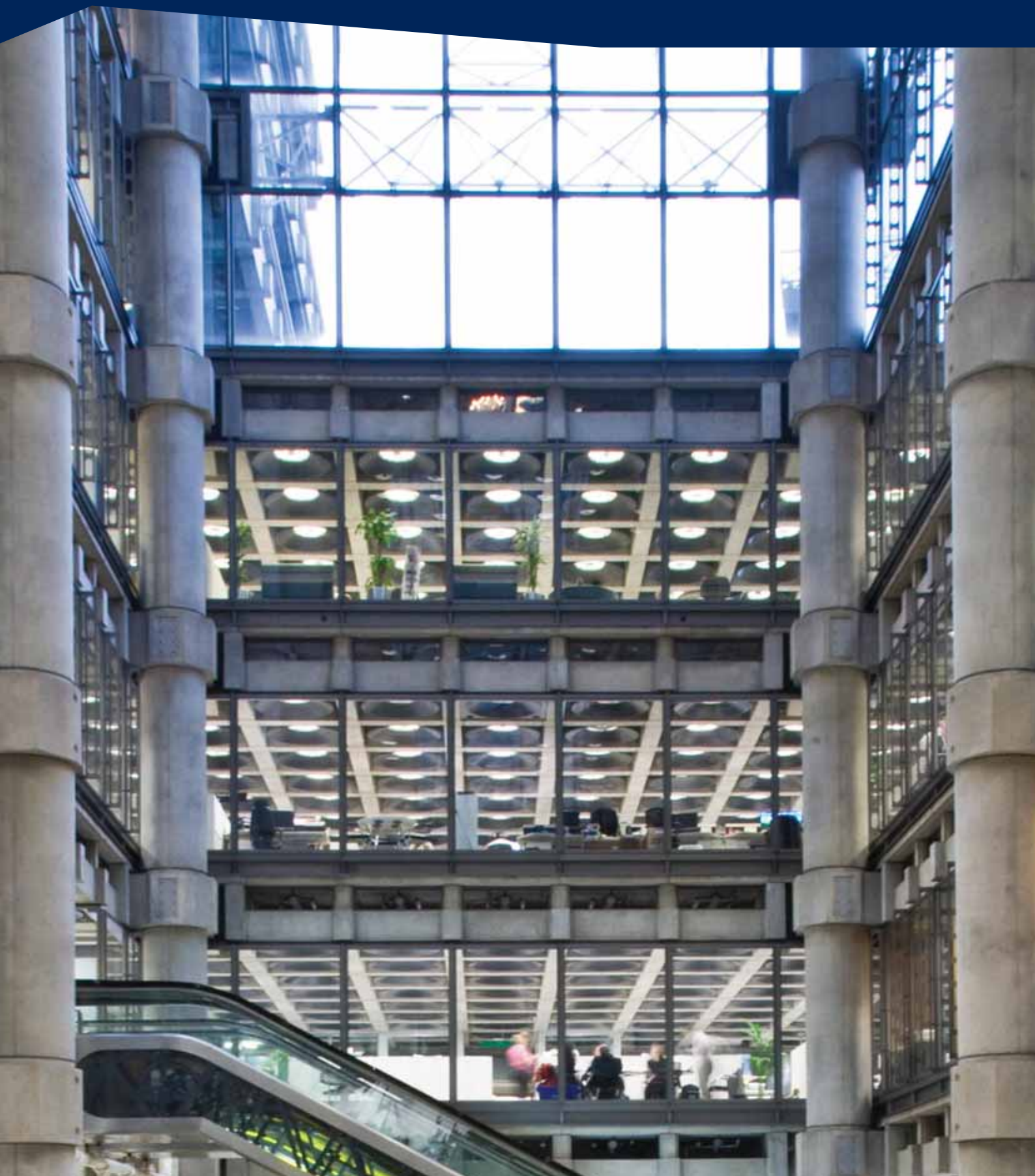


## **Important information about Syndicate Reports and Accounts**

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**Argenta Syndicate Management Limited**

**Company Information**

**Directors**

John LP Whiter  
Nicholas J Moore  
Graham K Allen  
Sven Althoff  
Rosemary F Beaver  
Ian Burford  
Carol-Ann Burton  
Adam B Cragg  
Nigel S Meyer  
Gary A Powell  
Jens Schäfermeier

**Registered office**

5th Floor  
70 Gracechurch Street  
London EC3V 0XL  
Registered in England number 3632880

**Independent auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

**Syndicate bankers**

Barclays Bank PLC  
1 Churchill Place  
Canary Wharf  
London E14 5HP

**Syndicate actuaries**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

**Managing agency auditors**

PricewaterhouseCoopers LLP  
7 More London Riverside  
London SE1 2RT

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## Managing Agent's Report

The directors of Argenta Syndicate Management Limited ("ASML"), a company registered in England and Wales, present their report for the year ended 31 December 2023.

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

The financial reporting framework that has been applied is United Kingdom Generally Accepted Accounting Practice ("UK GAAP") including Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' ("FRS 102") and Financial Reporting Standard 103 'Insurance Contracts' ("FRS 103").

### Principal activities

There has been no change during the year to the syndicate's principal activity which continues to be the transaction of reinsurance business.

### Overview of business

Syndicate 6134 was established during 2018 as a Special Purpose Arrangement to underwrite quota share reinsurances of business underwritten by Syndicate 2121 as the host syndicate. The portfolio can be broken down into the following main areas:

- Property
- North American Specialty Programmes ("NASP")
- Cyber
- Marine & energy, principally liability risks
- Professional indemnity
- Financial lines
- Political risks
- Casualty treaty
- Warranty and indemnity
- Terrorism

Overall the portfolio of the host syndicate has a worldwide spread and comprises business assumed through single risk writings, reinsurance treaties, Lloyd's market consortia and coverage provided through third-party delegated underwriting authorities.

For 2024 the stamp capacity of Syndicate 6134 has increased from £120 million to £133 million as the syndicate continues to take advantage of the current favourable trading conditions. ASML will continue to flex the capacity of the syndicate in line with its strategic objectives and as market conditions allow.

The largest proportion of business for Syndicate 6134 continues to be business written into the casualty division and consists of financial institutions, professional indemnity, general liability and errors and omissions type risks with a relatively modest book of casualty reinsurance business.

The syndicate also takes a share of an established direct and facultative property book from the host syndicate, built around a number of long-standing relationships with managing general agents, mainly in the US, supplemented with an open market book of predominantly small commercial and homeowners' business. This account also includes property business written through Argenta's service company operating out of Sydney, Australia, via Argenta Underwriting Asia Pte Ltd ("AUA").

Syndicate 6134 also participates in a book of cyber business, underwritten in the host syndicate through participation on Lloyd's approved consortia and London Market binding authorities.

The reinsurance arrangement with Syndicate 6134 provides for the host Syndicate 2121 to receive overriding commissions based on premium income, which vary depending on the class of business. The political risk account also carries a profit commission in line with previous years.

## Overview of business *continued*

In addition to the overrider and profit commissions payable to Syndicate 2121 at a class level, Syndicate 6134 incurs management and member level expenses including a fee and profit commission payable to ASML.

## Review of underwriting activities

It has been confirmed that 2023 was the hottest year since records began nearly 150 years ago, perilously close to the 1.5 degree celsius increase above the pre-industrial level that was adopted as a maximum desirable increase by 2040. Most people are now in agreement that extreme weather event frequency and severity has increased as a result of recent and rapid global temperature changes. One example of this increase is severe convective storm events (often shortened to SCS) in the USA that manifest themselves as intense tornado and hail outbreaks. In 2023, the total insured loss from SCS events was estimated to be \$60 billion (with eighteen individual events each greater than \$1 billion), a material increase from the \$31 billion of 2022. Although it is far too soon for it to be declared as the beginning of a trend, such a marked increase in activity and severity cannot be ignored. The Atlantic basin hurricane season was also above average from an activity point of view with twenty named storms; seven reaching hurricane status and three of those being major hurricanes (equal to or greater than category 3 on the Saffir-Simpson scale). Fortunately, the prevailing atmospheric conditions during the hurricane season meant that the majority of the storms avoided landfall, and those that did reach land did not cause extensive damage. There was a plethora of other extreme events worldwide, including those not related to climate change, such as earthquakes, that meant the insurance industry's progress to better assess, aggregate and correctly price catastrophe exposures remains front and centre of attention for all.

Sadly the war in Ukraine continued to dominate headlines; that was until the fragile period of middle-eastern peace was shattered in October 2023 with the Hamas attack on Israel. As reported in 2022, Syndicate 6134 had limited exposure to Ukraine, Belarus, and Russia. These exposures have now expired. The syndicate does, however, have some very limited, exposure to a number of assets in Israel. These exposures will be reduced over time, should hostilities continue.

