechanisms are in place:

- The Company implements the Diverse Slate policy for all roles across all levels, including the Board. The policy strives to achieve gender balance by requiring 50% of female candidates to be shortlisted for interview by hiring managers globally.
- Several initiatives and charters are in place to support diversity at all levels, such as ‘Women in Finance’, a ‘Flexible Working Charter’, a ‘Race at Work Charter’ and ‘Race Action Through Leadership’.
- The global ‘Dignity at Work’ policy has been launched to protect against harassment and discrimination and ensure colleagues feel safe, valued, and respected.
- Regular webinars and live sessions are offered to colleagues to help with D,E&I education.
- Five global Business Resource Groups (BRGs) and networks - LEAD, Pride, Rise, EnAble and Inclusion committees which drive innovation, collaboration, and business goals to promote diversity and inclusion at AXA XL. The LEAD BRG's goal is to accelerate gender equality and foster a culture of inclusivity for all colleagues.
- An annual inclusion survey.
- A D,E&I goal for all colleagues (executive goals and link to performance and remuneration.
- Specific talent and development programmes for traditionally underrepresented groups.
- Applications for employment by disabled persons are always fully considered, bearing in mind the respective aptitudes and abilities of the applicant concerned. In the event of a member of staff becoming disabled, every effort is made to ensure that their employment with AXA XL continues and the appropriate support is provided.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Customers
The Company believes that fostering business relationships with its brokers and clients is important to the Company's success.

The Company strives to build trusted relationships with brokers and clients and to always treat them fairly, providing commitment to its clients that the business delivers on its purpose, to "act for human progress by protecting what matters". Delivering on this purpose helps to enhance AXA's reputation, both in the eyes of the brokers and clients, and other external stakeholders such as regulators, rating agencies and media.

Claims are dealt with promptly and efficiently, in line with local regulation and law with regular communication and status updates throughout the lifecycle of the claim. All efforts are made to pay valid claims in full or alternatively to find amicable resolutions, avoiding litigation wherever possible. Declinatures are fully explained and delivered with empathy. The complaints process is clearly defined should the client be dissatisfied with any part of the claim outcome.

The Company maintains a close presence with its brokers and clients through events such as the British Insurance Brokers' Association ('BIBA') and the Association for Insurance and Risk Managers in Industry and Commerce ('AIRMIC'). Virtual and in person events and personal communications are fostered to deepen relationships with partners and create interactions to update them on core business initiatives, value proposition and appetite. Regular insights and feedback are collated through our broker partners and market surveys to improve broker experience and engagement ensuring relevancy to customers and brokers.

Suppliers and Third Parties
The Company is committed to acting conscientiously and advancing processes to ensure that responsible procurement is central to all its purchases. As part of the AXA XL Division, the Company benefits from the use of the AXA Core Values and ethics (Guidelines), that are adopted by AXA XL and embedded into the AXA XL Procurement Policy.

The Company complies with the requirements of the Modern Slavery Act 2015. Together with other AXA XL companies to which the Modern Slavery Act 2015 applies, the Company publishes an annual Slavery and Human Trafficking Statement.

Community and the Environment
Striving to achieve a balance between environmental, social and governance ("ESG") activity is in the long-term interests of the Company, the wider AXA XL Division, and the communities in which the Company operates. In alignment with other entities in the AXA XL Division, the Company considers the impact that its operations have on the community and the environment, while the Board of Directors are committed to AXA Group's environmental ambitions and to understanding and mitigating the impact that climate change will have on customers and the business.

The UK & Lloyd's ESG Forum, comprising members from the UK leadership team and assigned colleagues, is responsible for setting, monitoring and managing the UK & Lloyd's ESG strategy, and is accountable for its execution.

Environment
AXA XL strives to help colleagues, clients and communities manage the impacts of a changing climate, promote greener practices, support the protection of natural assets and biodiversity and reduce carbon footprints. The AXA XL 2023-26 Sustainability Strategy, 'Roots of Resilience', focuses on protecting natural ecosystems, addressing climate change, and embedding sustainable practices across our operations.

The Company understands the importance of continuing to develop new products and services which will support clients and their changing needs in response to climate change and wider ESG topics. One such product example is Excess Emissions Insurance (EEI) which was launched In July 2023.

The Company has adopted AXA Group consistent restrictions and exclusions within its underwriting and investment portfolios and its statements of intent on appetite for carbon intensive industries, such as the 2021 AXA Oil and Gas Policy Statement. The Company is working with clients and seeking to offer appropriate risk transfer and services to those that need support as they transition on their own ESG journeys and is increasingly engaging with clients on these topics.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Community
The Company strives to play a positive role in society and actively supports the communities it operates in. From volunteering and mentoring to fundraising and sharing business expertise, the Company encourages its workforce to get involved where possible.

The Company demonstrates its commitment to local communities through various initiatives such as the annual "AXA Week for Good", AXA XL's Global Day of Giving, "Hearts in Action" charity working groups, Matching Gifts program, and Volunteering Leave Policy.

Regulators
The Company strives to maintain strong and effective relationships with regulators through regular and transparent engagement to facilitate efficient supervision. Ensuring there is a collaborative and a transparent relationship with regulators is vital for AXA XL's business operations, customer reputation, as well as the recruitment and retention of senior staff.

The primary regulatory engagement for the Company is with the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) supervisory teams and senior management 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 PRA engages directly with the Board of Directors following the issue of their annual Periodic Summary Meetings (PSM) feedback letter and meets regularly with senior management throughout the year.

Shareholder
Two Non-Executive Directors from other parts of the AXA Group are members of the Board, partly to allow for insight into operational thinking, practice and philosophy from a different part of the AXA Group, being the Company's ultimate shareholder.

The Company continues its work with the AXA Group and its network. Various initiatives were pursued throughout the year, including working with colleagues at AXA General Insurance (GI) in the UK to demonstrate our combined offering as "One AXA" and to assess opportunities for mutual growth.

Maintaining a reputation for high standards of business conduct
The reputation of the Company is fundamental to its long-term success. The Company is committed to maintaining the highest standards of ethical conduct, and this is reflected in the AXA Values: Customer First, Integrity, Courage and One AXA. Having a clear set of values and ethics guide behaviours drives good outcomes for all stakeholders.

The Company's commitment to ethical conduct is set out in more detail in the AXA Group Compliance and Ethics Code and AXA XL Division's Code Supplement ("Code of Conduct") which is reviewed by the Board of Directors on a regular basis. Policies contained in the Code of Conduct include treating customers fairly and professionally, anti-bribery and corruption, speaking up (whistleblowing) and dignity at work. Code of Conduct violations, or other misconduct, is taken very seriously and may result in disciplinary action, including dismissal.

Managing Agent
AXUAL, the managing agent of the Syndicate, is a company registered in England and Wales. AXUAL is a wholly-owned subsidiary of its ultimate parent AXA SA ("AXA"), a company registered in France. Copies of the financial statements of AXA SA can be obtained from 25 Avenue Matignon FR-75008, Paris, France.

