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Mosaic Syndicate 1609

Syndicate Annual Report and Accounts
31 December 2023

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd (Asta)

Directors

P A Jardine (Chairman)*
R P Barke
C V Barley
S Bradbury
E M Catchpole*
K A Green*
L Harfitt
D B Jones
L J M McMaster
S D Redmond*
K Shah*

Non Executive Directors*

Managing Agent's Registered Office

5th Floor
20 Gracechurch Street
London
EC3V 0BG

Managing Agent's Registered Number

1918744

Active Underwriter

A C G Mackay

Bankers

Barclays Plc
Citibank N.A,
RBC Dexia

Registered Independent Auditors

PricewaterhouseCoopers LLP

Signing Actuary

PricewaterhouseCoopers LLP

Active Underwriter's Report

The past twelve months have seen the conclusion of the first, foundational stage in the launch of the Mosaic Insurance Group, an underwriting company that combines a Lloyd's of London syndicate with a global distribution network. All seven product lines were operational for the full year, and business was originated and written in all seven of the group's global underwriting agency hubs. Critically, syndicated capital structures (where third party capacity is deployed alongside syndicate 1609) were deployed for all lines in all territories. Mosaic now employs over 150 full time staff in eight cities, two thirds of whom are underwriters.

The broad macro trends in inflation and interest rates were the source of the greatest deviation from plan during the year, given they resulted in historically low volumes of M&A transactions globally. This resulted in less business being written in the Transactional Liability division than was planned, as the team managed an increasingly competitive market landscape. Elsewhere across the syndicate, execution was broadly in line with plan in terms of volume, and rate adequacy was stronger than plan for all lines. There were higher levels of competition than anticipated in both Cyber and Financial Institutions, which resulted in reductions to the SBF GWP limitations for each as risk selection was prioritized over volume.

Business is underwritten on behalf of the syndicate by Mosaic owned service companies via delegated Service Company Agreements, as well as a small number of third party delegated underwriting authorities. Growth in premium was primarily driven by the successful, additional contribution of the new distribution hubs in Canada, Dubai, Germany and Singapore, as well as a very strong first full twelve months for the Environmental Liability team. Thus far, the syndicate's actual incurred claims experience to date remains favorable to the expected incurred development for all three years of account.

The 2021 year of account is the first to be closed for the syndicate via RITC. The result was a net combined ratio of 99.0% versus the SBF plan of 95.8%, which yielded a total recognized gain of £2.14m. The deviation from plan is driven by greater expense costs in a high inflation environment, as well as the impact of a tighter reinsurance market than planned. Incurred experience to date is 13.1% better than expected in terms of the GULR, which is currently forecast to be only 2% favourable to plan at 49.6%.

The 2022 year of account has moved adversely to plan during the last twelve months, with a forecast net combined ratio of 101.5% resulting in a total recognized loss of £2.88m. This movement was primarily driven by claims movements in Transactional Liability and Environmental that appear to suggest faster development than initially expected.

At this early stage, the 2023 year of account is forecast to produce a net combined ratio of 92.3% versus a SBF plan of 92.6%.

Looking ahead to 2024, Mosaic anticipate growing the GWP for the agency by 30% from 2023, versus an approved growth level for the syndicate of 10%, reflecting a higher proportional share of business being written on behalf of third parties. Notwithstanding an expectation of moderate to high levels of competition as the market comes off the back of a period of extremely strong rate adequacy in some lines of business, the growth is primarily driven by an expectation of a return to normal M&A volumes globally towards the middle of the year, as well as increased maturity and penetration in the group's newer distribution channels. This will be the first year that all of the core infrastructure, being people, capacity structures and geographic footprint, has been in place ahead of 01/01, giving the teams the tools they need to execute the plan in the year ahead.

A.C.G.Mackay

Managing Agent's Report

The Syndicate's Managing Agent (The Agency) is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2023.

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

Results

The total recognised result for calendar year 2023 is a profit of $7,577,640 (2022: Loss of $8,028,335).

The Syndicate presents its results under FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS 103.

Principal activity and review of the business

This is the third year of the Syndicate’s operations. The Syndicate’s principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd’s market.