It has been an eventful year in many ways, and the lack of new investment capital into the marketplace has meant that new underwriting capacity remains relatively scarce and rates have therefore increased across most of the syndicate's lines of business, in some cases quite materially. The data shows an increase in risk adjusted rate change at the whole-account level of 7.1% against the estimate in the syndicate's 2023 business plan of 5.6%.

Even with the background of the challenges faced in 2023, it is very pleasing to be able to declare a profit for the year of £30.6 million with a net combined ratio of 77.7%.

The table below summarises the capacity, premium volumes and performance of Syndicate 6134 for 2023 alongside comparative numbers for 2022. Other than in respect of capacity, the numbers shown are on an annually accounted basis. The table is followed by further detailed comments in relation to each of the years on an annually accounted basis and also on an underwriting year of account basis.

<i>Key performance indicators</i>	2023	2022
Capacity (underwriting year)	£120 million	£97 million
Gross premiums written	£149.6 million	£146.4 million
Net premiums earned	£142.0 million	£141.9 million
Profit for the year	£30.6 million	£18.4 million
Claims ratio (net)	33.5%	45.2%
Combined ratio	77.7%	87.4%

## *2021 year of account*

Due to the timing of the awful events of early 2022 in Ukraine, the majority of the syndicate's allocated reserves for this loss are sitting within the 2021 year of account. The year of account was also affected by some extreme natural peril losses. An unusual winter storm, named Uri, hit Texas in February 2021 with snow and a severe freeze that caused around \$15 billion of damage. In August 2021 Hurricane Ida, the second most powerful storm to hit Louisiana after Hurricane Katrina in 2005, doused 25 parishes of the state with water and damaging winds and caused an estimated loss of around \$40 billion. The year finished with an unusual run of very late tornados in the US mid-west and a wildfire in Denver in late December 2021.

It is pleasing to be able to report, however, a profit of 29.0% of capacity for the 2021 year of account.



## **Review of underwriting activities** *continued*

### *2022 year of account*

The most material change for Syndicate 2121 during the year was the closure of the AUA operation in Singapore in August 2022. This step was taken as a result of a period of mediocre performance and the lack of strategic opportunities in the region to rectify the situation. From a claims point of view, it was a challenging year for the market beginning with Russia's invasion of Ukraine in February 2022 and continuing with extreme weather events throughout the year. This included Hurricane Ian, a very powerful windstorm in September 2022 that caused up to \$60 billion of insured losses in Florida. This run of losses, exacerbated by the war in Ukraine, resulted in the (re)insurance market hardening dramatically in most product lines. Coupled with this increase in rates, capacity for certain lines of business contracted, just as the demand increased. The lack of new capacity has meant that the harder market conditions have lasted longer than in previous market "turns" and the syndicate has, therefore, experienced a relatively longer period of sustained rate increases.

The current estimate for the result of the 2022 year of account is a profit in the range of 13.5% to 23.5% of capacity.

### *2023 year of account*

As mentioned above, 2023 was a year of extremes with over \$100 billion of insured losses from natural peril events, the fourth year in a row to exceed the \$100 billion threshold. Numerous climate records were also broken, including the disappointing observation that the efforts to keep global warming at or below 1.5 degrees celsius above pre-industrial levels are not showing the desired outcomes. The insurance market is therefore having to manage the near and long-term effects of this shortfall. Fortunately, one of the more effective tools available, along with rigorous risk selection and monitoring of exposures, is the price charged for the products the syndicate sells. Whilst it is expected that the harder market conditions witnessed throughout 2023 in all product lines will continue into 2024, the rate of increase is likely to slow. The syndicate, however, will remain in a strong position for the foreseeable future, given the rate adequacy currently being experienced.

## **Trading conditions for 2024**

As already mentioned, harder market conditions are expected to continue into 2024, meaning that the good rate adequacy currently being seen should remain for all product lines. The plan for 2024 is to write £160 million of gross premium income, a headline plan-to-plan increase from 2023 of £11 million. Inflation is still an influencing factor, and an increase of around 4% across the portfolio has been assumed. It has further been assumed that the syndicate's expected risk adjusted rate change for 2024 accounts for around two-thirds of the growth. The balance is from organic growth across existing classes. Business seen to date for 2024 by the host syndicate is confirming the syndicate's view of conditions; a positive rating market with a modest slowdown of momentum in the scale of applicable rate increases in most classes.

The syndicate's appetite for catastrophe exposure remains consistent with that adopted in previous years and the risk metrics for major US and international perils are expected to remain in line with previous years at a whole account level.

## **Environmental, social and governance strategy**

### *Environmental strategy*

ASML seeks to protect the environment and to address through its actions, the challenges presented by climate change, energy demands, scarcity of resources, pollution and waste. It will work with its clients and other stakeholders to develop solutions to these environmental challenges. ASML aims to become a net zero business by 2050, across all of its products and investments. Operationally, ASML seeks to be net zero by 2030. In areas where this is not possible to achieve, ASML will seek to engage in projects that support carbon neutrality. These objectives align with the expectations of both Lloyd's and ASML's parent company, Hannover Rück SE ("Hannover Re").

### *Social strategy*

ASML also recognises its social responsibilities and the importance of its contribution to improving social outcomes for all. In doing so, ASML will take action through its initiatives in human rights, health, safety and wellbeing, diversity and inclusion and through its community engagement work. ASML seeks to maintain a strong ethical foundation in all of its activities, acting with integrity, treating all people with respect and taking care to avoid any business which may have an adverse impact on human rights. Examples of the types of business avoided include forced labour, land grabbing or resettlement of indigenous communities and controversial weapons.

## **Environmental, social and governance strategy** *continued*

ASML also provides a safe and healthy working environment, recognising the importance of the health and wellbeing of its employees. ASML is committed to working towards creating a more diverse business, promoting equality of opportunity and empowering people from all backgrounds to develop their talents within Argenta. ASML's community engagement aims to support, at a community level, its diversity and inclusion initiatives and to contribute with its time and resources to improving the lives and opportunities of those around it.

### *Governance strategy*

Argenta Holdings Limited ("AHL") sets policies and directions for the Group companies, with each subsidiary responsible for the development and implementation of their detailed plans, appropriate for their business and for meeting their specific legal, regulatory and compliance obligations.

ASML maintains a robust governance structure, in which its Environmental, Social and Governance (ESG) Strategy is embedded at all levels, with clear lines of accountability across its business. This enables ASML to meet its strategic objectives and regulatory obligations. The ASML Board retains responsibility for the development of the ESG Framework and Strategy and oversight of its implementation with regular monitoring delegated to sub-committees of the Board.

Day to day responsibility for implementation of the ESG Strategy rests with the Executive Committee and the Active Underwriter, Finance Director and the Risk Management & Compliance Director as appropriate.

As part of the development of its ESG governance, the Board and senior management will identify the most effective metrics and management information which enables the Board to measure the delivery of the ESG Strategy and the degree of ESG integration within the business and to also ensure that ASML can meet its current and future reporting obligations.

### **ASML business structure**

ASML is the Lloyd's managing agency subsidiary of AHL, a private company with diversified interests in the Lloyd's insurance market. AHL is wholly owned by Hannover Re whose immediate parent undertaking is Talanx AG, a leading global insurance group. ASML is the managing agency for two syndicates trading at Lloyd's, namely Syndicate 2121 and the associated Special Purpose Arrangement, Syndicate 6134.

The Hannover Re group is the sole capital provider to Syndicate 6134, which underwrites quota share reinsurances of business underwritten by Syndicate 2121 as the host syndicate. For the 2021 year of account Syndicate 6134 underwrote gross net written premium of £76.2 million across certain classes within the underwriting capability of the host syndicate. For the 2024 year of account, Syndicate 6134 is forecast to underwrite £110.2 million of gross net written premium.

Syndicate 2121 is also supported by Hannover Re both as a traditional reinsurer and a long-term capital provider. ASML has maintained a strategy of steadily growing Syndicate 2121 with capacity increasing to £800 million for 2023 and being held at this level in respect of the 2024 year of account. The growth strategy is achieved by the selective addition over the years of new classes of business to complement the existing portfolio, as well as continued organic growth in a number of areas.

Syndicate 2121 underwrites a broad cross section of classes including marine, property, energy and utility and elements of the specialty class on a predominantly short tail basis and financial lines, casualty, and marine and energy liability with longer tail characteristics. In June 2023, Syndicate 2121 ceased to underwrite the UK insurance class first introduced to the syndicate in 2015. Syndicate 2121 underwrites business on a global basis from London and via the Australian branches of a Singapore based service company, AUA. Until late 2021, Syndicate 2121 also underwrote business from China by way of participating on the Lloyd's China Platform in Shanghai through a division of Lloyd's Insurance Company (China) Limited. It also underwrote business from Singapore via AUA until August 2022.

Syndicate 6134 has not bought reinsurance protection, but benefits from certain reinsurance protections purchased by Syndicate 2121. Premiums and claims are ceded under the quota share net of Syndicate 2121's reinsurance where applicable. Syndicate 6134 operates on a funds withheld basis, although amounts may be advanced if needed to enable it to finance its standalone obligations.