The Syndicate is wholly-aligned with capital provided by AXA XL, a division of AXA SA, through a subsidiary Catlin (One) Limited.

Auditor
In accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) (the 2008 Regulations) a Syndicate AGM was held in April 2023 to appoint Ernst & Young LLP as the Syndicate's registered auditor.

STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Stamp capacity of the Syndicate
The stamp capacity for the 2024 underwriting year has been increased to £33m (2023 underwriting year: £31m). Catlin (One) Limited is the sole member of the Syndicate from the 2014 underwriting year onwards.

This report was approved by the Board of AXA XL Underwriting Agencies Limited and signed on its behalf by:

N Hinshelwood
Director
27 February 2024

S McGovern
Director
27 February 2024

MANAGING AGENT'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors of the managing agent present their report together with the audited financial statements for the year ended 31 December 2023.

The annual accounts are prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations"), as well as in compliance with United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102, ‘‘The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland’’ (‘‘FRS 102’’) and Financial Reporting Standard 103, “Insurance Contracts” ("FRS 103"). The Syndicate continues to adopt the going concern basis in preparing the syndicate annual accounts.

The managing agent has received, in writing, agreement from Catlin (One) Limited, the sole member of Syndicate 3002 that no underwriting year accounts need to be prepared. This is in accordance with Section 6, Paragraph 1b of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations").

Future developments and strategy are discussed within the strategic report.

Member's balance
The member’s balance as at 31 December 2023 is a profit of £2.8m (*2022: deficit* of £7.8m).

Directors

The Directors of AXUAL who held office during the year and up to the date of signing the annual accounts were:

M Cummings		
S McGovern		
L Prato Jaen		(Resigned 20 June 2023)
M Cantor-Grable	(Non-Executive)	
N Hinshelwood	(Non-Executive)	
B Joseph	(Non-Executive)	(Resigned 26 April 2023)
J Lejeune	(Non-Executive)	(Appointed 1 September 2023)
B Poupart-Lafarge	(Non-Executive)	
J Weatherstone	(Non-Executive)	(Resigned 30 September 2023)
P Bishop	(Non-Executive)	(Appointed 17 May 2023)
C Richmond	(Non-Executive)	(Appointed 10 July 2023)
N Williams	(Non-Executive)	(Appointed 11 September 2023)

None of the Directors of the managing agent were underwriting participants on the Syndicate.

Financial instruments and risk management

Information on the use of financial instruments by the Syndicate and its management of financial risk and in particular its exposure to interest rate risk, equity price risk, currency risk, credit risk and liquidity risk is disclosed in note 2 to the financial statements.

Statement of managing agent's responsibilities

The directors of the managing agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council.

MANAGING AGENT'S REPORT (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

Statement of managing agent's responsibilities (continued)

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the managing agent to prepare Syndicate annual accounts for the Syndicate at 31 December each year. The directors 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 Syndicate annual accounts, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting 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; and
- prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that there will be future years of account of the Syndicate.

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 it to ensure that the Syndicate's annual accounts comply with the Regulations and the relevant provisions of the Companies Act 2006. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

Statement of disclosure of information to the auditors

Each of the persons who are directors at the date of this report confirms that:
- so far as each director is aware, there is no relevant audit information for which the Syndicate's auditors are unaware; and
- each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Approved by the Board of AXA XL Underwriting Agencies Limited and signed on its behalf by:

N Hinshelwood
Director
27 February 2024

S McGovern
Director
27 February 2024

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3002

Opinion

We have audited the syndicate annual accounts of syndicate 3002 ('the syndicate') for the year ended 31 December 2023 which comprise the Statement of Profit or Loss, the Statement of Changes in Member's Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 21, including a summary of 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" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view 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 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 as applied to other entities of public interest, 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 on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for a period of 12 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Report and Accounts , other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this 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 the other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3002 (Continued)

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 in 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 where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments 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 on page 9, 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 the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing, as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP). Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3002 (Continued)

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd’s of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent’s approach to governance.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts’ items.

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent’s methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd’s, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the syndicate’s annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The fraud risk was considered to be higher within the valuation of gross and net incurred but not reported (IBNR) reserves and recognition of estimated premium income.

Our audit procedures included:

a. Reviewing accounting estimates for evidence of management bias. We assessed if there were any indicators of management bias in the valuation of gross and net long term business provisions, which included the support of our Actuaries, and the determination of estimated premium income.

a. Evaluating the business rationale for significant and/or unusual transactions.

a. Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including gross and net long term business provisions and estimated premium income.

A further description of our responsibilities for the audit of the financial statements is located on the Financial Reporting Council’s website at https://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 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.

Michael Purrington (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London

27 February 2024

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Note	**2023** £000's	*2022* £000's
TECHNICAL ACCOUNT - LONG TERM BUSINESS			
Gross premiums written	4	**29,890**	*29,782*
Outward reinsurance premiums		**(811)**	*(3,337)*
Net premiums written		**29,079**	*26,445*
Change in the gross provision for unearned premiums	10	**(1,394)**	*(1,379)*
Change in the provision for unearned premiums, reinsurers' share	10	**(249)**	*717*
Change in the net provision for unearned premiums		**(1,643)**	*(662)*
Earned premiums, net of reinsurance		**27,436**	*25,783*
Allocated investment return transferred from the non-technical account	8	**1,073**	*(173)*
Total technical income		**28,509**	*25,610*
Claims paid			
Gross amount		**(24,735)**	*(18,373)*
Reinsurers' share		**(2,003)**	*9,120*
		(26,738)	*(9,253)*
Change in the provision for claims			
Gross amount	10	**23**	*1,599*
Reinsurers' share		**—**	*—*
		23	*1,599*
Claims incurred, net of reinsurance		**(26,715)**	*(7,654)*
Change in the long term business provisions			
Gross amount	10	**8,517**	*(7,923)*
Reinsurers' share	10	**2,749**	*(6,420)*
		11,266	*(14,343)*
Net operating expenses	6	**(6,755)**	*(7,186)*
Balance on the long term business technical account		**6,305**	*(3,573)*

STATEMENT OF PROFIT OR LOSS
FOR THE YEAR ENDED 31 DECEMBER 2023

		2023	2022
		£000's	£000's
NON-TECHNICAL ACCOUNT			
Balance on the long term business technical account		6,305	(3,573)
Investment income	8	66	—
Unrealised gains on investments	8	981	4
Investment expenses and charges	8	29	30
Losses on the realisation of investments	8	(3)	(207)
Unrealised losses on investments	8	—	—
		1,073	(173)
Allocated investment income transferred to the general business technical account		(1,073)	173
Foreign exchange (losses)/gains		443	(1,800)
Profit/(Loss) for the financial year		6,748	(5,373)

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts, therefore no statement of other comprehensive income has been presented.