The Syndicate writes Cyber, Financial Lines, Political Risk, Political Violence, Professional Lines, and Transactional Liability.

A full review is included in the Active Underwriter’s Report.

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

	2023 $’000	**2022 $’000**
Political Risk	33,020	14,297
Terrorism	(1,407)	12,830
Cyber	41,696	35,556
Financial Institutions	32,697	31,382
M&A	(3,161)	10,340
Professional Indemnity	78	10,266
Environmental	28,523	8,349
Political Violence	37,779	12,861
Professional Liability	52,805	36,531
Transactional Liability	67,325	48,491
	289,355	220,903

Managing Agent's Report continued

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

	2023 $'000	2022 $'000
Gross written premiums	289,355	220,903
Profit/ (Loss) for the financial year	7,578	(8,028)
Combined ratio*	101.2%	105.1%

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

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

	2023 YOA Open	2022 YOA Open	2021 YOA Closed
Capacity ($'000)	261,187	215,900	120,000
Forecast Result ($'000)	21,067	634	2,650
Forecast return on capacity (%)	8.1%	0.3%	2.2%

Principal risks and uncertainties

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

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate Board manages insurance risk through challenge and oversight of the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate Board then monitors performance against the business plan and the aggregation of risk through exposure management reporting through the year. The Syndicate Board considers any proposed underwriting that impacts the syndicate's ESG profile to ensure consistency with the agreed ESG approach. Reserve adequacy is monitored through quarterly review by the Asta Actuarial team and the Reserving Committee.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate policy is to only use approved reinsurers, supported by collateralisation where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy. The syndicate may also be exposed to broker credit risk, in particular where risk transfer arrangements are in place.

Market risk

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

Liquidity risk

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

While the Syndicate sits in a net liability position, management are happy that this is driven by early expense vs long tail earning patterns. The Syndicate ultimate forecast is a profit on both years of account.

The Syndicate has in place a $20m shock loss facility and $5m working capital facility with Mosaic Insurance Holding Limited, of which, $4.6m has been utilised in 2023 (2022: $4.3m).

Operational Risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through a robust operational risk and control framework including detailed procedure manuals and, a thorough training programme. This is underpinned by a structured programme of testing of processes and systems by internal audit, who serve as an independent line of assurance, reporting directly to the Chair of the Agency Audit Committee. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

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

The Syndicate has no appetite for failing to adhere to the requirements of the FCA Consumer Duty regulations and continues its focus on ensuring that it is treating customers fairly. The Syndicate manages and monitors consumer duty risk through a suite of risk indicators and reporting metrics as part of its documented consumer duty risk framework. The consumer duty risk framework is consistently applied across all Asta syndicates and is overseen by the Conduct Oversight Group (COG), which is an AMA Board Committee that includes a non-executive director as a member who fulfils the role of Consumer Duty Champion.

Group / strategic risk

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

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

Future developments

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

The capacity for the 2024 year of account is $261m (2023 year of account $216m).

Environmental, Social and Governance (ESG)

The Syndicate has an ESG policy in place, which was submitted to Lloyd's alongside the 2023 Business plan. The policy was aligned to Lloyd's ESG guidance from October 2021. In November 2023, Lloyd's launched a consultation on their roadmap for "Insuring the transition", setting out their proposed approach for the next three years across all areas of sustainability for the market, including underwriting, investments, exposure management, capital and reserving. During 2024, the Syndicate ESG policy will be reviewed and developed against the roadmap, including the development of management information for ongoing monitoring and action, where required.

Syndicate 1609 has also defined an ESG strategy which defines its overall strategy statement, principles and specific approach to Underwriting and Investments.

Managing the Financials Risks of Climate change

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

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

Asta continue on an ongoing basis to monitor against regulatory guidance and expectations, as it is released, on managing the financial risks of climate change.

Managing Agent's Report continued

Emerging Risks

An emerging risk or opportunity is defined as "a developing issue, triggered externally, with the potential to have a significant business impact but which may not be sufficiently understood or accounted for". The business impact in this case could represent a downside risk or an upside opportunity. Emerging risks and opportunities include:

- Syndicate insurable risks, as areas of potential future losses or new product offerings;
- Those risks that may affect a syndicate's ability to carry out normal business operations and/or lead to unplanned significant costs/income;
- Both new risks and those which are re-emerging in a new context.

