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Syndicate 1947

Annual Report

Year ended
31 December 2022

CONTENTS

SYNDICATE 1947
DIRECTORS AND ADVISERS

Managing Agent

Hamilton Managing Agency Limited

Registered Office

Level 3
8 Fenchurch Place
London
EC3M 4AJ

Registered Number

05832065

Directors

A. J. Baker	Executive
P. J. Barrett (resigned 30 April 2022)	Non-Executive
M. J. Beacham (resigned 28 February 2022)	Independent Non-Executive
M. J. Beane	Independent Non-Executive
A. J. Daws	Executive
K. Forte (appointed 1 November 2022)	Independent Non-Executive
H. M. Goodhew (appointed 2 February 2022; resigned 1 September 2022)	Independent Non-Executive
P. C. F. Haynes	Independent Non-Executive, Chairman
R. S. Vetch	Executive

Company Secretary

P. Longville

Syndicate

Active Underwriter

N. Attwood

Bankers

Citibank N.A.
HSBC
Royal Bank of Canada

Investment Manager

Conning Asset Management Limited

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

The Directors of Hamilton Managing Agency Limited ("HMA") present the Managing Agent's Report for Syndicate 1947 ("the Syndicate") for the year ended 31 December 2022.

Principal Activity

The principal activity of the Syndicate is the underwriting of general insurance and reinsurance business at Lloyd's. The Syndicate commenced underwriting on 1 April 2018.

The Syndicate's allocated capacity for the 2023 year of account is £125.0m. The capacity for the 2022 and 2021 years of account were £147.5m and £125.0m respectively.

Management of the Syndicate

HMA's immediate parent undertaking is Hamilton UK Holdings Limited, a company registered in England and Wales. HMA's ultimate parent company is Hamilton Insurance Group, Ltd (collectively with its subsidiaries, "the Hamilton Group"), a company registered in Bermuda.

Capital to support the underwriting of the Syndicate is provided by GIC Re, India, Corporate Member Limited, which is ultimately owned by General Insurance Corporation of India ("GIC").

Business of the Syndicate

The Syndicate is a provider of specialist insurance and reinsurance products. Property – Domestic and Agriculture classes relate to the inwards cession of domestic Indian business from GIC.

During the 2022 financial year gross written premium by product area was as follows:

	2022 **£000**	**2021** **£000**
Property – London Market	83,691	48,047
Agriculture*	17,882	12,203
Personal Lines	21,926	23,587
Property - Domestic*	(76)	10,203
Specialty	50,489	23,811
Space	3,474	3,264
Total	177,386	121,115

* Cession from GIC.

Further details of the product areas are provided below.

Property – London Market

This comprises Property D&F and Property Treaty portfolios. The Property D&F portfolio is written to achieve a blend and balance of both excess and primary layer, cat and non-cat exposed, across both US and international portfolios. The business written is predominantly open market, with two binding authorities written during 2022 (2021: two).

The Property Treaty portfolio is written worldwide but the main exposures are very much US weighted, driven by the catastrophe covers purchased by US cedants and, to a lesser extent, on direct and facultative accounts written in London.

Agriculture

This book of business relates to The Prime Minister's Agriculture Insurance Scheme ("PMFBY"). The Syndicate writes a proportional treaty reinsurance of the GIC Re portfolio of Indian domestic agriculture insurance companies.

Personal Lines

This business line relates to a quota share cession in relation to risks across a diversified portfolio, covering homeowners, motor, liability, collections and yacht exposures. The portfolio focuses on ultra-high net worth US clients.

Business of the Syndicate (continued)

Property – Domestic

For 2022 the business ceded from GIC Re Mumbai was restricted to the Indian agriculture portfolio. This covered domestic insurers writing the underlying state backed scheme. Prior to 2022, the Syndicate also participated on a quota share protecting large property risks for Indian domestic exposures as well as a selection of treaty business protecting Indian domestic insurers.

Specialty

This product area comprises:

- A Specialty Reinsurance portfolio including worldwide terrorism and complimented by a range of specialty Marine contracts.
- Participation in a UK motor reinsurance consortium.
- Quota share of niche PA risks.
- A proportional casualty portfolio consisting of blue chip insurers writing a broad and diversified portfolio.

Space

This product is written via a Lloyd's consortium arrangement which comprises both launch and in-orbit risks.

Review of Financial Performance

The Syndicate's key financial indicators are as follows:

	2022	**2021**
	£000	**£000**
Syndicate capacity	147,500	125,000
Gross written premium	177,386	121,115
Profit/(loss) for the financial year	5,925	(12,663)
Combined ratio (being total of net loss ratio and net expense ratio)	93.6%	116.2%
Investments, cash and deposits	101,200	46,991

The Syndicate reports a profit for the year of £5.9m (2021: loss of £12.7m), reflecting favourable claims experience. On an ultimate basis, the 2020 year of account has closed at a profit of £0.7m.