## ASML business structure *continued*

### Directors

John LP Whiter – Non-executive Chairman  
Nicholas J Moore – Director  
Graham K Allen – Director  
Sven Althoff – Non-executive Director  
Rosemary F Beaver – Non-executive Director (*appointed 24 April 2023*)  
Ian Burford – Director and Active Underwriter Syndicates 2121 and 6134  
Carol-Ann Burton – Director and Company Secretary  
Adam B Cragg – Director (*appointed 17 October 2023*)  
Nigel S Meyer – Non-executive Director (*appointed 30 January 2023*)  
Gary A Powell – Non-executive Director  
Jens Schäfermeier – Non-executive Director  
David J Thompson – Director (*resigned 31 July 2023*)

### Risk management

As an underwriting business Syndicate 6134 is exposed to a variety of financial and non-financial risks. These risks, which shape the risk management strategy adopted by ASML, are integral to the capital setting process that is undertaken to ensure there is an appropriate level of capital held in respect of the insurance liabilities to which Syndicate 6134 is exposed. The Own Risk and Solvency Assessment (“ORSA”) undertaken in respect of Syndicate 6134 reflects the risk profile of the business as well as the business strategy. Risks are managed through the risk management framework in order to ensure that the risk profile of the business is fully understood and can be monitored against the agreed risk appetite. Further information in respect of this is also disclosed in Note 16.

ASML is committed to risk management as an integral part of management and governance best practice, and has developed a risk management strategy to protect the financial and non-financial assets of Syndicate 6134 and to minimise its losses and liabilities.

The risks to the business are grouped under various categories, each of which is the subject of a risk policy which sets out ASML’s approach to the management of the risk in conjunction with the overarching risk management framework and risk strategy. ASML groups risks into the following key categories:

#### *Insurance risk*

Insurance risk is the risk that arises from the inherent uncertainties in the occurrence, amount and timing of insurance liabilities. The underwriting profile of Syndicate 6134 is such that it is likely that claims will arise on the business underwritten. An expected level of claims in relation to attritional, large and catastrophe type losses has, therefore, been included in the business planning process.

Other precautionary measures, in the form of internal controls, are used to preserve the syndicate’s performance by limiting the exposure to wider underwriting, claims and reserving risks, such as:

- Adverse catastrophe loss experience;
- Adverse large and attritional loss experience;
- Poor or inappropriate risk selection;
- Inadequate reinsurance placement; and
- Final claims costs deviating materially from estimated earned reserves due to the inherent variability of the business.

ASML manages these risks against an agreed risk appetite. The framework of systems and controls is designed to reduce the likelihood of such risks occurring and to mitigate their impact, as far as possible, on the overall business of the syndicate.

# Managing Agent's Report

*continued*

## **Risk management** *continued*

### *Operational risk*

Operational risk is defined as the risk of loss resulting from the workforce or inadequate or failed internal processes or systems or external events. Control procedures are used to proactively address the risks associated with ASML's business processes, systems and other resources that might otherwise be detrimental to overall performance. Business continuity is considered key and ASML has developed a plan that provides for the syndicate to be operational within a 48 hour period in the event that its current offices are no longer available.

The retention of key staff is also fundamental to the success of the business and the strategy adopted by ASML is designed to ensure that the terms and conditions offered to employees, as part of their overall remuneration package, remain competitive with the rest of the London market insurance industry.

As a regulated business, ASML is fully aware of its regulatory obligations to the UK Financial Conduct Authority ("FCA"), the Prudential Regulation Authority ("PRA"), Lloyd's, the Monetary Authority of Singapore ("MAS"), the Australian Securities and Investment Commission ("ASIC"), and other overseas regulators. The procedures adopted by ASML in this regard rigorously monitor compliance with the regulatory standards and, through continuous assessment, highlight any developments that might impact the business.

### *Capital risk*

Capital risk is defined as the risk to the syndicate of losses arising from inappropriate levels or sources of capital. Syndicate 6134 is supported by Hannover Re whose ongoing support is important to the syndicate continuing to trade forward.

### *Liquidity risk*

Liquidity risk is the risk that the syndicate will not have sufficient cash resources to be able to meet its liabilities as they fall due. Management information is used to enable the effective monitoring of the liquidity risk framework in line with the agreed procedures and governance arrangements. Robust procedures are in place for the monitoring of cash flow and effective credit control. The syndicate is managed on a funds withheld basis but does operate its own bank account for paying direct expenses and invests surplus funds in unitised money market funds that are both highly liquid and highly rated.

### *Credit risk*

Credit risk is inherent to the business conducted with brokers, coverholders, reinsurers and other counterparties. The potential for losses arising from a counterparty failing to fulfil its contracted payment obligations is managed by strict control procedures. Aged debt in respect of the payment of premiums and reinsurance recoveries is closely monitored and actively managed in the host syndicate. The ASML third party management group approves the brokers, coverholders and reinsurers with which the host syndicate may conduct its business. There is no appetite to deal with counterparties who have not been approved.

### *Financial market risk*

Financial market risk is concerned with the loss resulting from adverse movements in the financial markets. The risks are relatively low as the syndicate is managed on a funds withheld basis and is only expected to hold cash, cash equivalents and unitised money market funds in the form of highly diversified collective investment schemes for paying expenses. It is however exposed to movements in exchange rates impacting the underlying values of the quota share reinsurance contracts it underwrites.

### *Emerging risk*

In addition to monitoring the individual risk categories outlined above, ASML has in place an emerging risks process to review risks that may impact the business in the future, and to ensure that any such risks are understood and mitigated where possible.

## **Risk management** *continued*

### *Conduct risk*

ASML defines conduct risk as any activities undertaken by the business that give rise to poor customer outcomes and has in place a mechanism for identifying, monitoring, reporting and mitigating its exposure to conduct related issues. This includes monitoring and reporting on a wide range of conduct management information and risk appetite metrics to the ASML board, risk framework and compliance committee and product oversight group.

### *Investment managers and policy*

During 2023, the syndicate's funds were retained in a combination of a sterling bank deposit and highly liquid money market funds with Blackrock and Invesco. The money market funds investment objective is to preserve capital and invest in high quality sterling denominated short-term debt and fixed income securities aiming to achieve short-term money market returns. The average funds held during 2023 were £5.2 million (2022: £5.1 million) and a return of 4.6% (2022:1.3%) was achieved yielding £0.2 million (2022: £0.1 million).

## **Research and development**

The syndicate has not participated in any research and development activity during the year.

## **Disclosure of information to the auditors**

In the case of each of the persons who are directors of the managing agent at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the syndicate's auditors in connection with the auditors' report, of which the auditors are unaware; and
- Having made enquiries of fellow directors of the agency and the syndicate's auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the syndicate's auditors are aware of that information.

## **Independent auditors**

PricewaterhouseCoopers LLP ("PwC") continue to act as auditors of the syndicate annual accounts and also as the auditors of ASML. Lloyd's approval for this arrangement under the relevant provisions of the Audit Arrangements Byelaw (No. 7 of 1988) was granted following notification to the syndicate member and their non-objection to the arrangement. Notice is hereby given that it is intended to continue with this arrangement unless objections to this proposal are received from the syndicate member. Any such objection should be made in writing to the registered office of ASML, within 21 days of receipt of this statement. Under the 2008 Regulations, the auditors are deemed reappointed in subsequent years if there is no objection. PwC has signified its willingness to continue in office as the independent auditors to the syndicate and it is proposed that the appointment remains in force.

## **Annual general meeting with the syndicate member**

In accordance with the provisions of the 2008 Regulations, it is not intended to hold an annual general meeting with the member of Syndicate 6134, unless objections to this proposal or to the deemed reappointment of the auditors are received from the syndicate member. Any such objection should be made in writing to the registered office of ASML, within 21 days of receipt of this statement.

**Nicholas J Moore**

*Managing Director*

*Approved by the board of Argenta Syndicate Management Limited on 26 February 2024.*

S Y N D I C A T E

6134

ANNUAL ACCOUNTS 2023

## Statement of Managing Agent's Responsibilities

The managing agent is responsible for preparing the syndicate annual accounts in accordance with applicable law and regulation.

The 2008 Regulations require the managing agent to prepare syndicate annual accounts as at 31 December each year in accordance with UK accounting standards and applicable law (UK GAAP). The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate at that date and its profit or loss for that year.

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

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

The managing agent is responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is also 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 annual accounts comply with the 2008 Regulations.

The managing agent is responsible for the maintenance and integrity of the company's website. Legislation in the United Kingdom governing the preparation and dissemination of syndicate annual accounts may differ from legislation in other jurisdictions.