The Agency and Syndicate continue to monitor the impact of emerging risks on syndicate business, taking into account their impacts on the strategic direction of the syndicate. Monitoring takes place in various forums, including the Asta Emerging Risks and Opportunities Group ("EROG") which meets quarterly and considers emerging risks and opportunities from both an internal and external lens. Specific areas of focus over the external environment across the year at Syndicate and Asta level include:

- The geopolitical landscape from a tension and broader political risk impact, including any exposures stemming from regional conflicts (e.g. Russia - Ukraine conflict).
- The heightened inflationary environment and subsequent volatility surrounding inflation risk. This has also been considered by the Syndicate within their annual business planning process and reserve reviews.

2024 will see a significant proportion of the world go to the polls in elections including both in the UK and US, which may see changes of government on both sides of the Atlantic. Knock-on impacts from worldwide elections in 2024 may impact geopolitical stability in the wider world as well as having more regional social impacts.

Directors

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

C N Griffiths	Resigned 28 February 2023
S Bradbury	Appointed 22 May 2023
A J Hubbard	Resigned 30 June 2023

Disclosure of Information to the Auditor

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

Managing Agent's report continued

Independent Auditor

The Managing Agent intends to reappoint PricewaterhouseCoopers LLP as the Syndicate's auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members within 21 days notice.

On behalf of the Board

C V Barley
Director
27 February 2024

Statement of Managing Agent's Responsibilities

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

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

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

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

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

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

Independent auditor’s report

Independent Auditors’ Report to the Members of Syndicate 1609

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, 1609’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 Syndicate Annual Report and Accounts (the “Annual Report”), which comprise: the statement of financial position as at 31 December 2023; the income statement,the statement of cash flows, and the statement of changes in members’ balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 7, 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 controls, including potential management bias in significant accounting estimates, particularly in relation to claims incurred but not reported, estimated premium income and the posting of inappropriate journals. Audit procedures performed by the engagement team included:

- Discussions with the Board, management, and the compliance function of the Managing Agent, including consideration of known or suspected instances of non-compliance with laws and regulation, and fraud;

- Inspecting the meeting minutes of the Syndicate Board and Reserve Committee meetings;

- Inspecting key correspondence with the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's in relation to compliance with laws and regulations;

- Identifying and testing journal entries based on a risk criteria;

- Testing and challenging where appropriate the assumptions and judgements made by management in their significant accounting estimates, particularly in relation to the estimation of claims incurred but not reported and the estimation of estimated premiums income; 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. 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 members 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.

Siobhan Byrne (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2023

Income statement

Technical account - General business

For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Gross premiums written	3	289,355	220,903
Outward reinsurance premiums		(75,857)	(63,485)
Net written premiums		213,498	157,418
Change in the provision for unearned premiums			
Gross amount		(44,009)	(79,617)
Reinsurers' share		9,004	20,879
	4	(35,005)	(58,738)
Earned premiums, net of reinsurance		178,493	98,680
Allocated investment return transferred from the non-technical account		2,456	348
Claims paid			
Gross amount		(16,822)	(348)
Reinsurers' share		1,528	5
		(15,294)	(343)
Changes in the provision for claims outstanding			
Gross amount		(111,410)	(72,102)
Reinsurers' share		25,735	19,245
	4	(85,675)	(52,857)
Claims incurred, net of reinsurance		(100,969)	(53,200)
Net operating expenses	5	(79,587)	(50,504)
Balance on technical account – general business		393	(4,676)

All the amounts above are in respect of continuing operations.

The notes on pages 19 to 44 form part of these financial statements.

Income statement continued

Non-technical account - General business

For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Balance on technical account – general business		393	(4,676)
Investment income	9	2,456	348
Allocated investment return transferred to the general business technical account	9	(2,456)	(348)
Exchange gains and (losses)		7,185	(3,352)
Profit/ (Loss) for the financial year		7,578	(8,028)

All the amounts above are in respect of continuing operations. There were no recognised gains and losses in the year other than those reported in the Income Statement and hence no Statement of Other Comprehensive Income has been presented.