STATEMENT OF CHANGES IN MEMBER'S BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023	2022
	£000's	£000's
Opening member's balance 1 January	(7,782)	1,887
Profit/(Loss) for the year	6,748	(5,373)
Cash call/(distribution) - 2020 Year of Account / 2019 Year of Account	3,883	(4,296)
	10,631	(9,669)
Closing member's balances	2,849	(7,782)

STATEMENT OF FINANCIAL POSITION - ASSETS
AS AT 31 DECEMBER 2023

	Note	2023 £000's	*2022* *£000's*
Financial Investments			
Other financial investments		**17,931**	*582*
Reinsurers' share of technical provisions			
Provision for unearned premiums	10	**782**	*1,040*
Long term business provision	10	**3,323**	*644*
		4,105	*1,684*
Debtors - amounts falling due within one year			
Debtors arising out of direct insurance operations	13	**19,058**	*25,254*
Debtors arising out of reinsurance operations		**3,171**	*11,112*
Other debtors	14	**2,360**	*106*
		24,589	*36,472*
Other assets			
Cash at bank and in hand		**4,288**	*19,036*
Overseas deposits	16	**5**	*3*
		4,293	*19,039*
Prepayments and accrued income			
Accrued interest and rent		**163**	*—*
Deferred acquisition costs	15	**3,086**	*2,946*
		3,249	*2,946*
TOTAL ASSETS		**54,167**	*60,723*

STATEMENT OF FINANCIAL POSITION - CAPITAL AND LIABILITIES
AS AT 31 DECEMBER 2023

	Note	**2023** **£000's**	*2022* *£000's*
Capital and reserves			
Member's balances		**2,849**	*(7,782)*
Technical provisions			
Provision for unearned premiums	10	**15,177**	*14,357*
Long term business provision	10	**25,699**	*35,813*
		40,876	*50,170*
Creditors - amounts falling due within one year			
Creditors arising out of direct insurance operations		**1,266**	*38*
Creditors arising out of reinsurance operations		**6,701**	*13,105*
Other creditors	17	**326**	*252*
Amounts owed to credit institutions		**1,960**	*4,793*
		10,253	*18,188*
Accruals and deferred income		**189**	*147*
TOTAL CAPITAL AND LIABILITIES		**54,167**	*60,723*

The notes on pages 19 to 46 form part of these financial statements.

The Syndicate financial statements were approved by the Board of Directors of AXA XL Underwriting Agencies Limited and were signed on its behalf by:

M Cummings
Director
27 February 2024

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 £000's	2022 £000's
Reconciliation of Profit/(Loss) to net cash flow from operating activities		
Profit/(Loss) for the financial year	**6,748**	*(5,373)*
(Decrease)/Increase in net technical provisions	**(9,521)**	*15,390*
Decrease/(Increase) in debtors	**9,610**	*(8,748)*
(Increase) in creditors	**(4,484)**	*(2,006)*
Investment return	**(1,073)**	*173*
(Increase)/Decrease in overseas deposits	**(2)**	*33*
Foreign exchange on net cash flows from operating activities	**(586)**	(1,268)
Net cash inflow / (outflow) from operating activities	**692**	*(1,799)*
Cash flow from investing activities		
Purchase of equity and debt instruments	**(16,371)**	—
Investment return	**95**	*34*
Net cash generated from/(used in) investing activities	**(16,276)**	*34*
Cash flow from financing activities		
Cash Call/(Distribution)	**3,882**	*(4,296)*
Net (Decrease) / Increase in cash and cash equivalents	**(11,702)**	*(6,061)*
Cash and cash equivalents at the beginning of the year	**14,243**	*18,943*
Foreign exchange result on cash and cash equivalents	**(213)**	*1,361*
Cash and cash equivalents at end of the year	**2,328**	*14,243*
Cash at bank and in hand	**4,288**	*19,036*
Amounts owed to credit institutions	**(1,960)**	*(4,793)*
Cash and cash equivalents at end of the year	**2,328**	*14,243*

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES

A Basis of preparation

The Syndicate accounts have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”), Financial Reporting Standard 103, “Insurance Contracts” (“FRS 103”) and the Companies Act 2006. The Syndicate accounts have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“IAD”), and reflect the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) as modified by the IAD.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the previous years presented, unless otherwise stated. The Syndicate has adopted FRS 102 and FRS 103 in these financial statements.

The functional and presentational currency of the Syndicate is Sterling. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The preparation of these financial statements required the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future period affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and specifically in the following notes:

Note 5: movement in prior year's provision for claims outstanding; and
Note 9: insurance liabilities and reinsurance assets (estimates for losses incurred but not reported),

Capital supporting the business of the Syndicate, referred to as Funds at Lloyd's ("FAL") is, in part, held in separate trust funds administered by Lloyd's in addition to amounts held within the Syndicate Premium Trust Funds. The amounts held by the Corporate Member outside the Syndicate Premium Trust Funds are available to meet the underwriting obligations of the Syndicate, if required. However, these funds are not included in the Syndicate's balance sheet because they are not owned by the Syndicate. The Lloyd's central fund arrangements are available in the event that an individual member's funds are exhausted.

Separate underwriting year accounts have not been prepared, as the Syndicate has taken advantage of the exemption under paragraph 6 of the Regulations.

Certain prior period items have been represented to conform to the current period presentation.

B Basis of accounting

The financial statements have been prepared on a going concern basis, under the accrual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(a) Premiums written

Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

For contracts with duration of greater than one year and payable in annual instalments, generally, only the initial annual installment is included as premiums written at policy inception due to the ability of the (re)insured to commute or cancel coverage during the term of the policy. The remaining annual instalments are included as premiums written at each successive anniversary date within the term.

Gross written premiums include an estimate of the total premiums expected to be received under each insurance and reinsurance contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is estimated in full at the inception of such contracts and, therefore, this estimate is judgmental. Further adjustments to estimates from previous years are also included in the reported premiums for the relevant underwriting years. Premium estimation uses expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Gross written premium estimates are reviewed regularly using underwriter estimates and actuarial projections. At the end of 2023 the estimates held in the balance sheet were £5.6m (*2022: £5.7m*)

(b) Unearned premiums

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

(c) Reinstatement premium

Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon paid losses and case reserves.

(d) Unearned Reinsurance premium written

Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.
Reinstatement premiums are earned when written.

(e) Acquisition costs

Acquisition costs, comprise commission and other internal and external costs related to the acquisition of new business and renewing existing contracts. The proportion of acquisition costs in respect of unearned premiums is deferred at the reporting date and recognised in periods when the related premiums are earned.

(f) Reinsurance deferred acquisition costs

Reinsurers' share of deferred acquisition costs are amortised over the period in which the related premiums are earned.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

(g) Ceded Reinsurance

These are contracts entered into by the Syndicate with reinsurers under which the Syndicate is compensated for losses on contracts issued by the Syndicate and that meet the definition of an insurance contract. Insurance contracts entered into by the Syndicate under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts

Any benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are 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, the claims experience for the period and the current security rating of the reinsurer involved. The Syndicate assesses its reinsurance assets for impairment. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit or loss account.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

(h) 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.