# Independent auditors' report to the member of Syndicate 6134

## Report on the audit of the syndicate annual accounts

### Opinion

In our opinion, 6134's syndicate annual accounts:

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

We have audited the syndicate annual accounts included within the report and annual accounts (the "Annual Report"), which comprise: the Statement of financial position as at 31 December 2023; Income Statement: technical account - general business, Income statement: non-technical account, the Statement of cash flows, and the Statement of changes in member's balances for the year then ended, and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

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

Other than those disclosed in note 4, we have provided no non-audit services to the syndicate in the period under audit.

### Conclusions relating to going concern

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

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

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

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



## Reporting on other information

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

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

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

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

## Managing Agent's Report

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

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

## Responsibilities for the syndicate annual accounts and the audit

### Responsibilities of the Managing Agent for the syndicate annual accounts

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

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

### Auditors' responsibilities for the audit of the syndicate annual accounts

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

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

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to the risk of fraud in revenue recognition and management override of control, including the potential for management bias in significant accounting estimates, particularly in relation to insurance contract technical provisions and estimates of future premiums. Audit procedures performed by the engagement team included:

- discussions with the Board, management and compliance function of the Managing Agent, including consideration of known or suspected instances of fraud and non-compliance with laws and regulations;
- reviewing relevant meeting minutes, including those of the Board and Audit Committee of the Managing Agent, and correspondence with regulatory authorities, including Lloyd's of London, the Prudential Regulatory Authority and the Financial Conduct Authority;
- testing and challenging where appropriate the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to insurance contract technical provisions and the estimates of future premiums;
- identifying and testing journal entries based on risk criteria; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

### **Use of this report**

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

### **Other required reporting**

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

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

We have no exceptions to report arising from this responsibility.

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

**Income Statement: Technical Account – General Business**

for the year ended 31 December 2023

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written	2	149,565		146,411	
Outward reinsurance premiums		-		-	
Net premiums written		149,565		146,411	
<i>Change in the provision for unearned premiums</i>					
Gross amount		(7,603)		(4,493)	
Reinsurers' share		-		-	
Change in the net provision for unearned premiums		(7,603)		(4,493)	
<i>Earned premiums, net of reinsurance</i>			141,962		141,918
Allocated investment return transferred from the non-technical account			238		67
<b>Claims incurred, net of reinsurance</b>					
<i>Claims paid</i>					
Gross amount		(66,352)		(22,082)	
Reinsurers' share		-		-	
Net claims paid		(66,352)		(22,082)	
<i>Change in the provision for claims</i>					
Gross amount		18,780		(42,052)	
Reinsurers' share		-		-	
Change in the net provisions for claims		18,780		(42,052)	
<i>Claims incurred, net of reinsurance</i>			(47,572)		(64,134)
Net operating expenses	4		(62,721)		(59,920)
Balance on the technical account for general business			31,907		17,931

All items relate only to continuing operations.

## Income Statement: Non-Technical Account

for the year ended 31 December 2023 continued

	2023 £'000	2022 £'000
Balance on the general business technical account	31,907	17,931
Income from other financial investments	238	67
Allocated investment return transferred to the general business technical account	(238)	(67)
Exchange (losses)/gains	<u>(1,348)</u>	<u>498</u>
Profit for the financial year	<u>30,559</u>	<u>18,429</u>

There is no other comprehensive income in the accounting period other than that dealt with in the technical and non-technical accounts. Accordingly, a separate statement of comprehensive income has not been presented.

**Statement of Changes in Member's Balances**

*for the year ended 31 December 2023*

	Notes	2023 £'000	2022 £'000
<b>At 1 January</b>		23,268	(1,734)
Profit for the financial year		30,559	18,429
Payment of profits to member's personal reserve fund	11	(5,041)	-
Cash calls made from member's personal reserve fund	11	5,776	6,623
Member's agent's fees		(86)	(82)
Net movement in unearned profits on closed years	11	<u>(60)</u>	<u>32</u>
<b>At 31 December</b>		<u>54,416</u>	<u>23,268</u>

## Statement of Financial Position

as at 31 December 2023

		2023		2022	
	Notes	£'000	£'000	£'000	£'000
<b>ASSETS</b>					
<b>Investments</b>					
Financial investments	8		3,426		4,078
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums	10	-		-	
Claims outstanding	10	-		-	
			-		-
<b>Debtors</b>					
Debtors arising out of reinsurance operations	9	321,979		310,906	
Other debtors		-		32	
			321,979		310,938
<b>Cash and other assets</b>					
Cash at bank and in hand			92		46
<b>Prepayments and accrued income</b>					
Accrued interest		11		11	
Deferred acquisition costs	10	28,518		25,980	
Other prepayments and accrued income		228		239	
			28,757		26,230
<b>TOTAL ASSETS</b>			<b>354,254</b>		<b>341,292</b>



**Statement of Financial Position**

as at 31 December 2023 continued

	Notes	2023		2022	
		£'000	£'000	£'000	£'000
<b>MEMBER'S BALANCES AND LIABILITIES</b>					
Member's balances			54,416		23,268
<b>Technical provisions</b>					
Provision for unearned premiums	10	75,060		70,741	
Claims outstanding	10	216,153		245,653	
			291,213		316,394
<b>Creditors</b>					
Creditors arising out of reinsurance operations		-		-	
Other creditors		117		32	
			117		32
Accruals and deferred income			8,508		1,598
<b>TOTAL MEMBER'S BALANCES AND LIABILITIES</b>			<b>354,254</b>		<b>341,292</b>

The syndicate annual accounts on pages 15 to 45 were approved by the board of Argenta Syndicate Management Limited on 26 February 2024 and were signed on its behalf by

**Nicholas J Moore**  
*Managing Director*

## Statement of Cash Flows

for the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
<b>Profit on ordinary activities</b>		30,559	18,429
(Decrease)/increase in unearned premiums and outstanding claims		(11,064)	47,591
Increase in debtors		(29,272)	(72,511)
Increase in creditors		7,095	1,313
Investment return		(238)	(67)
Movements in other assets/liabilities		1	11
Exchange differences		1,426	(56)
<b>Net cash outflow from operating activities</b>		<b>(1,493)</b>	<b>(5,290)</b>
<b>Investing activities</b>			
Purchase of equity and debt instruments		-	-
Sale of equity and debt instruments		-	-
Investment income received		238	67
<b>Net cash inflow from investing activities</b>		<b>238</b>	<b>67</b>
<b>Financing activities</b>			
Payment of profits to member's personal reserve fund		(5,041)	-
Cash calls made from the member's personal reserve fund		5,776	6,623
Member's agent's fee advances		(86)	(82)
<b>Net cash inflow from financing activities</b>		<b>649</b>	<b>6,541</b>
(Decrease)/increase in cash and cash equivalents		(606)	1,318
Cash and cash equivalents at 1 January		4,124	2,806
<b>Cash and cash equivalents at 31 December</b>	12	<b>3,518</b>	<b>4,124</b>

## Notes to the Accounts

### 1. Accounting policies

#### 1.1 Statement of compliance

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

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

#### 1.2 Basis of preparation

The premiums written by the syndicate under the quota reinsurance share contracts with Syndicate 2121, as host syndicate, are gross premiums written by Syndicate 2121 less the cost of specific reinsurance contracts that protect the gross exposure of Syndicate 2121 and which the syndicate has the benefit of. Accordingly, premiums reported in the annual accounts are stated net of the cost of the applicable reinsurance purchased by Syndicate 2121 and claims are ceded from Syndicate 2121 net of applicable reinsurance recoveries. The syndicate has not purchased any additional reinsurance on its own account.

The financial statements for the year ended 31 December 2023 were approved for issue by the board of directors on 26 February 2024.

The financial statements are prepared in sterling which is the functional and presentational currency of the syndicate and rounded to the nearest £'000.

#### 1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the year-end date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The syndicate's key sources of estimation uncertainty are as follows:

##### *Insurance contract technical provisions*

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported ("IBNR") at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, claims IBNR form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder and Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is based on the estimated ultimate cost of all claims notified but not settled by the year-end date assessed on an individual case basis, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the year-end date based on statistical methods. Analysis of amounts for claims notified and claims incurred but not reported is provided in note 10.

## Notes to the Accounts

*continued*

### 1. Accounting policies *continued*

These methods generally involve projecting from past experience 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. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premiums. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premiums on a basis other than time apportionment.

#### *Estimates of future premiums*

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgmental and could result in misstatements of revenue being recorded in the financial statements.

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

### 1.4 Significant accounting policies

#### *Funds withheld*

The syndicate operates on a "funds withheld basis" and primarily operates its own bank account for the purpose of settling direct expenses.

#### *Financial investments*

As permitted by FRS 102, the syndicate has elected to apply the recognition and measurement provisions of sections 11 and 12 in full to account for all of its financial instruments.

Financial assets and financial liabilities are recognised when the syndicate becomes a party to the contractual provisions of the instrument.