Statement of changes in Members' balances

For the year ended 31 December 2023

	2023 $'000	2022 $'000
Members' balances brought forward at the beginning of the year/period	(26,631)	(18,603)
Profit/ (Loss) for the financial year	7,578	(8,028)
Members' agent's fees	(206)	-
Members' balances carried forward at 31 December	(19,259)	(26,631)

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

The notes on pages 19 to 44 form part of these financial statements.

Statement of financial position

As at 31 December 2023

	Notes	2023 $'000	2022 $'000
Assets			
Investments			
Short-term deposits with financial institutions	10	57,473	32,570
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	49,190	39,981
Claims outstanding	4	49,746	23,470
		98,936	63,451
Debtors			
Debtors arising out of direct insurance operations	11	119,242	60,144
Debtors arising out of reinsurance operations	12	75,790	38,302
Other debtors		481	234
		195,513	98,680
Cash and other assets			
Cash at bank and in hand	15	40,975	25,352
Other assets	10	5,853	4,608
		46,828	29,960
Prepayments and accrued income			
Deferred acquisition costs	4	47,142	37,141
Other prepayments and accrued income		163	716
		47,305	37,857
Total assets		446,055	262,518

The notes on pages 19 to 44 form part of these financial statements.

Statement of financial position continued

As at 31 December 2023

	Notes	2023 $'000	2022 $'000
Members' balances and liabilities			
Capital and reserves			
Members' balances		(19,259)	(26,631)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	208,907	160,879
Claims outstanding	4	202,410	88,843
		411,317	249,722
Creditors			
Creditors arising out of direct insurance operations	13	130	64
Creditors arising out of reinsurance operations	14	45,319	30,703
Other creditors		3,633	4,329
		49,082	35,096
Accruals and deferred income		4,915	4,331
Total liabilities		465,314	289,149
Total members' balances and liabilities		446,055	262,518

The notes on pages 19 to 44 form part of these financial statements.

The financial statements on pages 14 to 18 were approved by board of directors on 22 February 2024 and were signed on its behalf by:

R P Barke
Director
27 February 2024

Statement of cash flows

For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Cash flows from operating activities			
Profit/ (Loss) for the financial year		7,372	(8,028)
Increase in gross technical provisions		161,595	151,726
(Decrease) in reinsurers' share of gross technical provisions		(35,485)	(40,299)
(Increase) in debtors		(96,833)	(43,865)
Increase in creditors		13,986	1,562
Movement in other assets/liabilities		(10,108)	(21,545)
Changes to Market value and currency		-	-
Investment Return		(2,456)	(348)
Net cash inflow from operating activities		38,071	39,203
Cash flows from investing activities			
Investment income received		2,456	348
Net cash inflow from investing activities		2,456	348
Cash flows from financing activities			
Members Balance		(211)	-
Net cash outflow from financing activities		(211)	-
Net Increase in cash and cash equivalents		**40,316**	**39,551**
Cash and cash equivalents at beginning of year		57,922	21,453
Exchange differences on opening cash		210	(3,082)
Cash and cash equivalents at end of year	15	**98,448**	**57,922**

Notes to the financial statements

For the year ended 31 December 2023

1. Basis of preparation

Statement of compliance

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

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The financial statements are prepared in USD which is the functional and presentational currency of the Syndicate and rounded to the nearest $'000.

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

2. Accounting policies

Use of estimates

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

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

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not (value seen in note 4). This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

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

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

Accounting policies continued

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

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

Significant accounting policies

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

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them. The value of premium yet to be signed is $208.2m.

Reinsurance premiums

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

Claims incurred

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

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

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

Accounting policies continued

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

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

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

Provisions for unearned premiums

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

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

Unexpired risks

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

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

At 31 December 2023 the Syndicate did not have an unexpired risk provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document, and indirect costs, such as the administrative expenses connected with the processing of proposals and the issuing of policies.

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

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

Accounting policies continued

Reinsurance assets

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

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2023.

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

Insurance receivables

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

Insurance receivables are de-recognised when the de-recognition 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 effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

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

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

Exchange differences are recorded in the non-technical account.