The current inflationary environment impacted the Syndicate's results and is reflected in the reserving results, as well as leading to short-term volatility in investment returns.

Gross Written Premiums

The Syndicate reports gross written premium for the financial year of £177.4m (2021: £121.1m). This is in line with the plan for the year and reflects an increase on 2021, due to a significant increase in premium written on the Property, Agriculture and Specialty lines of business.

Claims Incurred

The net loss ratio improved to 69% (2021: 87%). The catastrophe loss ratio for the year has improved, despite exposure to Hurricane Ian. The syndicate has limited exposure to the conflict in Ukraine, with ultimate losses currently estimated to be £1.5m.

Balance Sheet

Syndicate assets have increased by £80.2m to £223.4m (2021: £143.2m) and the total liabilities have increased by £72.8m to £246.1m (2021: £173.3m). The increase in both assets and liabilities is due to continued growth in size of the Syndicate.

Future Prospects

The stamp capacity has reduced by £22.5m (or 15.3%) to £125.0m for 2023. This reflects the withdrawal from the personal lines class of business.

As the inflationary environment is expected to continue, the Syndicate is exposed to additional insurance and market risks, which management consider within its overall risk framework.

Research and Development

The Syndicate has not participated in any research and development activity during the period.

Staff Matters

HMA believes that its staff members are key to its success and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. There have been no significant injuries to staff in the workplace during the year or any significant actions taken by any regulatory bodies regarding staff matters. Human resources' key performance indicators are reviewed periodically by committees of the Board, and all such indicators are in line with the expectations of the Directors.

HMA has entered into a service agreement with Hamilton UK Services Limited to provide services in relation to its role as managing agent, including for Syndicate 1947. HMA and Hamilton UK Services Limited are both wholly owned subsidiaries of Hamilton UK Holdings Limited.

The Board ensures that the interests of its staff members are appropriately considered when making decisions. In 2022 this included:

- A comprehensive Performance Management process (including peer feedback and consistency meetings)
- Regular Employee Town Halls where senior management facilitated discussion on key business developments in an open forum, complemented by frequent email and MS Teams-based communication
- Two staff engagement surveys with appropriate follow up action taken
- An active Diversity & Inclusion Forum, including communications on days of recognition
- Introduction of a comprehensive learning & development programme including training for staff members on various topics such as software, leadership, management, soft skills and occupational-specific training

HMA is committed to supporting the health and well-being of its staff members and has partnered with a leading online workplace mental health platform as part of its Employee Wellbeing Programme. Hamilton is committed to creating an inclusive workspace where all employees thrive and can bring themselves to work. HMA embraces all backgrounds, perspectives, experiences and talents – without discrimination.

Environmental Matters

HMA is dedicated to being a responsible business and taking care of its community and the environment. HMA's approach is to use its position of strength to create a positive change for the people and communities with which the Company interacts. HMA seeks to leverage its expertise and enable employees to support the surrounding communities.

Business Relationships

HMA is committed to being a conscientious business and doing the right thing for its customers and business partners. The Board recognises that relationships with stakeholders are key to the delivery of the strategy. As such, HMA looks to conduct business with like-minded firms by undertaking the appropriate due diligence to ensure they have good prospects for future and longevity in the market. HMA ensures compliance with all applicable laws and has in place various internal policies, processes and procedures covering all aspects of the business to ensure outcomes of business practice achieve consistently high business and ethical standards. These policies, procedures and processes are reviewed and renewed, where applicable, regularly.

Business Conduct

The Board recognises that a commitment to a high standard of business conduct is critical to the delivery of the strategy and aspires to complete honesty and transparency in all activity. Among key documents reviewed and approved by the Board annually are the Conduct Management Framework, Whistleblowing Policy, Financial Crime Prevention Policy, and the Code of Conduct & Ethics. The Board further monitors conduct management at each meeting and is committed to maintaining high ethical standards.

Regulators

HMA has transparent communication with its key regulators which is facilitated through the compliance team. Any significant regulatory engagements are reported to the Board of HMA.

Principal Risks and Uncertainties

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. HMA has established a Risk Committee which meets at least quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. An Own Risk and Solvency Assessment ("ORSA") report is completed annually and reviewed on a quarterly basis. The ORSA is used to monitor changes in the risk profile of HMA and to ensure that HMA meets its current and future capital requirements. The principal risks and uncertainties facing the Syndicate are set out in note 2 to the Annual Report.

Directors and Officers Serving During the Year

The Directors who served during the year ended 31 December 2022 and up to the date of this report (and the current Company Secretary) are detailed on page 3.

Going Concern Basis

These financial statements are prepared on a going concern basis. Further details on this are set out in note 1 to the Annual Report.