(i) Claims provisions and related recoveries

The outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported ("IBNR").

Notified claims are estimated on a case by case basis. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in a previous period. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortion of the development and incidence of these large claims.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's 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. 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. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

The provision for claims includes amounts in respect of internal and external claims handling costs.

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

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

B Basis of accounting (continued)

The two most critical assumptions with regards to 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.

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

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

The directors of AXUAL 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 estimate made, are reviewed regularly.

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Balance Sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

(j) Unexpired risks provision

A provision for unexpired risks is made where claims and related expenses, likely to arise after the end of the financial year in respect of contracts concluded before that date, are expected to exceed the unearned premiums after the deduction of any acquisition costs deferred. The expected claims relate to policies in force at the year-end, having regard to events that occur prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset when business risk classes are managed together and a provision is made only when an aggregate deficit arises. The URR held at 2022 was nil (2022: nil).

(k) Reinsurance to close (RITC)

Each Lloyd's Syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsures all future liabilities for the closed year and all previous years in return for a premium which is approved by the managing agent. The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

C 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. Gains or losses arising from changes in the fair value of financial assets are recognised through the Statement of Profit or Loss within ‘Unrealised gains on investments’ or ‘Unrealised losses on investments’ in the period in which they arise. Investment return is recorded in the non-technical account within the statement of profit or loss. Dividends on equity securities are recorded as revenue on the ex-dividend date, which includes the imputed tax credits. Interest is recognised on an accruals basis for financial assets at fair value through the Statement of Profit or Loss.

a. Realised gains and losses

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

b. Unrealised gains and losses

Unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, where acquired in previous years, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

c. Investment expenses, charges or interest

These are accounted for as incurred on an accruals basis. A transfer is made from the non-technical account to the technical account for investment return related to Syndicate assets supporting the underwriting business. Investment return attributable to funds in syndicate deposited by the participating member, has not been transferred to the technical account.

D Foreign currency

Items included in the financial statements are measured using the currency of the primary economic environment in which the Syndicate operates, which is sterling. The Syndicate's financial statements are presented in thousands of pounds sterling.

With the adoption of FRS 102 and FRS 103, all assets and liabilities arising from insurance contracts should be treated as monetary items. At each period end foreign currency monetary items are re-translated into pounds sterling at the rate of exchange at the balance sheet date. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

E Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct income tax from trading income. UK basic rate income tax 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. No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the Statement of Financial Position under the heading "other debtors".

F Investments and Overseas Deposits

Investments and overseas deposits are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid value and deposits with credit institutions are stated at cost. All other financial instruments are designated as at fair value through profit and loss. In line with normal Lloyd's market practice, the Syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations.

G Long term business provision

The long term business provision is determined in accordance with the requirements of the EU Third Life Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision.

The basis of the calculation is as follows:

Provision is made at year end for the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling plus a provision for future administrative expenses relating to existing business. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

H Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Syndicate has designated at fair value through the statement of profit or loss. Loans and receivables are carried at amortised cost less any impairment losses.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

I Cash and cash equivalents

Cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks, cash held in Lloyd's trust accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months maturity from the date of acquisition. Cash and cash equivalents are measured at fair value through the statement of profit or loss. Bank overdrafts, where applicable, are held within the current liabilities as amounts due to credit institutions.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

1 ACCOUNTING POLICIES (continued)

J Financial liabilities

Creditors are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost determined according to the effective interest rate method.

K Collateral

The Syndicate receives and pledges collateral in the form of cash or non-cash assets in respect of reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Syndicate receives collateral depends on an assessment of the credit risk of the counterparty. All collateral received and held in trust by third parties is not recognised in the statement of financial position, unless the counterparty defaults on its obligations under the relevant agreement.

All collateral pledged by the Syndicate is retained in the statement of financial position, unless the Syndicate defaults on its obligations under the relevant agreement.

L Pension costs

Staff working on the Syndicate are employed by an AXA XL service company, XL Catlin Services SE ("XLCSSE"), an approved Central Bank of Ireland regulated intermediary. The pension contributions relating to staff working on the affairs of the Syndicate are charged to the Syndicate as part of the AXA XL expense recharging model across the international network, which includes the Syndicate and the amount is captured within the net operating expenses on the Statement of Profit or Loss.

M Member's balances

Distributions and cash calls are made with the member in the year following the year a reporting year of account closes, which is generally three years after the inception of the reporting year of account.

N Going concern

Having assessed the principal risks, the Directors consider it appropriate to adopt a going concern basis of accounting in the preparation of these report and accounts.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 RISK MANAGEMENT

Financial risk management objectives

The Syndicate is exposed to a range of financial risks through its financial assets, insurance liabilities and reinsurance assets. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are insurance risk (including reserve risk and reinsurance risk), market risk (including interest rate risk and spread risk, equity price risk and currency risk), credit risk and liquidity risk.

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Syndicate primarily faces due to the nature of its investments and liabilities are interest rate, equity price risk and currency risk.

The Syndicate's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Syndicate's financial performance. It manages these positions within a risk management framework ("the framework") that has been developed to ensure that investment proceeds and returns are in excess of obligations under insurance contracts. The Syndicate produces regular reports that are circulated to the management of the Managing Agency. The principal technique of the Syndicate's framework is to match assets and liabilities from insurance contracts by reference to the type of benefits payable to contract holders. The Syndicate's framework is also integrated with the management of the financial risks associated with the syndicate's other financial assets and liabilities not directly associated with insurance liabilities.

The notes that follow explain how financial risks are managed.

(a) Insurance risk

Insurance risk arises from the Syndicate's life insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Syndicate's underwriting and reinsurance strategies are set within the context of the overall Group strategies, approved by the AXUAL Board and communicated clearly throughout the business through policy statements and guidelines.

Capital resource sensitivities

The capital position is sensitive to market conditions due to changes in the value of the assets, and to assumptions and experience in respect of the value of the liabilities. The most significant risks to the Syndicate are as follows:

Event risk

The risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing.

Pricing risk

The risk that the level of expected loss is understated in the pricing process.

Reinsurance risk

Reinsurance risk to the Syndicate occurs where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, prove inadequate in terms of the vertical or horizontal limits purchased or result in coverage disputes.

2 RISK MANAGEMENT (continued)

Market Cycle risk

The risk that business is written in a soft market without full knowledge as to the adequacy of rates, terms and conditions.

Expense risk

The risk that the allowance for expenses and inflation in pricing is inadequate.