Accounting policies continued

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

	2023 Year End	2022 Year End
GBP	0.79	0.83
CAD	1.32	1.36
EUR	0.91	0.94
AUD	1.47	1.48
SGD	1.32	1.34

Financial assets and liabilities

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

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

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

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

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

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

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

Accounting policies continued

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

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

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

Investment return

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

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

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

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investments disposed of in the current period.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

Cash and cash equivalents

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

Accounting policies continued

Fair value measurement of investments

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

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

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

- Bonds have been valued at fair value using bid prices in an active market.

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

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.

- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.

- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.

- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

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

Taxation

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

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

Profit commission

Profit commission is charged by the managing agent at a rate of 6% on less than $12m, 3.5% on $12m-$24m and 2% above $24m of profit subject to the operation of a two year deficit clause. Such commission is recognised when the year of account becomes profitable but does not become payable until after the appropriate year of account closes normally at 36 months.

Accounting policies continued

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Syndicate operating expenses

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

3. Particulars of business written

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

2023	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Direct insurance:						
Fire and other damage to property	17,862	15,881	(6,671)	(4,846)	(2,619)	1,745
Third-party liability	197,879	183,388	(103,037)	(60,640)	(30,822)	(11,111)
	215,741	199,269	(109,708)	(65,486)	(33,441)	(9,366)
Reinsurance:	73,614	46,077	(18,524)	(14,101)	(6,149)	7,303
Total	289,355	245,346	(128,232)	(79,587)	(39,590)	(2,063)

2022	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Direct insurance:						
Fire and other damage to property	11,940	6,618	(3,315)	(2,337)	(1,117)	(151)
Third-party liability	166,543	112,699	(58,337)	(40,939)	(18,618)	(5,195)
	178,483	119,317	(61,652)	(43,276)	(19,735)	(5,346)
Reinsurance:	42,420	21,969	(10,798)	(7,228)	(3,621)	322
Total	220,903	141,286	(72,450)	(50,504)	(23,356)	(5,024)

Commissions on direct insurance gross premiums written during 2023 were $47.4m (2022: $43.2 million).

All premiums were concluded in the UK.

4. Technical provisions

	2023		
	Gross provisions	Reinsurance assets	Net
	$'000	$'000	$'000
Claims outstanding			
Balance at 1 January	88,843	(23,470)	65,373
Change in claims outstanding	111,410	(25,735)	85,675
Effect of movements in exchange rates	2,157	(541)	1,616
Balance at 31 December	**202,410**	**(49,746)**	**152,664**
Claims notified	20,421	(3,721)	16,700
Claims incurred but not reported	181,989	(46,025)	135,964
Balance at 31 December	**202,410**	**(49,746)**	**152,664**
Unearned premiums			
Balance at 1 January	160,879	(39,981)	120,898
Change in unearned premiums	44,009	(9,004)	35,005
Effect of movements in exchange rates	4,019	(205)	3,814
Balance at 31 December	**208,907**	**(49,190)**	**159,717**
Deferred acquisition costs			
Balance at 1 January	37,141	(3,921)	33,220
Change in deferred acquisition costs	9,109	(49)	9,060
Effect of movements in exchange rates	892	(90)	802
Balance at 31 December	**47,142**	**(4,060)**	**43,082**

	2022		
	Gross provisions	Reinsurance assets	Net
	$'000	$'000	$'000
Claims outstanding			
Balance at 1 January	16,299	(4,086)	12,213
Change in claims outstanding	72,102	(19,245)	52,857
Effect of movements in exchange rates	442	(139)	303
Balance at 31 December	**88,843**	**(23,470)**	**65,373**
Claims notified	3,605	(111)	3,494
Claims incurred but not reported	85,238	(23,359)	61,879
Balance at 31 December	**88,843**	**(23,470)**	**65,373**
Unearned premiums			
Balance at 1 January	81,697	(19,066)	62,631
Change in unearned premiums	79,617	(20,879)	58,738
Effect of movements in exchange rates	(435)	(36)	(471)
Balance at 31 December	**160,879**	**(39,981)**	**120,898**
Deferred acquisition costs			
Balance at 1 January	18,357	(1,304)	17,053
Change in deferred acquisition costs	18,914	(2,588)	16,326
Effect of movements in exchange rates	(130)	(29)	(159)
Balance at 31 December	**37,141**	**(3,921)**	**33,220**

5. Net operating expenses

	2023	2022
	$'000	$'000
Acquisition costs	(70,342)	(52,120)
Change in deferred acquisition costs	9,109	18,914
RI acquisition costs	10,644	9,090
Change in RI deferred acquisition costs	(49)	(2,588)
Administration expenses	(28,949)	(23,800)
Net operating expenses	(79,587)	(50,504)

Members' standard personal expenses amounting to $4.0m (2022: $6.5m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission.