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a financing transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

#### *Derivative financial instruments*

The syndicate uses derivative financial instruments to reduce exposure to foreign exchange risk and interest rate movements. The syndicate does not hold or issue derivative financial instruments for speculative purposes. Derivatives are initially recognised at fair value at the date a derivative contract is entered into and are subsequently remeasured to their fair value at each reporting date. The resulting gain or loss is recognised in profit or loss immediately unless the derivative is designated and effective as a hedging instrument, in which event the timing of the recognition in profit or loss depends on the nature of the hedge relationship.

## Notes to the Accounts

*continued*

### 1. Accounting policies *continued*

#### *Cash and cash equivalents*

For the purpose of the cash flow statement, cash and cash equivalents comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less, net of outstanding bank overdrafts.

#### *Fair value of financial assets*

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

- 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.

#### *Impairment of financial assets*

For financial assets not held at fair value through profit or loss, the syndicate assesses at each reporting date whether the financial asset or group of financial assets is impaired. The syndicate first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment.

#### *Derecognition of financial assets*

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The syndicate retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass-through' arrangement and either (a) the syndicate has transferred substantially all the risks and rewards of the asset; or (b) the syndicate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the syndicate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the syndicate's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the syndicate could be required to repay. In that case, the syndicate also recognises an associated liability.

#### *Offsetting of financial instruments*

Financial assets and financial liabilities are offset and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

## Notes to the Accounts

*continued*

### 1. Accounting policies *continued*

#### *Financial liabilities*

The syndicate's financial liabilities include trade and other payables, borrowings, insurance payables and derivative financial instruments, where applicable. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

Trade and other payables and loans and borrowings are subsequently measured at amortised cost using the effective interest rate ("EIR") method. Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR method amortisation process.

Amortised cost is calculated by taking into account any discount or premium on acquisition and fees or costs that are an integral part of the EIR. The EIR amortisation is included in investment return in the profit or loss.

Derivative financial liabilities are subsequently measured at fair value through profit or loss. A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

#### *Investment return*

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

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

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

#### *Insurance contracts – product classification*

Insurance contracts are those contracts when the syndicate (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder/reinsured if a specified uncertain future event (the re/insured event) adversely affects the policyholder/reinsured. As a general guideline, the syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the re/insured event did not occur. Insurance contracts can also transfer financial risk.



## Notes to the Accounts

*continued*

### 1. Accounting policies *continued*

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with sections 11 and 12 of FRS102 unless the embedded derivative is itself an insurance contract (i.e. the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

#### *Premiums written*

Syndicate 6134 solely writes quota share reinsurances of business written by Syndicate 2121. Gross written premiums comprise the syndicate's share of total premiums receivable by Syndicate 2121, net of reinsurance purchased by Syndicate 2121 where applicable, for the whole period of cover provided by the contracts entered into during the reporting period by Syndicate 2121. These include any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. This is regardless of whether these are wholly due for payment in the reporting period. They are recognised on the date on which the policy written or reinsurance purchased by Syndicate 2121 commences. Additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Written premiums include an estimate for pipeline premiums (i.e. premiums written but not reported to the syndicate by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced with Syndicate 2121 prior to the reporting date. The most significant assumption in this estimate is that current experience will be consistent with prior year experience.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, potential increases are recognised as follows:

- In respect of the policies underwritten by Syndicate 2121, the increase is deferred until the additional amount can be ascertained with reasonable certainty; and
- In respect of reinsurance purchased by Syndicate 2121, the increase is recognised as soon as there is an obligation to the reinsurer.

Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the policyholder or deferred until the reduction in the amount due to the reinsurer can be ascertained with reasonable certainty.

## Notes to the Accounts

*continued*

### 1. Accounting policies *continued*

#### *Profit commission*

Profit commission is charged by the managing agent at a rate of 17.5% of the profit on a year of account basis subject to the operation of a deficit clause. This is charged to the syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months, although the managing agent may receive payments on account of anticipated profit commissions in line with interim profits released to the member.

#### *Claims*

Gross claims include the syndicate's share of Syndicate 2121 claims occurring during the year, whether reported or not; related internal and external claims handling costs that are directly related to the processing and settlement of claims; a reduction for the value of salvage and other recoveries; and any adjustments to claims outstanding from previous years. These amounts are ceded from Syndicate 2121 net of relevant reinsurance that is applicable when the related gross insurance claim is recognised.

#### *Technical provisions*

Technical provisions comprise claims outstanding, provisions for unearned premiums and provisions for unexpired risks.

#### *Claims outstanding*

The outstanding claims provision is based on the syndicate's share of the Syndicate 2121 estimated ultimate cost of all claims incurred at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money. The claims provision is recognised net of the applicable reinsurer's share of provisions for claims in Syndicate 2121.

#### *Provisions for unearned premiums*

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk. Reinsurance purchased by Syndicate 2121 is 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. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

## Notes to the Accounts

*continued*

### 1. Accounting policies *continued*

#### *Unexpired risks*

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

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

At 31 December 2023 the syndicate did not have an unexpired risk provision (2022: £0.3 million).

#### *Deferred acquisition costs*

Acquisition costs take account of the syndicate's share of the Syndicate 2121 acquisition costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies. Acquisition costs also include overriding commissions and profit commissions payable to Syndicate 2121 under the quota share reinsurance agreements.

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

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

#### *Insurance receivables*

Insurance receivables relate to the funds withheld in respect of the business ceded by Syndicate 2121 and are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

#### *Insurance payables*

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

## Notes to the Accounts

*continued*

### 1. Accounting policies *continued*

#### *Foreign currencies*

The syndicate's functional currency and presentational currency is sterling. Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions or at an approximate average rate.

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

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

Exchange differences are recorded in the non-technical account.

#### *Taxation*

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, any UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to the member or their member's agent 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 are included in the statement of financial position under the heading 'other debtors'.

No provision has been made for any overseas tax payable by the member on underwriting results.

#### *Pension costs*

Pension contributions relating to a defined contribution scheme and charged to the syndicate are included within net operating expenses.

Notes to the Accounts

continued

2. Particulars of business written

Type of business

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

2023	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses*	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Reinsurance acceptances						
Fire and other damage to property	31,937	30,430	(12,200)	(14,460)	-	3,770
Casualty	110,094	103,305	(33,327)	(44,623)	-	25,355
Marine	7,534	8,227	(2,045)	(3,638)	-	2,544
	<u>149,565</u>	<u>141,962</u>	<u>(47,572)</u>	<u>(62,721)</u>	<u>-</u>	<u>31,669</u>

2022	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses*	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Reinsurance acceptances						
Fire and other damage to property	31,543	31,284	(7,317)	(14,753)	-	9,214
Casualty	103,654	98,573	(49,365)	(40,372)	-	8,836
Marine	11,214	12,061	(7,452)	(4,795)	-	(186)
	<u>146,411</u>	<u>141,918</u>	<u>(64,134)</u>	<u>(59,920)</u>	<u>-</u>	<u>17,864</u>

\*Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were set off in arriving at the net operating expenses.

All premiums were concluded in the UK. The syndicate solely writes quota share reinsurances of business written by Syndicate 2121 that operates within the Lloyd's of London insurance market.

3. Movement in prior year's provision for claims outstanding

An overall improvement of £18.6 million on prior years' provisions was experienced during the year. This is due to improvements of £18.8 million on casualty reinsurance and £1.1 million on marine reinsurance partially offset by a deterioration of £1.3 million on property reinsurance.

(2022: An overall improvement of £3.1 million on prior years' provisions was experienced during the year. This is due to improvements of £4.3 million on property reinsurance and £0.3 million on marine reinsurance partially offset by a deterioration of £1.5 million on casualty reinsurance.)

## Notes to the Accounts

continued

## 4. Net operating expenses

	2023	2022
	£'000	£'000
Acquisition costs	57,418	58,832
Change in deferred acquisition costs	(3,736)	(2,014)
Administrative expenses	9,039	3,102
	<u>62,721</u>	<u>59,920</u>

Administrative expenses include:

	2023	2022
	£'000	£'000
Auditors' remuneration - audit of the syndicate accounts	69	75
- other services pursuant to regulations and Lloyd's byelaws	64	51
Member's standard personal expenses	7,799	2,328

No commissions for direct insurance were accounted for during the year.

Member's standard personal expenses include managing agent's fees and profit commission.

## 5. Staff numbers and costs

The following amounts were recharged to the syndicate in respect of staff costs:

	2023	2022
	£'000	£'000
Wages and salaries	714	521
Social security costs	110	72
Other pension costs	44	33
	<u>868</u>	<u>626</u>

The average number of employees employed by the managing agency but working for the syndicate during the year was as follows:

	2023	2022
	Number	Number
Administration and finance	2	2
Underwriting support	1	1
	<u>3</u>	<u>3</u>

The staff numbers exclude employees providing services by way of a cross charge from other group companies.

Notes to the Accounts

*continued*

**6. Emoluments of the directors of ASML and the active underwriter**

	2023 £'000	2022 £'000
Emoluments	156	186

ASML charged the syndicate the amounts above in respect of emoluments paid to its directors, including the active underwriter.

No advances or credits granted by ASML to any of its directors subsisted during the year.