(a) Insurance risk (continued)

Underwriting risks are continually monitored through, for example, adherence with the limits set within the risk appetite framework, the established peer review process (including pre and post bind reviews and independent reviews), underwriting authority limits imposed, underwriting rules and guidelines, quarterly business reviews, as well as via exception reporting. Formal price monitoring procedures form part of the standard monthly management information. These contribute to the quarterly actuarial review whereby the loss outcome of the underwriting activity is continually re-assessed and considered by the Reserving actuaries.

The Syndicate's management also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Loss development tables providing information about historical claims development are included in note 10.

(b) Market risk

Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.

AXA XL places restrictions on the external investment managers' investment strategies. Strict limits, by trust fund, are set for types of assets held, concentration limits and average investment grade ratings. Monitoring of interest rate movements and foreign exchange fluctuations are performed on an ongoing basis. Guidelines and benchmarks are set at a minimum of every three years and approved by the AXUAL Board of Directors.

The performance of the investment managers is monitored constantly by AXA XL investment specialists and reported monthly to AXUAL management and reviewed quarterly by the AXUAL Board of directors. The Syndicate aims to manage exchange rate exposure in US dollar terms and asset and liabilities are duration matched.

Market risk includes:

(i) Interest rate risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk.

The Syndicate monitors interest rate risk on a monthly basis by calculating the impact of changes in interest rate on the value of investments and the net present value of liabilities against a risk appetite that has been agreed with the Board.

The sensitivity analysis for interest rate risk illustrates how changes in the fair value of future cash flows of an interest bearing financial asset will fluctuate because of changes in market interest rates at the reporting date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 RISK MANAGEMENT (continued)

(b) Market risk (continued)

(ii) Interest rate risk (continued)

Sensitivity analysis

Changes in interest yields, with all other variables constant, would result in changes in the capital value of debt securities and borrowings as well as subsequent interest receipts and payments. This would affect reported result and net assets as indicated in the table below:

	Impact on result		**Impact on net assets**	
	2023	*2022*	**2023**	*2022*
	£000's	*£000's*	**£000's**	*£000's*
50 basis points increase	**(984)**	—	**(984)**	—
50 basis points decrease	**889**	—	**889**	—

In 2022 the Syndicate did not hold any other investments except for cash.

(ii) Equity price risk

The Syndicate is exposed to equity price risk as a result of its holdings in financial instruments at fair value through statement of profit or loss. Exposures to individual companies and to financial instruments, including equity shares, in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency purposes.

The Syndicate has a defined investment policy which sets limits on the syndicate's exposure to financial instruments, including equities, both in aggregate terms and by geography, industry and counterparty. This policy of diversification is used to manage the Syndicate's price risk arising from its investments in financial instruments, including equity securities.

As at 31 December 2023, the Syndicate had £0.6m of unlisted equity investments (2022: £0.6m).

	Impact on result		**Impact on net assets**	
	2023	*2022*	**2023**	*2022*
	£000's	*£000's*	**£000's**	*£000's*
5% increase in equity prices	**915**	—	**915**	—
5% decrease in equity prices	**(915)**	—	**(915)**	—

In 2022 the Syndicate did not hold any other investments except for cash.

(iii) Currency risk

The Syndicate manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Syndicate’s functional currency.

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Pound Sterling. The most significant currencies to which the Syndicate is exposed are US Dollar and Euro. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 20233

2 RISK MANAGEMENT (continued)

(b) Market risk (continued)

(iii) Currency risk

2023	**GBP**	**USD**	**EUR**	**TOTAL**
	£000's	**£000's**	**£000's**	**£000's**
Financial investments (excluding overseas deposits)	17,931	—	—	17,931
Overseas deposits	1	4	—	5
Reinsurers' share of technical provisions	604	*3,448*	*52*	4,104
Insurance and Reinsurance receivables	1,559	18,696	1,974	22,229
Cash at bank and in hand	1,294	711	2,284	4,289
Other assets	1,183	4,225	204	5,612
Total assets	**22,572**	**27,084**	**4,514**	**54,170**
Technical provisions	(7,933)	(31,473)	(1,471)	(40,877)
Insurance and reinsurance payables	(4,994)	(2,695)	(279)	(7,968)
Other liabilities	(531)	(1,913)	(32)	(2,476)
Total Liabilities	**(13,458)**	**(36,081)**	**(1,782)**	**(51,321)**

2022	*GBP*	*USD*	*EUR*	*TOTAL*
	£000's	*£000's*	*£000's*	*£000's*
Financial investments (excluding overseas deposits)	*582*	—	—	*582*
Overseas deposits	*2*	*1*	—	*3*
Reinsurers' share of technical provisions	*792*	*877*	*15*	*1,684*
Insurance and Reinsurance receivables	*3,183*	*32,637*	*546*	*36,366*
Cash at bank and in hand	*9,142*	*7,346*	*2,548*	*19,036*
Other assets	*1,016*	*2,020*	*16*	*3,052*
Total assets	***14,717***	***42,881***	***3,125***	***60,723***
Technical provisions	*(10,174)*	*(39,572)*	*(424)*	*(50,170)*
Insurance and reinsurance payables	*(3,164)*	*(9,768)*	*(211)*	*(13,143)*
Other liabilities	*(102)*	*(4,901)*	*(189)*	*(5,192)*
Total Liabilities	***(13,440)***	***(54,241)***	***(824)***	***(68,505)***

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

2 RISK MANAGEMENT (continued)

(b) Market risk (continued)

(iii) Currency risk (continued)

Sensitivity analysis

Fluctuations in the Syndicate's trading currencies against the sterling would result in a change to the result and net assets value.

The table below gives an indication of the impact on the result after tax and net assets of a percentage change in the relative strength of the Pound sterling against the value of the Euro, the Canadian dollar and the US dollar, simultaneously. The analysis is based on current information.

	Impact on result		**Impact on net assets**	
	2023	*2022*	**2023**	*2022*
	£000's	*£000's*	**£000's**	*£000's*
GBP weakens 5% against other currencies	**(321)**	*256*	**(298)**	*(442)*
GBP weakens 10% against other currencies	**(613)**	*488*	**(570)**	*(844)*
GBP strengthens 5% against other currencies	**355**	*(283)*	**330**	*489*
GBP strengthens 10% against other currencies	**750**	*(597)*	**696**	*1,031*

(c) Credit risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where the Syndicate is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

The Syndicate manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and monitoring its exposure to regions, countries and industries. Such risks are subject to regular review.

Changes to the limits on the level of credit risk by category and territory are approved annually by the managing agency Board of Directors. Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 RISK MANAGEMENT (continued)

(c) Credit risk (continued)

The table below provides information on the credit quality of financial assets of the Syndicate.