6. Staff costs

	2023	2022
	$'000	$'000
Service company recharge	(6,085)	(8,105)
	(6,085)	(8,105)

Salaries are bulk recharged from Mosaic entities and as such are not separately identifiable.

The above expenses have been recharged from Mosaic Service company entities in relation to staff costs for individuals who support the Syndicate.

Staff costs incurred by the Managing Agent, Asta Managing Agency Ltd form part of the Time and Material fee, see Note 16. Asta Staff work across numerous Syndicates and therefore it is not possible to disclose the average employee information.

7. Auditors' remuneration

	2023	2022
	$'000	$'000
Audit of the Financial statements	(314)	(277)
Other services pursuant to Regulations and Lloyd's Byelaws	(43)	(42)
Other services relating to actuarial review	(99)	(81)
	(456)	(400)

Auditors' remuneration is included as part of the administration expenses in note 5 to the financial statements.

8. Emoluments of the directors of Asta Managing Agency Ltd

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

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

No other compensation was payable to key management personnel. The Active Underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2023	2022
	$'000	$'000
Active Underwriter's emoluments	(585)	(588)
	(585)	(588)

9. Investment return

	2023	2022
	$'000	$'000
Other interest and similar income	2,318	348
Income on overseas deposits	138	-
Total investment return	2,456	348
Average amount of funds available for investing during the year the table below is shown in respective currency:		
Sterling	17,569	11,896
United States dollars	37,557	21,190
Canadian dollars	10,203	3,000
Euros	10,028	3,093
Australian dollars	2,603	753
Singapore dollars	157	55
South African rand	1,388	320
Combined in United States dollars	80,619	41,529

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each quarter during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate. Income from financial investments is all interest income, there is no dividend income.

10. Financial investments

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

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 December 2023				
Shares and other variable yield securities and units in unit trusts	57,473	-	-	57,473
Overseas deposits	3,083	2,770	-	5,853
Total	60,556	2,770	-	63,326

	Level 1	Level 2	Level 3	Total
	$'000	$'000	$'000	$'000
31 December 2022				
Shares and other variable yield securities and units in unit trusts	32,570	-	-	32,570
Overseas deposits	3,076	1,532	-	4,608
Total	35,646	1,532	-	37,178

Shares and other variable yield securities and units in unit trusts have been restated from level 2 to level 1 due to reanalysis of the asset behaviour.

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

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

11. Debtors arising out of direct insurance operations

	2023	2022
	$'000	$'000
Due from intermediaries (within one year)	119,242	60,144
	119,242	60,144

12. Debtors arising out of reinsurance operations

	2023	2022
	$'000	$'000
Due from intermediaries (within one year)	75,789	38,302
Due from intermediaries (after one year)	1	-
	75,790	38,302

13. Creditors arising out of direct insurance operations

	2023	2022
	$'000	$'000
Direct Business - Intermediaries (within one year)	130	64
	130	64

14. Creditors arising out of reinsurance operations

	2023	2022
	$'000	$'000
Reinsurance ceded (within one year)	45,319	30,703
	45,319	30,703

15. Cash and cash equivalents

	2023	2022
	$'000	$'000
Cash at bank and in hand	40,975	25,352
Short-term deposits with financial institutions	57,473	32,570
	98,448	57,922

16. Related parties

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

Asta provides services and support to Syndicate 1609 in its capacity as Managing Agent. During the year, Managing Agency Fees of $1.8m (2022: $1.6m) were charged to the Syndicate. Asta also recharged $3.5m (2022: $2.5m) of service charges in the year and as at 31 December 2023 an amount of $0m (2022: $0.2m) was owed to Asta in respect of this service. Syndicate staff are employed and paid by a service company, Asta Management Services Limited.