**7. Active underwriter emoluments**

	2023 £'000	2022 £'000
Active underwriter emoluments	11	10

The aggregate remuneration above was charged to the syndicate in respect of individuals in the role of active underwriter.

**8. Financial investments**

	<i>31 December 2023</i>		
	<i>Carrying value</i>	<i>Purchase price</i>	<i>Listed</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Shares and other variable yield securities and units in unit trusts			
- designated at fair value through profit or loss	3,426	3,426	3,426
	<i>31 December 2022</i>		
	<i>Carrying value</i>	<i>Purchase price</i>	<i>Listed</i>
	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Shares and other variable yield securities and units in unit trusts			
- designated at fair value through profit or loss	4,078	4,078	4,078

The shares and other variable yield securities and units in unit trusts relate to holdings in highly diversified collective investment schemes.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current period.

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

## Notes to the Accounts

*continued***8. Financial investments** *continued*

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

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2023	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Shares and other variable yield securities and units in unit trusts - designated at fair value through profit or loss	3,426	-	-	3,426
<hr/>				
	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
31 December 2022	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Shares and other variable yield securities and units in unit trusts - designated at fair value through profit or loss	4,078	-	-	4,078
<hr/>				

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

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

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

**9. Debtors arising out of reinsurance operations**

	<i>2023</i> <i>£'000</i>	<i>2022</i> <i>£'000</i>
Amounts falling due within one year – Syndicate 2121	166,557	160,964
Amounts falling due after one year – Syndicate 2121	155,422	149,942
	<hr/>	<hr/>
	321,979	310,906
	<hr/>	<hr/>



## Notes to the Accounts

continued

## 10. Technical Provisions

## Claims outstanding

	Gross	2023 Reinsurers' share	Net	Gross	2022 Reinsurers' share	Net
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	245,653	-	245,653	185,764	-	185,764
Claims incurred in current underwriting year	23,765	-	23,765	24,187	-	24,187
Claims incurred in prior underwriting years	23,807	-	23,807	39,947	-	39,947
Claims paid during the year	(66,352)	-	(66,352)	(22,082)	-	(22,082)
Foreign exchange	(10,720)	-	(10,720)	17,837	-	17,837
At 31 December	<u>216,153</u>	<u>-</u>	<u>216,153</u>	<u>245,653</u>	<u>-</u>	<u>245,653</u>
Claims notified	92,093	-	92,093	124,318	-	124,318
Claims incurred but not reported	124,060	-	124,060	121,335	-	121,335
At 31 December	<u>216,153</u>	<u>-</u>	<u>216,153</u>	<u>245,653</u>	<u>-</u>	<u>245,653</u>

## Provision for unearned premiums

	Gross	2023 Reinsurers' share	Net	Gross	2022 Reinsurers' share	Net
	£'000	£'000	£'000	£'000	£'000	£'000
At 1 January	70,741	-	70,741	60,487	-	60,487
Premiums written in the year	149,565	-	149,565	146,411	-	146,411
Premiums earned in the year	(141,962)	-	(141,962)	(141,918)	-	(141,918)
Foreign exchange	(3,284)	-	(3,284)	5,761	-	5,761
At 31 December	<u>75,060</u>	<u>-</u>	<u>75,060</u>	<u>70,741</u>	<u>-</u>	<u>70,741</u>

## Deferred acquisition costs

	2023 £'000	2022 £'000
At 1 January	25,980	21,873
Change in deferred acquisition costs	3,736	2,014
Foreign exchange	(1,198)	2,093
At 31 December	<u>28,518</u>	<u>25,980</u>

## Notes to the Accounts

continued

**11. Reconciliation of member's balance**

Payment of profits to the member's personal reserve fund relates to distributions of £5.0 million in respect of the 2020 year of account. Cash calls made from the member's personal reserve fund relate to collections of £3.3 million in respect of the 2019 year of account. An open year cash call of £2.5 million was made on the 2023 year of account to provide working capital for the syndicate (2022: collections of £2.4 million and £1.2 million in respect of the 2019 and 2018 years of account respectively and an open year cash call of £3.0 million on the 2022 year of account). The member's results on closed years of account are determined without reference to whether they are earned.

**12. Cash and cash equivalents**

	2023 £'000	2022 £'000
Cash at bank and in hand	92	46
Short term deposits with financial institutions	3,426	4,078
	<u>3,518</u>	<u>4,124</u>

**13. Off balance sheet items**

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

**14. Related parties****Argenta Holdings Ltd**

ASML manages Syndicate 6134 and 2121 and is a wholly owned subsidiary of AHL, which owns 100% of the voting and economic rights of ASML. AHL is regarded by ASML as its immediate parent undertaking. Copies of the financial statements for AHL and ASML can be obtained from Companies House.

AHL is wholly owned by Hannover Re, which is the smallest group to consolidate the financial statements of ASML. Its financial statements can be obtained from its registered office address at Karl-Wiechert-Allee 50, 30625 Hannover, Germany. The parent undertaking of Hannover Re is Talanx AG which holds a 50.2% interest in the company. The principal shareholder in Talanx AG is HDI Haftpflichtverband der Deutschen Industrie V.a.G. ("HDI") which holds 78.9% of Talanx AG's issued share capital.

AHL and its related parties provide certain underwriting, administrative, accounting, human resources, information technology, risk management, compliance and internal audit services to ASML. These services are provided on a non-profit making basis by way of inter-group cross charges and direct salary charges.

Argenta Private Capital Limited ("APCL"), an AHL group company, provides taxation services to the syndicate. These services were previously provided by Argenta Tax & Corporate Services Limited ("ATCSL"), another AHL group company, until its business and assets were acquired by APCL with effect from 1 January 2023. Fees are agreed on a commercial basis and the profit to APCL generated from providing these services is less than £1,000 (2022: less than £1,000 profit to ATCSL).

AUA, a subsidiary of AHL, is a service company approved by Lloyd's and the MAS to operate on the Lloyd's Asia platform. AUA also holds a licence granted by the Australian Securities and Investments Commission and has two branch offices approved by Lloyd's in Australia. Syndicate 2121 uses this service company as a coverholder to bind risks on its behalf. Such services relating to business written in Singapore are provided at cost plus a small profit margin of 5% mainly for tax purposes. The total value of the margin is less than £100,000 (2022: £100,000).

## Notes to the Accounts

*continued*

### 14. Related parties *continued*

The commission retained by AUA for business underwritten by the Australian branch on behalf of Syndicate 2121 during 2023 was, at most, 28.5% of gross premium. This commission covered original acquisition costs, branch office expenses and processing costs. The total commissions payable by Syndicate 2121 were £12.8 million (2022: £12.3 million).

For 2024, the Australian branch commissions were changed such that AUA now receives 3% in respect of delegated business and 15% on open market business it underwrites on behalf of Syndicate 2121. This is in addition to original acquisition costs. The arrangements detailed are in line with other Australian facilities currently supported by the syndicate

On 5 August 2022 the Board of ASML decided not to renew the service company agreement for Singapore and the business written in Singapore is now in run-off. The future structure under which the Australian branch offices are to operate is currently under review. This is expected to be concluded during 2024.

Mr Graham Allen, Mr Sven Althoff, Mr Ian Burford, Mr Nicholas Moore and Mr John Whiter are directors of AHL. Mr Andrew Annandale was a director of ASML, AHL, AUA, APCL and ATCSL until his retirement from these Boards on 31 December 2022. Mr Ian Maguire was a director of ASML, AHL and AUA until his resignation on 7 May 2021. Mr Moore and Mr Burford were appointed to the Board of AHL with effect from 28 July 2022 and 14 December 2023 respectively. Mr Moore was appointed as a director of APCL on 31 December 2022. Mr Allen was appointed to the Board of AUA with effect from 5 December 2022. Ms Carol-Ann Burton is a director of ATCSL.

Other than by virtue of directorship fees, salaries and other related remuneration in respect of their employment by either AHL or its related parties none of the directors, officers or related parties concerned, derive any personal benefit from the arrangements that exist.

### **Business transactions**

#### *Hannover Re*

Hannover Re and certain of its subsidiaries and joint ventures have, in the past, provided and are likely to provide in the future, traditional types of reinsurance protection to Syndicate 2121.

Syndicate 2121 has in the past provided insurance or reinsurance cover to Hannover Re and its subsidiaries and it may do so in the future.

All such business underwritten and reinsurances purchased have in the past been, and will continue to be, transacted on an arm's length commercial basis with no personal benefit derived by the directors, officers or related parties concerned, other than by virtue of directorship fees, salaries and related remuneration in respect of their employment or by virtue of any increase in capital value arising on shareholdings.

#### *ASML Directors*

Mr John Whiter was chairman of Piiq Risk Partners Ltd (formerly PSE Partners Ltd and before that Ed Broking (London) Ltd), a Lloyd's broker, until his resignation on 31 March 2022. Mr Whiter was also chairman of Ed Broking Group Ltd until his resignation on 31 March 2022. Mr Whiter was appointed as a non-executive director of Continuum Advisory Limited, a corporate finance advisory firm, on 16 January 2023.