2023	**AAA**	**AA**	**A**	**BBB**	**Not rated**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Shares and other variable yield securities and unit trusts	**—**	**—**	**582**	**—**	**—**	**582**
Debt securities	**—**	**11,057**	**—**	**6,292**	**—**	**17,349**
Overseas deposits	**1**	**—**	**4**	**—**	**—**	**5**
Reinsurers' share of claims outstanding	**—**	**—**	**3,212**	**111**	**—**	**3,323**
Reinsurance debtors	**—**	**—**	**1,249**	**35**	**—**	**1,284**
Cash at bank and in hand	**—**	**—**	**4,288**	**—**	**—**	**4,288**
Insurance debtors	**—**	**—**	**—**	**—**	**19,058**	**19,058**
Other debtors	**—**	**—**	**—**	**—**	**8,279**	**8,279**
Total	**1**	**11,057**	**9,335**	**6,438**	**27,337**	**54,168**

2022	*AAA*	*AA*	*A*	*BBB*	*Not rated*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Shares and other variable yield securities and unit trusts	—	—	*582*	—	—	*582*
Debt securities	—	—	—	—	—	—
Overseas deposits	*1*	*1*	*1*	—	—	*3*
Reinsurers' share of claims outstanding	—	—	*641*	*3*	—	*644*
Reinsurance Debtors	—	—	*9,775*	*438*	—	*10,213*
Cash at bank and in hand	—	—	*2,812*	*16,220*	*4*	*19,036*
Insurance debtors	—	—	—	—	*25,254*	*25,254*
Other debtors	—	—	—	—	*4,991*	*4,991*
Total	*1*	*1*	*13,811*	*16,661*	*30,249*	*60,723*

The Syndicate has no reinsurance debtors that are past due but not considered to be impaired.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 RISK MANAGEMENT (continued)

(c) Credit risk (continued)

2023	**Neither past due nor impaired**	**Up to three months**	**Three to six months**	**Six months to one year**	**Greater than one year**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Shares and other variable yield securities and unit trusts	**582**	**—**	**—**	**—**	**—**	**582**
Debt securities	**17,348**	**—**	**—**	**—**	**—**	**17,348**
Overseas deposits	**5**	**—**	**—**	**—**	**—**	**5**
Reinsurers' share of claims outstanding	**3,323**	**—**	**—**	**—**	**—**	**3,323**
Reinsurance debtors	**1,284**	**—**	**—**	**—**	**—**	**1,284**
Cash at bank and in hand	**4,288**	**—**	**—**	**—**	**—**	**4,288**
Insurance debtors	**18,182**	**671**	**—**	**205**	**—**	**19,058**
Other debtors	**8,279**	**—**	**—**	**—**	**—**	**8,279**
Total credit risk	**53,291**	**671**	**—**	**205**	**—**	**54,167**

2022	*Neither past due nor impaired*	*Up to three months*	*Three to six months*	*Six months to one year*	*Greater than one year*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Shares and other variable yield securities and unit trusts	*582*	*—*	*—*	*—*	*—*	*582*
Debt securities	*—*	*—*	*—*	*—*	*—*	*—*
Overseas deposits	*3*	*—*	*—*	*—*	*—*	*3*
Reinsurers' share of claims outstanding	*644*	*—*	*—*	*—*	*—*	*644*
Reinsurance debtors	*10,213*	*—*	*—*	*—*	*—*	*10,213*
Cash at bank and in hand	*19,036*	*—*	*—*	*—*	*—*	*19,036*
Insurance debtors	*24,639*	*425*	*—*	*191*	*—*	*25,254*
Other debtors	*4,991*	*—*	*—*	*—*	*—*	*4,991*
Total credit risk	*60,108*	*425*	*—*	*191*	*—*	*60,723*

In 2022, the Syndicate has no insurance and reinsurance debtors that are past due but not considered to be impaired (2021: nil).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 RISK MANAGEMENT (continued)

(d) Liquidity risk

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Syndicate is the obligation to pay claims as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Syndicate manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.

The following tables analyse financial liabilities by maturity date:

2023	**No Stated maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
	£000's	**£000's**	**£000's**	**£000's**	**£000's**	**£000's**
Creditors	**—**	**10,253**	**—**	**—**	**—**	**10,253**
Claims outstanding	**—**	**13,171**	**10,057**	**1,663**	**808**	**25,699**
Financial liabilities	**—**	**23,424**	**10,057**	**1,663**	**808**	**35,952**

2022	*No Stated maturity*	*0-1 year*	*1-3 years*	*3-5 years*	*>5 years*	*Total*
	£000's	*£000's*	*£000's*	*£000's*	*£000's*	*£000's*
Creditors	—	*18,188*	—	—	—	*18,188*
Claims outstanding	—	*24,396*	*9,860*	1,061	496	*35,813*
Financial liabilities	—	*42,584*	*9,860*	*1,061*	*496*	*54,001*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 RISK MANAGEMENT (continued)

(e) Fair value estimation

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The categorising of these assets is defined as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

Fixed maturities and short-term investments
Fair values of fixed maturities and short-term investments are based on the quoted market price or evaluated bid prices of these securities provided by either independent pricing services, or, when such prices are not available, by reference to broker or underwriting bid indications.

Other assets and liabilities

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The following tables present the Syndicate's holdings of assets measured at fair value:

2023	**Level 1 £000's**	**Level 2 £000's**	**Level 3 £000's**	**Total £000's**
Shares and other variable yield securities and units in unit trusts	**—**	**—**	**582**	**582**
Debt securities and other fixed income securities	**—**	**17,348**	**—**	**17,348**
Overseas deposits	**—**	**5**	**—**	**5**
Total	**—**	**17,353**	**582**	**17,935**

2022	*Level 1 £000's*	*Level 2 £000's*	*Level 3 £000's*	*Total £000's*
Shares and other variable yield securities and units in unit trusts	—	—	582	*582*
Debt securities and other fixed income securities	—	—	—	—
Overseas deposits	—	3	—	*3*
Total	*—*	*3*	*582*	*585*

The loans to the Lloyd’s central fund are fair valued based on a discounted cash flow model. Consideration is made to the credit and illiquidity risk, and a fair value adjustment has been applied to reflect such risk in an appropriate manner. The repayment of the loan and payment of interest is at the discretion of the Corporation of Lloyd’s. An element of subjectivity is applied to the valuation of the Syndicate loans, and the approach includes significant unobservable inputs, which is why they have been classified as level 3.

This year no fair value adjustment has been recognised in relation to the value of the syndicate loan to the Lloyds Central Fund, where fair value is considered to be below the original cost (2022: £0.2m, held at par value as a proxy for fair value).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

2 RISK MANAGEMENT (continued)

(f) Sensitivity to insurance risk (claims reserves)

A one percent increase or decrease in total claims reserves would have the following effect on profit or loss and equity.

Sensitivity to insurance risk (claims reserves)	1% increase in net claims reserves		1% decrease in net claims reserves	
	2023	2022	2023	2022
	£000's	£000's	£000's	£000's
Impact on profit and equity	**(210)**	*(338)*	**210**	*338*
Total	**(210)**	(338)	**210**	338

The Syndicate also monitors its exposure to insurance risk by location. The below table provides an analysis of the geographical breakdown of its written premiums. The Syndicate's diversification across countries and classes of business serves to mitigate exposure to concentrations of insurance risk.