During the year, $14.5m (2022: $12.7m) of admin expenses were charged to the Syndicate from Mosaic entities ($8.2m Mosaic Insurance Holding Limited, $3.3m Mosaic Syndicate Services Limited, $2.8m Mosaic Services US LLC). A working capital facility of $4.6m (2022: $4.3m) was also utilised by the Syndicate from Mosaic. As at 31 December 2023, $3m (2022: $4.3m) was owed to Mosaic entities in respect of admin expense recharges.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on normal market conditions.

17. Disclosure of interests

Managing Agent's interest

During 2023 Asta was the Managing Agent for twelve Syndicates, one Special Purpose Arrangements and five Syndicates in a Box. Syndicate 1322, 1609, 1699, 1892, 1985, 1988, 2288, 2525, 2689, 2786, 4242, and 4747 as well as Special Purpose Arrangements 1416 and Syndicates in a Box 1796, 1902, 2880, 3456 and 5183 were managed on behalf of third party capital providers.

On 1 January 2024, Asta took on the management of Syndicate 1922.

On 1 January 2024, Asta reinsured to close Syndicate 2288 into Renaissance Re Syndicate 1458.

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

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

18. Funds at Lloyd's

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

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

19. Off-balance sheet items

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

20. Risk management

a) Governance framework

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

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

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

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

Risk management continued

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 1609 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 Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the member's balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 16, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

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

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

Risk management continued

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on a proportional and non-proportional basis. The reinsurance is designed to mitigate the Syndicate's net exposure to large losses.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

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

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

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

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the RDS on the Syndicates in-force exposure at 31 December 2023.

	Estimated Gross loss	Estimated Net loss
	$'000	**$'000**
Terrorism - Rockefeller Center	80,000	5,000
Alternative RDS A	75,000	5,000
Alternative RDS B	30,000	7,050
Liability - Internal Scenario 1	40,000	10,000
Liability - Internal Scenario 2	40,000	10,000
Cyber - Major Data Security Breach	56,000	16,000
Terrorism - One World Trade Center	75,000	5,000
Cyber - Blackout II	20,000	10,000
Cyber - Ransomware Contagion	40,000	10,000
Cyber - Cloud Cascade	32,000	10,000

Risk management continued

Key assumptions

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

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

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes 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 net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

2023	**Five Percent increase**	**Five Percent decrease**
Gross	**$’000**	**$’000**
Claim liabilities	10,121	(10,121)
Net		
Claim liabilities	7,633	(7,633)

2022	**Five Percent increase**	**Five Percent decrease**
Gross	**$’000**	**$’000**
Claim liabilities	(4,442)	4,442
Net		
Claim liabilities	(3,269)	3,269

Concentration risk

The Syndicate writes a diverse book of business predominately within Cyber, Financial Lines, Political Risk, Political Violence, Professional Lines, and Transactional Liability business through the UK Lloyds platform. The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Risk management continued

Claims development table

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

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

Gross Claims development table

Underwriting year	2021	2022	2023
	$'000	$'000	$'000
Estimate of cumulative gross claims incurred:			
At end of first underwriting year	16,028	57,866	66,700
One Year Later	32,794	108,475	
Two Years Later	44,451		
Less cumulative gross paid	(7,525)	(9,650)	(41)
Liability for gross outstanding claims (all years)	36,926	98,825	66,659
Total gross outstanding claims (all years)		**202,410**	

Net Claims development table

Underwriting year	2021	2022	2023
	$'000	$'000	$'000
Estimate of cumulative net claims incurred:			
At end of first underwriting year	12,002	45,257	54,122
One Year Later	21,579	80,139	
Two Years Later	34,086		
Less cumulative net paid	(7,432)	(8,210)	(41)
Liability for net outstanding claims (all years)	26,654	71,929	54,081
Total net outstanding claims (all years)		**152,664**	

Risk management continued

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

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

1) Credit risk

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

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

- Investment guidelines are established setting out the quality of investments to be included within the Syndicate’s portfolio. The policy is monitored by the Investment Committee and/or Syndicate Board.

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

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.