Mr Alan Grant was a director of Thomas Miller Holdings Ltd and Thomas Miller Specialty Holdings Ltd until his resignation on 7 July 2021. He was also a director of Thomas Miller Specialty Underwriting Agency Ltd, a Lloyd's coverholder, until his resignation on 25 February 2021. He was also a director of Oneglobal Broking Ltd, a Lloyd's broker. Mr Grant resigned from the board of ASML on 29 June 2022.

## Notes to the Accounts

*continued***14. Related parties** *continued*

Mr Sven Althoff is a member of the Executive Board of Hannover Re and a director of other Hannover Re group companies. He was appointed a director of HDI Global Specialty SE ("HGS") on 20 May 2022.

Mr Jens Schäfermeier is the managing director of the UK and Ireland, Aviation and Marine division within Hannover Re.

Mr Nigel Meyer joined the Board of ASML on 30 January 2023 as a non-executive director. Mr Meyer holds non-executive directorships with First Central Insurance Management Limited, an insurance broker; Amtrust Europe Limited, an insurance company; and is an executive director of Heydon Consulting Limited, a consultancy providing mergers and acquisitions advisory services to the insurance sector. Mr Meyer owns 50% of the shareholding of Heydon Consulting Limited.

Ms Rosemary Beaver joined the Board of ASML on 24 April 2023. Ms Beaver is a non-executive director of Newline Underwriting Management Limited and Newline Insurance Company Limited.

The above entities may in the past have transacted business with syndicates managed by ASML and may do so in the future. Any such business, however, has been and will continue to be, conducted on an arm's length commercial basis with no involvement, either directly or indirectly, from the individuals above.

Other than directorship fees, salaries and other related remuneration and any increase in capital value arising on shareholdings, no personal benefit is derived by the individuals concerned from these arrangements.

Mr Grant benefitted from fees paid in respect of independent review services that he carried out on sections of Syndicate 2121's book of business. It is a regulatory requirement that such reviews are performed by individuals who are separate from the day-to-day underwriting of the specific classes of business under review and have the necessary skills and experience to fulfil the independent review obligations. Mr Grant ceased to provide independent review services following his resignation from the ASML Board.

**ASML**

Total fees payable to ASML in respect of services provided to the syndicate amounted to £1.0 million (2022: £1.0 million). Profit commission is only due on closure of the year of account although managing agents may receive payments on account of anticipated profit commissions in line with interim profits released to members. During 2023 no profit commission was payable to ASML. Accruals and deferred income at the year-end include amounts accrued in respect of profit commissions due to ASML of £8.1 million (2022: £1.3 million) including £3.3 million in relation to the 2021 closed year of account payable in 2024.

In addition to this, £1.2 million (2022: £0.9 million) was recharged by ASML for expenses paid on behalf of the syndicate. Creditors at the year-end include amounts due to ASML of £0.1 million (2022: £Nil).

**Capital support for Syndicate 6134**

Hannover Re supported Syndicate 6134 for the 2021 to 2024 years of account through Inter Hannover (No.1) Ltd ("IH1"), a wholly owned subsidiary of the Hannover Re group.

For a fee, Hannover Re also provides capital support to Argenta Underwriting No. 3 Ltd for the 2021 to 2023 years of account and Argenta Underwriting No. 2 Ltd for the 2022 and 2023 years of account by way of excess participation agreements, which participate in Syndicate 2121.

HGS, a subsidiary of Talanx AG, supported Syndicate 2121 for the 2022 year of account by way of a pro-rata participation agreement with Argenta Underwriting No. 9 Ltd in respect of 100% of the member's participation.

IH1 also participates on Syndicate 2121 for the 2021 to 2024 years of account.

## Notes to the Accounts

*continued*

### 14. Related parties *continued*

APCL allocates capacity to Syndicates 6134 and 2121 for the open years of account. It has also allocated capacity to Syndicate 6134 and Syndicate 2121 in respect of the 2024 year of account.

Mr Annandale was a director of the following corporate members that are subsidiaries of AHL:

Argenta Underwriting No. 2 Limited ("AU2")	(Resigned 31 December 2022)
Argenta Underwriting No. 3 Limited ("AU3")	(Resigned 31 December 2022)
Argenta Underwriting No. 9 Limited ("AU9")	(Resigned 31 December 2022)
Argenta Underwriting No. 10 Limited ("AU10")	(Resigned 31 December 2022)

Messrs Allen and Moore were appointed as directors of all the above corporate members on 10 April 2019 and 31 December 2022 respectively. Messrs Annandale and Allen were also appointed directors of IH1 with effect from 18 January 2021. Mr Annandale resigned from IH1 on 31 December 2022 and Mr Moore was appointed as a director of IH1 on the same date. Mr Schäfermeier was appointed a director of IH1 on 26 January 2024.

AU2 and AU3 participated on Syndicate 2121 for the 2021 to 2023 years of account and are participating for the 2024 year of account. AU9 participated on Syndicate 2121 for the 2021 and 2022 years of account and AU10 supported the syndicate for the 2021 year of account.

Other than by virtue of directors' fees, salaries and other related remuneration in respect of their employment and any increase in capital value arising on shareholdings, none of the directors, officers or related parties concerned derive any personal benefits from the arrangements that exist.

There are no other transactions or arrangements to be disclosed.

### 15. Funds at Lloyd's

In case syndicate assets prove insufficient to meet the member's underwriting liabilities, the member is required to hold additional capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL").

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. FAL is not hypothecated to any specific syndicate participation by a member and therefore, there are no specific funds available to a syndicate which can be precisely identified as its capital. As such, no amount has been shown in these annual accounts by way of FAL. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

### 16. Risk management

Syndicate 6134 writes quota share reinsurances of the host Syndicate 2121. Therefore the risk policies described below are in some cases implemented at the host level.

#### a. Governance framework

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

## Notes to the Accounts

*continued*

### 16. Risk management *continued*

The managing agent has established a risk management function for the syndicate with clear terms of reference from the board of directors and its sub-committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a syndicate policy framework that sets out the risk profiles for the syndicate, risk management, control and business conduct standards for the syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the syndicate. The board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets; align underwriting and reinsurance strategy to the syndicate's objectives; and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'.

#### **b. Capital management objectives**

##### *Capital framework at Lloyd's*

Lloyd's is a regulated undertaking and subject to the supervision of the PRA under the Financial Services and Markets Act 2000.

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

Although Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 6134 is not disclosed in these financial statements.

##### *Lloyd's capital setting process*

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. For a member participating on a single syndicate, its SCR is determined by the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate a credit for diversification is included to reflect the spread of risk. The credit given is consistent with determining a 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 an uplift to the member's SCR to determine the overall level of capital required. This is known as the member's Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2023 was 35% of the member's SCR 'to ultimate'.

## Notes to the Accounts

*continued*

### 16. Risk management *continued*

#### *Provision of capital by members*

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member ("FAL"), held within and managed within a syndicate (funds in syndicate) or as the member's share of the members' balances on each syndicate on which it participates (the latter being adjusted to reflect their value on a Solvency II basis).

Accordingly all of the assets less liabilities of the syndicate, as represented in the member's balances reported on the statement of financial position on page 19, represent resources available to meet the member's and Lloyd's capital requirements.

#### c. Insurance risk

The principal risk the syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the syndicate is to ensure that sufficient reserves are available to cover these liabilities. References to insurance business should, as appropriate, be understood to include the equivalent reinsurance business underwritten by the syndicate.

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

The most significant risks arise from natural disasters, terrorist activities, cyber attacks, large risk losses and adverse attritional claims experience. For longer tail claims that take some years to settle, there is also inflation risk.

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

As a further guide to the level of catastrophe exposure written by the syndicate, the following table shows forecast claims arising from various hypothetical catastrophe events for the 2024 year.

These include Realistic Disaster Scenario ("RDS") events, as well as annual aggregate losses in respect of natural catastrophe events that would be expected to occur once every 30 years (30-year loss).

The figures are consistent with the 2024 Syndicate Business Forecast ("SBF") approved by Lloyd's, therefore are based on expected risk exposures estimated for the 2024 year.

Catastrophe Event	Estimated gross loss £m	Estimated final net loss £m
Cyber – ransomware contagion	19	19
UK terror event	15	15
30-year loss - whole world natural catastrophe	17	17
Cyber - major data security breach	15	15
Construction product liability	9	9

## Notes to the Accounts

*continued***16. Risk management** *continued*

The table below sets out the concentration of outstanding claim liabilities and unearned premiums by type of contract:

	31 December 2023		31 December 2022	
	Gross liabilities £'000	Net liabilities £'000	Gross liabilities £'000	Net liabilities £'000
<b>Reinsurance acceptances:</b>				
Fire and other damage to property	50,106	50,106	67,793	67,793
Casualty	223,315	223,315	222,557	222,557
Marine	17,792	17,792	26,044	26,044
	<u>291,213</u>	<u>291,213</u>	<u>316,394</u>	<u>316,394</u>

The geographical concentration of the outstanding claim liabilities and unearned premiums is noted below. The disclosure is based on the domicile of counterparties.