Concentration of insurance risk	2023	*2022*
	%	*%*
United Kingdom	**35**	*35*
EU Countries	**4**	*—*
US	**—**	*3*
Oceania	**52**	*55*
Worldwide	**9**	*7*
Total	**100**	*100*

3 MANAGEMENT OF CAPITAL

(a) 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 and in accordance with Solvency II legislation. The Syndicate is in compliance with the regulatory capital requirements.

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 applies at overall and member level respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 3002 is not disclosed in these financial statements. See note 17 for details of the Syndicate's FAL requirement.

(b) Lloyd's Capital Setting Process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR 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.

(c) 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.

The level of FAL/FIS that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. The capital requirement is based on a number of factors including the nature and amount of risks to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

Resources available to meet members' and Lloyd's capital requirements are separately identified in the Statement of Changes in Member's Balances.

Lloyd's also retains the right to request a callable contribution equal to 3% of capacity from the Syndicate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

4 SEGMENTAL ANALYSIS

In the opinion of the directors, the Syndicate operates in a single business segment, being that of long-term insurance business.

2023	**Gross premiums written £000's**	**Gross premiums earned**	**Gross claims incurred £000's**	**Gross operating expenses £000's**	**Reinsurance balance £000's**	**Total £000's**
Total	**29,890**	**28,496**	**(16,195)**	**(7,863)**	**166**	**5,232**

2022	*Gross premiums written £000's*	*Gross premiums earned £000's*	*Gross claims incurred £000's*	*Gross operating expenses £000's*	*Reinsurance balance £000's*	*Total £000's*
Total	*29,782*	*28,403*	*(24,697)*	*(7,193)*	*87*	*(3,400)*

All business written is considered to be single premium business and renewable on an annual basis.

The Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the UK.

The geographical analysis of gross premiums written by risk location is as follows:

	2023 £000's	*2022 £000's*
United Kingdom	**10,476**	*10,467*
EU countries	**1,270**	—
Latin America	**15,510**	*16,199*
Other Worldwide	**2,634**	*3,116*
	29,890	*29,782*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

5 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

A favourable run off deviation (prior accident year release driven by favourable experience across both IRM and Non-IRM) of £4m (*2022: £1.9m strengthening*) was experienced during the year.

6 NET OPERATING EXPENSES

	2023	*2022*
	£000's	*£000's*
Acquisition costs	**6,366**	*7,217*
Change in deferred acquisition costs	**(214)**	*(568)*
Administration expenses	**1,084**	*544*
Reinsurers' commission	**(481)**	*(7)*
	6,755	*7,186*

Included within acquisition costs are amounts relating to commissions on direct insurance business of £6.1m (*2022: £3.7m*).

Administrative expenses include:

	2023	*2022*
	£000's	*£000's*
Auditors' remuneration		
Audit services:		
Fees payable to the Syndicate's auditors for the audit of the Syndicate annual accounts	**166**	**150**
Other services		
Fees payable to the Syndicate's auditors and its associates for other services:		
Other services pursuant to legislation are audit and review services relating to regulatory reporting to Lloyd's	**112**	**92**

The auditors' remuneration for the year has been recharged to the Syndicate by an AXA XL division company, XL Catlin Services SE (“XLCSSE”).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

7 EMPLOYEES & DIRECTORS

The Syndicate has no direct employees. Staff working on the affairs of the Syndicate are employed by a group service company. The recharge of the expenses from the service company to the Syndicate is through a recharge model across the international network, including UK domiciled entities and the recharge of the costs are dependent on the nature of the service performed for the Syndicate.

Directors' emoluments for the year are as follows:

	2023	*2022*
	£000's	*£000's*
Aggregate emoluments and other benefits	**29**	*23*
Pension contributions	**—**	*1*
	29	*24*

Emoluments of the highest paid director are:

	2023	*2022*
	£000's	*£000's*
Aggregate emoluments and other benefits	**16**	*10*
Pension contributions	**—**	*1*
	16	*11*

Emoluments of the active underwriter are:

	2023	*2022*
	£000's	*£000's*
Aggregate emoluments and other benefits	**56**	*53*
Pension contributions	**3**	*2*
	59	*55*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

8 INVESTMENT RETURN

	2023 £000's	2022 £000's
Investment income		
Income from financial investments	**66**	—
Investment expenses and charges		
Investment management charges	**29**	*30*
Losses on the realisation of investments	**(3)**	*(207)*
	26	*(177)*
Unrealised gains on investments	**981**	*4*
Investment return	**1,073**	*(173)*

9 OTHER FINANCIAL INVESTMENTS

	Market value		*Cost*	
	2023 £000's	*2022 £000's*	**2023 £000's**	*2022 £000's*
Financial assets				
Fair value through Profit and Loss:				
Shares and other variable yield securities and units in unit trusts	**582**	582	**789**	789
Debt securities and other fixed income securities	**17,349**	—	**16,371**	—
Other investments	**—**	—	**—**	—
Total financial assets	**17,931**	*582*	**17,160**	*789*

As at 31 December 2023, the Syndicate had £0.6m of unlisted equity investments (2022: £0.6m).

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

10 INSURANCE LIABILITIES AND REINSURANCE ASSETS

2023	**Provision for unearned premium**	**Claims Outstanding**
	£000's	**£000's**
Gross Technical Provisions		
As at 1 January 2023	**14,357**	**35,813**
Movement in the provision	**1,394**	**(8,540)**
Foreign exchange movements	**(574)**	**(1,574)**
As at 31 December 2023	**15,177**	**25,699**
Reinsurers' share of technical provisions		
As at 1 January 2023	**1,040**	**644**
Movement in the provision	**(249)**	**2,749**
Foreign exchange movements	**(9)**	**(70)**
As at 31 December 2023	**782**	**3,323**
Net technical provisions		
As at 31 December 2022	**13,317**	**35,169**
As at 31 December 2023	**14,395**	**22,376**

2022	*Provision for unearned premium*	*Claims Outstanding*
	£000's	*£000's*
Gross Technical Provisions		
As at 1 January 2022	*12,049*	*26,214*
Movement in the provision	*1,379*	*6,324*
Foreign exchange movements	*929*	*3,275*
As at 31 December 2022	*14,357*	*35,813*
Reinsurers' share of technical provisions		
As at 1 January 2022	*306*	*6,507*
Movement in the provision	*717*	*(6,420)*
Foreign exchange movements	*17*	*557*
As at 31 December 2022	*1,040*	*644*
Net technical provisions		
As at 31 December 2021	*11,743*	*19,707*
As at 31 December 2022	*13,317*	*35,169*

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

11 CLAIMS DEVELOPMENT TRIANGLES

The loss development tables below provide information about historical claims development by pure underwriting year.