Risk management continued

2023	$'000			
	Neither past due or impaired	**Past due but not impaired**	**Impaired**	**Total**
Shares and other variable yield securities	57,473	-	-	57,473
Debt Securities	-	-	-	-
Overseas Deposits	5,853	-	-	5,853
Reinsurers share of claims outstanding	49,746	-	-	49,746
Debtors arising out of direct insurance operations	119,242	-	-	119,242
Debtors arising out of reinsurance insurance operations	105	-	-	105
Other debtors	166,942	5,719	-	172,661
Cash at bank and in hand	40,975	-	-	40,975
Total	440,336	5,719	-	446,055

2022	$'000			
	Neither past due or impaired	**Past due but not impaired**	**Impaired**	**Total**
Shares and other variable yield securities	32,570	-	-	32,570
Debt Securities	-	-	-	-
Overseas Deposits	4,608	-	-	4,608
Reinsurers share of claims outstanding	23,470	-	-	23,470
Debtors arising out of direct insurance operations	60,144	-	-	60,144
Debtors arising out of reinsurance insurance operations	5	-	-	5
Other debtors	116,369	-	-	116,369
Cash at bank and in hand	25,352	-	-	25,352
Total	262,518	-	-	262,518

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2023 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

Risk management continued

2023				$'000			
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	57,473	-	-	-	57,473
Debt Securities	-	-	-	-	-	-	-
Overseas Deposits	1,354	170	206	167	94	3,862	5,853
Reinsurers share of claims outstanding	-	43,252	6,494	-	-	-	49,746
Debtors arising out of reinsurance operations	-	-	105	-	-	-	105
Cash at bank and in hand	-	-	40,975	-	-	-	40,975
Total	1,354	43,422	105,253	167	94	3,862	154,152

2022				$'000			
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	32,570	-	-	-	32,570
Debt Securities	-	-	-	-	-	-	-
Overseas Deposits	3,375	655	256	236	57	29	4,608
Reinsurers share of claims outstanding	-	-	23,470	-	-	-	23,470
Debtors arising out of reinsurance operations	-	-	5	-	-	-	5
Cash at bank and in hand	-	-	25,352	-	-	-	25,352
Total	3,375	655	81,653	236	57	29	86,005

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business. During the year, no credit exposure limits were exceeded.

2) Liquidity risk

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

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

Risk management continued

2023			$'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	38,425	68,675	41,431	53,879	202,410
Creditors	-	49,082	-	-	-	49,082
Total	-	87,507	68,675	41,431	53,879	251,492

2022			$'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Claims outstanding	-	15,863	29,330	18,809	24,841	88,843
Creditors	-	35,096	-	-	-	35,096
Total	-	50,959	29,330	18,809	24,841	123,939

3) Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

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 USD and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

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

2023			$'000				
	GBP	USD	EUR	CAD	AUD	OTH	Total
Total Assets	81,975	275,033	66,215	22,211	554	67	446,055
Total Liabilities	(77,807)	(313,960)	(56,516)	(16,439)	(443)	(150)	(465,315)
Net Assets	4,168	(38,927)	9,699	5,772	111	(83)	(19,260)

Risk management continued

2022			$'000				
	GBP	USD	EUR	CAD	AUD	OTH	Total
Total Assets	52,172	172,433	27,929	8,931	988	65	262,518
Total Liabilities	(48,378)	(205,029)	(26,829)	(7,943)	(957)	(13)	(289,149)
Net Assets	3,794	(32,596)	1,100	988	31	52	(26,631)

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

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of US dollar against the value of the Sterling, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31 December 2023.

Impact on profit and members' balance	2023 $'000	2022 $'000
Dollar weakens		
10% against other currencies	1,975	597
20% against other currencies	3,950	1,193
Dollar strengthens		
10% against other currencies	(1,975)	(597)
20% against other currencies	(3,950)	(1,193)

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. Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk. The impact of higher rates of inflation has been considered through explicit allowances on prior underwriting years and is allowed for in forecasts and risk pricing.

The Syndicate has no significant concentration of interest rate risk.

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

c) Price risk

Equity price risk is the risk that the fair value or 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 financial 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 values will fluctuate as a result of changes in market prices, principally investment securities.

There is no significant exposure to equity price risk during the period.

21. Post balance sheet events

The Syndicate will distribute the 2021 Year of Account closing result to members in 2024.