	31 December 2023		31 December 2022	
	Gross liabilities £'000	Net liabilities £'000	Gross liabilities £'000	Net liabilities £'000
United Kingdom	<u>291,213</u>	<u>291,213</u>	<u>316,394</u>	<u>316,394</u>

*Key assumptions*

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of claim indemnity costs, claim handling costs and claims inflation for each underwriting year. For more recent years of account, 'a priori' loss ratio selections are also key assumptions in determining the reserves, which are themselves based on historical experience as well as judgements to reflect current underwriting conditions.

Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors; economic conditions; as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include the occurrence of large losses, delays in settlement and changes in foreign currency rates.

*Sensitivities*

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

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



Notes to the Accounts

continued

16. Risk management continued

31 December 2023	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on result	Impact on member's balance
		£'000	£'000	£'000	£'000
'A priori' loss ratios	+5%	8,573	8,573	(8,786)	(8,786)
Incurred claims development patterns	Recede development by 1 month	4,570	4,570	(4,746)	(4,746)

31 December 2022	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on result	Impact on member's balance
		£'000	£'000	£'000	£'000
'A priori' loss ratios	+5%	7,345	7,345	(7,569)	(7,569)
Incurred claims development patterns	Recede development by 1 month	4,681	4,681	(4,879)	(4,879)

The method used for deriving sensitivity information and the significant assumptions are the same for both periods.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied at 31 December 2023.

In setting claims provisions the syndicate gives consideration to the probability and magnitude of future adverse experience. Due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

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

Underwriting year:	2021 £'000	2022 £'000	2023 £'000	Total £'000
Estimate of cumulative claims incurred:				
At end of underwriting year	23,295	23,647	23,395	
12 months later	58,955	56,035	-	
24 months later	136,860	-	-	
Current estimate of cumulative claims incurred	136,860	56,035	23,395	
Cumulative payments to date	74	50	13	
Gross outstanding claims provision at 31 December 2023 per the statement of financial position	136,786	55,985	23,382	216,153

The 2021 amounts above include the 2019 and 2020 years of account, which were reinsured into Syndicate 2121 on closure at 31 December 2022. The 2019 and 2020 year of account liabilities were subsequently reassumed by Syndicate 6134 as part of the 2021 quota share agreement.

## Notes to the Accounts

continued

16. Risk management *continued*

## d. Financial risk

## i. Credit risk

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

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

- A credit risk policy setting out the assessment and determination of what constitutes credit risk for the syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the risk framework and compliance committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each investment counterparty or syndicate of counterparties, with minimum credit quality requirements at a portfolio level.
- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set by the third party management group and are subject to regular reviews. At each reporting date management performs an assessment of creditworthiness of reinsurers, ascertaining a suitable allowance for impairment.
- Guidelines determine when to obtain collateral and guarantees.
- The credit risk in respect of customer balances, incurred on non-payment of premiums or contributions, will only persist during the grace period specified in the policy document or trust deed until expiry, when the policy is either paid up or terminated. Commission paid to intermediaries is netted off against amounts receivable from them to reduce the risk of doubtful debts.

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

31 December 2023	<i>Neither past due nor impaired</i> £'000	<i>Past due</i> £'000	<i>Impaired</i> £'000	<i>Total</i> £'000
Financial investments				
- Shares and other variable yield securities and units in unit trusts	3,426	-	-	3,426
Debtors arising out of reinsurance operations	321,979	-	-	321,979
Cash at bank and in hand	92	-	-	92
Other debtors	28,757	-	-	28,757
	<u>354,254</u>	<u>-</u>	<u>-</u>	<u>354,254</u>

31 December 2022	<i>Neither past due nor impaired</i> £'000	<i>Past due</i> £'000	<i>Impaired</i> £'000	<i>Total</i> £'000
Financial investments				
- Shares and other variable yield securities and units in unit trusts	4,078	-	-	4,078
Debtors arising out of reinsurance operations	310,906	-	-	310,906
Cash at bank and in hand	46	-	-	46
Other debtors	26,262	-	-	26,262
	<u>341,292</u>	<u>-</u>	<u>-</u>	<u>341,292</u>

## Notes to the Accounts

continued

## 16. Risk management continued

*Maximum credit exposure*

It is the syndicate's policy to maintain accurate credit ratings across its portfolio of investments and reinsurance counterparties. The management of the syndicate's investments is largely outsourced to professional investment managers.

ii. *Liquidity risk*

Liquidity risk is the risk that the syndicate will encounter difficulty in meeting obligations associated with financial instruments. The syndicate is managed on a funds withheld basis and it primarily uses its bank account for paying expenses. The following policies and procedures are in place to mitigate the syndicate's exposure to liquidity risk:

1. A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the risk framework and compliance committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
2. Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.

*Maturity profiles*

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

	<i>0–1</i> <i>year</i>	<i>1–3</i> <i>years</i>	<i>3–5</i> <i>years</i>	<i>Over 5</i> <i>years</i>	<i>Total</i>
<i>31 December 2023</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Outstanding claim liabilities	136,786	79,367	-	-	216,153
Other	117	-	-	-	117

	<i>0–1</i> <i>year</i>	<i>1–3</i> <i>years</i>	<i>3–5</i> <i>years</i>	<i>Over 5</i> <i>years</i>	<i>Total</i>
<i>31 December 2022</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>	<i>£'000</i>
Outstanding claim liabilities	159,180	86,473	-	-	245,653
Other	32	-	-	-	32

iii. *Financial market risk*

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

- a. Currency risk;
- b. Interest rate risk; and
- c. Equity price risk.

## Notes to the Accounts

continued

## 16. Risk management continued

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

- A financial market risk policy exists that sets out the assessment and determination of what constitutes financial market risk for the syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the risk framework and compliance committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Strict control over derivative instruments (e.g. equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).
- For assets backing outstanding claims provisions, financial market risk is managed by ensuring the duration and profile of assets are aligned to the technical provisions they are backing. This helps manage financial market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

## (a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The syndicate's functional currency is sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in euros, Australian dollars, US dollars and Canadian dollars. The syndicate seeks to mitigate the risk by seeking to match the estimated foreign currency denominated liabilities with assets denominated in the same currency. As the syndicate is managed on a funds withheld basis, it seeks assistance from the host syndicate in this regard as far as it is reasonably able.

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

<i>Converted £'000</i>	<i>UK £</i>	<i>US \$</i>	<i>CAD \$</i>	<i>AUS \$</i>	<i>EUR €</i>	<i>OTH</i>	<i>Total</i>
<i>As at 31 December 2023</i>							
Total assets	61,330	219,827	16,475	30,840	24,705	1,077	354,254
Total liabilities	(47,681)	(191,781)	(13,144)	(25,612)	(19,978)	(1,642)	(299,838)
Net assets	13,649	28,046	3,331	5,228	4,727	(565)	54,416

<i>Converted £'000</i>	<i>UK £</i>	<i>US \$</i>	<i>CAD \$</i>	<i>AUS \$</i>	<i>EUR €</i>	<i>OTH</i>	<i>Total</i>
<i>As at 31 December 2022</i>							
Total assets	38,544	226,498	15,968	35,484	22,955	1,843	341,292
Total liabilities	(41,442)	(207,428)	(13,678)	(32,652)	(20,642)	(2,182)	(318,024)
Net assets	(2,898)	19,070	2,290	2,832	2,313	(339)	23,268

The non-sterling denominated net assets of the syndicate may lead to a reported loss or gain should exchange rates fluctuate.

## Notes to the Accounts

*continued***16. Risk management** *continued*

In part, foreign currency forward contracts may be used to achieve the desired exposure to each currency. From time to time the syndicate may also choose to utilise options on foreign currency derivatives to mitigate the risk of reported losses due to changes in foreign exchange rates. The degree to which options are used is dependent on the prevailing cost versus the perceived benefit to the member's value from reducing the chance of a reported loss due to changes in foreign currency exchange rates.

*Sensitivity to changes in foreign exchange rates*

The table below gives an indication of the impact on the result of a percentage change in the relative strength of sterling against the value of the main settlement currencies simultaneously. The analysis is based on the information as at 31 December 2023.

Impact on result	2023	2022
	£'000	£'000
Sterling weakens		
10% against other currencies	5,039	3,043
20% against other currencies	11,337	6,848
Sterling strengthens		
10% against other currencies	(4,122)	(2,490)
20% against other currencies	(6,932)	(5,086)

*(b) Interest rate risk*

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

The syndicate has no significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore are not exposed to interest rate risk.

*(c) Equity price risk*

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

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

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

There is no significant concentration of equity price risk.



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