Some business is not off risk after the first 12 months. Therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

Gross claims development

Months	Prior £000's	2014 £000's	2015 £000's	2016 £000's	2017 £000's	2018 £000's	2019 £000's	2020 £000's	2021 £000's	2022 £000's	2023 £000's	Total £000's
12		1,609	14,883	8,644	10,640	12,730	11,975	10,585	9,511	8,553	9,843	
24		5,433	13,668	16,226	26,179	32,382	30,262	20,551	16,490	17,489		
36		4,858	14,248	17,729	30,671	32,154	19,223	19,825	13,116			
48		4,927	15,956	17,952	30,633	32,845	23,300	19,258				
60		4,793	15,205	17,780	35,283	32,136	23,532					
72		5,027	15,441	18,016	32,327	31,989						
84		5,196	15,051	17,383	32,488							
96		4,968	14,964	17,813								
108		4,976	15,156									
120		4,991										
Estimated total losses	17,396	4,991	15,156	17,813	32,488	31,989	23,532	19,258	13,116	17,489	9,843	203,071
Paid claims	(17,305)	(4,988)	(14,970)	(17,413)	(32,207)	(31,413)	(22,179)	(18,199)	(10,451)	(7,642)	(605)	(177,372)
Gross reserves	**91**	**3**	**186**	**400**	**281**	**576**	**1,353**	**1,059**	**2,665**	**9,847**	**9,238**	**25,699**

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023**

12 CLAIMS DEVELOPMENT TRIANGLES (continued)

Net claims

Months	Prior £000's	2014 £000's	2015 £000's	2016 £000's	2017 £000's	2018 £000's	2019 £000's	2020 £000's	2021 £000's	2022 £000's	2023 £000's	Total £000's
12		1,585	6,220	6,477	5,831	7,502	6,395	9,058	9,100	8,553	9,843	
24		5,391	9,481	9,939	14,021	15,227	21,569	19,072	16,353	16,522		
36		4,871	10,450	10,810	15,601	14,800	13,041	17,874	12,994			
48		4,949	11,144	8,864	15,071	17,442	17,169	17,142				
60		4,815	10,235	8,451	18,981	16,894	17,548					
72		5,075	10,567	9,109	17,085	16,823						
84		5,202	10,182	9,490	17,793							
96		4,982	10,092	9,675								
108		4,990	10,180									
120		5,005										
Estimated total losses	17,396	5,005	10,180	9,675	17,793	16,823	17,548	17,142	12,994	16,522	9,843	150,921
Paid claims	(17,305)	(5,002)	(10,098)	(9,286)	(18,167)	(16,584)	(16,677)	(16,728)	(10,452)	(7,642)	(605)	(128,546)
Net reserves	**91**	**3**	**82**	**389**	**(374)**	**239**	**871**	**414**	**2,542**	**8,880**	**9,238**	**22,375**

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

13 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2023	*2022*
	£000's	*£000's*
Due within one year	**19,058**	*25,254*

14 OTHER DEBTORS

	2023	*2022*
	£000's	*£000's*
Amounts owed from group undertakings	**2,116**	*36*
Other debtors	**244**	*70*
	2,360	*106*

15 DEFERRED ACQUISITION COSTS

	2023	*2022*
	£000's	*£000's*
As at 1 January	**2,945**	*2,247*
Change in deferred acquisition costs	**214**	*568*
Foreign exchange movements	**(73)**	*131*
As at 31 December	**3,086**	*2,946*

16 OVERSEAS DEPOSITS

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and are managed by Lloyd’s centrally or by investment managers on their behalf. Overseas deposits have not been included on the statement of financial position within investments or cash at bank or in hand as they are not under direct control of the Syndicate.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

17 OTHER CREDITORS

Amounts falling due within one year	2023 £000's	*2022 £000's*
Amounts owed to group undertakings	**270**	*250*
Other creditors	**56**	*2*
	326	*252*

18 LONG TERM BUSINESS PROVISION

The following methodology has been used in valuing the long term business provision:

i) A development pattern based on historic reported claims has been used to determine the incurred but not reported claim provision. Reinsurance recoveries are separately recognised.
ii) An explicit provision to cover future expenses of £0.1m (2022: £0.1m) has been set. This has been calculated by analysing the costs that are likely to be incurred in running off the current book of business.

19 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). As at 31 December 2022, the value of assets supporting FAL for the 2023 underwriting year is £28.4m (2023 underwriting year at 31 December 2022: £38.4m). The FAL is held by Catlin (One) Limited, the corporate members of the Syndicate, on its behalf. These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating member's underwriting liabilities.

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 member's FAL to meet liquidity requirements or to settle losses.

20 RELATED PARTY TRANSACTIONS

AXA XL Underwriting Agencies Limited ("AXUAL") is the managing agent for Syndicate 3002. Under the standard managing agent's agreement, AXUAL receives an annual fee of £0.035m (*2022: £0.035m*).

Catlin (One) Limited is the sole member of Syndicate 3002.

AXA SA wholly owns a number of cover holders which underwrite on behalf of Syndicate 3002 and these are listed below:

XL Catlin Services SE Catlin Risk Solutions Limited

Recharge of the expenses from the service company, XL Catlin Services SE (“XLCSSE”), an approved CBI regulated intermediary, is made on a monthly basis to the Syndicate through a Service Level Agreement. Quarterly full settlement is repaid in relation to the provision of services and other support costs provided by XLCSSE.

The Syndicate has an intra-group reinsurance contract with XL Bermuda Ltd. The effect of this contract on the Statement of Profit or Loss in 2023 is a charge of £2.6m (*2022*: a charge of £2.4m). Amounts relating to these contracts of £5.8m (*2022*: £3.9m) were payable as at the year-end date.

NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)
FOR THE YEAR ENDED 31 DECEMBER 2023

20 RELATED PARTY TRANSACTIONS (continued)

Including in other debtors and other creditors which represent amounts owing to/from group undertakings is a net owed amount of £1.8m (2022 £0.2m)

	2023	*2022*
	£'000	*£'000*
Catlin Risk Solutions Limited	**2,087**	*(12)*
Others	**(205)**	*(202)*
Total	**1,882**	*(214)*

AXA XL Syndicate Limited (formerly Catlin Syndicate Limited) is the corporate member for the 2013 and prior underwriting years, whilst Catlin (One) Limited is the corporate member for the 2014 and subsequent underwriting years.

21 ULTIMATE PARENT UNDERTAKING

Catlin (One) Limited is the sole member of the Syndicate.

During the year, the entire issued share capital of Catlin (One) Limited was transferred from Catlin (North American) Holdings Limited to XL Bermuda Limited, a company registered in Bermuda.

The ultimate parent undertaking and controlling party is AXA SA, a company registered in France, which is the parent undertaking of the largest group to consolidate the financial statements of Catlin (One) Limited.

Copies of the financial statements of AXA SA ("AXA") are available from 25 Avenue Matignon FR-75008 Paris France.