Annual General Meeting

The Directors do not propose to hold an annual general meeting for the Syndicate.

Auditor

Ernst & Young LLP has signified its willingness to continue in office as auditor.

Disclosure of Information to the Auditor

The Directors who held office at the date of the approval of this Managing Agent's Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Syndicate's auditor is unaware and each director has taken all the steps that he ought to have taken as director to make himself aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Board Approval

Approved by order of the Board of Hamilton Managing Agency Limited.

A. J. Daws
Chief Executive Officer
24 February 2023

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the Syndicate Annual Accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations) require the managing agent to prepare Syndicate Annual Accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate annual accounts 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 Syndicate Annual Accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the 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 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 2008 Regulations. 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's website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 1947

Opinion

We have audited the syndicate annual accounts of Syndicate 1947 ('the Syndicate') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 18, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the Syndicate's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for a period of 12 months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the Syndicate's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report as set out on pages 4 to 7, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report. Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the Syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the Syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the Syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the Syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

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

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The Syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The fraud risk was considered to be higher in respect of inadequate reserving for gross claims liabilities and improper revenue recognition in relation to insurance premiums. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

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

Use of our report

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

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
27 February 2023

SYNDICATE 1947
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	177,386	121,115
Outward reinsurance premiums		(30,586)	(23,653)
Net premiums written		146,800	97,462
Change in the provision for unearned premiums			
Gross amount		(1,788)	(17,856)
Reinsurers' share		389	(3,349)
Change in the net provision for unearned premiums		(1,399)	(21,205)
Earned premiums, net of reinsurance		145,401	76,257
Allocated investment return transferred from the non-technical account		(1,564)	(165)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(54,785)	(47,243)
Reinsurers' share		10,104	11,396
Net claims paid		(44,681)	(35,847)
Change in the provision for claims			
Gross amount		(51,874)	(27,885)
Reinsurers' share		(4,295)	(2,921)
Change in the net provision for claims		(56,169)	(30,806)
Claims incurred, net of reinsurance		(100,850)	(66,653)
Net operating expenses	5	(35,276)	(21,970)
Balance on the technical account for general business		7,711	(12,531)
NON-TECHNICAL ACCOUNT			
Investment return	9	(1,564)	(165)
Allocated investment return transferred to the technical account		1,564	165
Foreign exchange losses		(1,786)	(132)
Profit / (loss) for the financial year		5,925	(12,663)
Other comprehensive income		-	-
Total comprehensive income / (loss) for the financial year		5,925	(12,663)

All the amounts above are in respect of continuing operations.

SYNDICATE 1947
STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £000	2021 £000
Balance due from members at 1 January	(30,114)	(23,555)
Profit / (loss) for the financial year	5,925	(12,663)
Other comprehensive income	-	-
Total comprehensive income / (loss) for the financial year	5,925	(12,663)
Transfer from members' personal reserve funds	1,476	6,104
Balance due from members at 31 December	(22,713)	(30,114)

SYNDICATE 1947
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
ASSETS			
Investments			
Financial investments	10	83,119	33,207
Reinsurers' share of technical provisions			
Provision for unearned premiums	13	2,126	1,547
Claims outstanding	13	12,924	15,401
		15,050	16,948
Debtors due within one year			
Debtors arising out of direct insurance operations	12	14,599	11,932
Debtors arising out of reinsurance operations		83,219	56,929
Other debtors		-	2
		97,818	68,863
Other assets			
Cash at bank and in hand		16,189	12,226
Other assets	10	1,892	1,557
		18,081	13,783
Prepayments and accrued income			
Deferred acquisition costs	11	9,038	10,277
Other prepayments & accrued income		288	84
TOTAL ASSETS		223,394	143,162
MEMBERS' BALANCES AND LIABILITIES			
Members' balances		(22,713)	(30,114)
Technical provisions			
Provision for unearned premiums	13	55,493	48,678
Claims outstanding	13	181,515	116,515
		237,008	165,193
Creditors due within one year			
Creditors arising out of reinsurance operations		8,396	5,750
Other creditors	14	551	163
		8,947	5,913
Accruals and deferred income		152	2,170
TOTAL MEMBERS' BALANCES AND LIABILITIES		223,394	143,162

The Syndicate Annual Accounts on pages 12 to 34 were approved by the Board of Hamilton Managing Agency Limited on 24 February 2023 and were signed on its behalf by:

R. S. Vetch
Chief Financial Officer

SYNDICATE 1947

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £000	2021 £000
Cash flow from operating activities		
Operating result	5,925	(12,663)
Adjustments:		
Increase in technical provisions	71,814	45,741
Decrease in reinsurers' share of technical provisions	1,897	2,991
Increase in debtors	(28,956)	(16,563)
Increase / (decrease) in creditors	3,034	(1,883)
Movement in other assets and liabilities	(1,606)	(1,590)
Investment return	1,564	165
Net cash inflow from operating activities	53,672	16,198
Cash flows from investing activities		
Purchase of equity and debt instruments	(66,734)	(27,599)
Sale of equity and debt instruments	14,454	14,836
Investment income received	806	202
Net cash outflow from investing activities	(51,474)	(12,561)
Cash flow from financing activities		
Net distribution	1,476	6,104
RITC net liabilities transfer	-	(19)
Net cash inflow from financing activities	1,476	6,085
Net increase in cash and cash equivalents	3,674	9,722
Cash and cash equivalents at 1 January	12,226	2,768
Foreign exchange on cash and cash equivalents	289	(264)
Cash and cash equivalents at 31 December	16,189	12,226

1. Statement of Accounting Policies

General Information

The Syndicate comprises a single corporate member of the Society of Lloyd's that underwrites insurance and reinsurance business in the London market. The corporate member is GIC Re, India, Corporate Member Limited. The registered address of the corporate member is 40 Lime Street, 3rd Floor, London, United Kingdom, EC3M 7AW.

Compliance with Accounting Standards

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. There were no material departures from those standards.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

The financial statements are presented in pounds sterling, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going Concern Basis

These financial statements are prepared on a going concern basis.

Syndicates by their nature only underwrite for single underwriting years on behalf of their supporting members. However, this is within a context of not finalising results until after 36 months so that typically there are three underwriting years in progress at any given time. In addition, syndicates will normally expect to continue to trade for more underwriting years into the future.

The Syndicate has capacity for the 2023 year of account and is continuing to underwrite. The Syndicate's business activities, together with the factors likely to affect its future development are set out in the Business Review contained within the Managing Agent's Report. In addition, note 2 to the Annual Report provides details of the financial risks the Syndicate is exposed to and how those risks are managed.

The Syndicate has considerable financial resources together with long term relationships with a number of brokers and policyholders across different classes of business and geographical areas. As a consequence, the Directors believe that the Syndicate is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Syndicate has adequate resources including the Funds at Lloyd's of the member supporting the Syndicate (as detailed in note 15) to continue in operational existence for the foreseeable future and for at least 12 months from the date of authorising these accounts for issuance.

Use of Judgements and 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.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

1. Statement of Accounting Policies (continued)

Use of Judgements and Estimates (continued)

Provision for Claims Outstanding

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 financial statements.

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate managing agent's actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in 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 business accepted and assessments of underwriting conditions.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 2.

Estimated Premium Income

For certain insurance contracts, premium is initially recognised based on an estimate. Where premium is sourced through delegated underwriting, the premium estimate is pro-rated across the facility period. This is calculated on a straight-line basis unless the underlying writing pattern is understood to differ materially from this. Underwriters adjust the premium estimates as the year of account matures and after a set period, the premiums are adjusted to match the actual signed premium. These estimates are judgemental and could result in revisions in future accounting periods. The use of expert judgements and historical development patterns are the principle means by which the potential for revisions is minimised.

Basis of Accounting

The underwriting results are determined on an annual basis of accounting. Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance. The significant accounting policies are detailed below.

Premiums Written

Premiums written comprise direct and inwards reinsurance premiums on contracts incepted during the financial year. Premiums are shown gross of brokerage payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified; these estimates are subsequently updated based on underwriting experience and contract performance.

Unearned Premiums

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

Reinsurance Premiums Ceded

Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

1. Statement of Accounting Policies (continued)

<u>Basis of Accounting (continued)</u>

Acquisition Costs

Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date; this is then earned in future periods in line with the associated premium income.

Claims Provisions and Related Recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs.

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and where material reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

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 the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. To the extent we do not believe this to be true in specific areas, adjustments are made by the actuarial team.

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

Unexpired Risks Provision

A provision for unexpired risks is made where claims and related expenses arising 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 cost deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return. As at 31 December 2022 and 31 December 2021, the Syndicate did not have an unexpired risk provision.

Foreign Currencies

The Syndicate's functional and presentation currency is pounds sterling.

Transactions in US dollars, Canadian dollars, Australian dollars, euros and Japanese yen are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

Foreign Currencies (continued)

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisitions costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year are recorded in the non-technical account.

The rates of exchange used to translate foreign currency monetary balances at year end to pounds sterling are as follows:

	31 December 2022	**31 December 2021**
US dollar	1.20	1.35
Canadian dollar	1.63	1.71
Euro	1.13	1.19
Australian dollar	1.77	1.86
Japanese yen	158.7	155.97

Financial Investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

The Syndicate classifies its financial investments as financial assets at fair value through profit or loss (“FVPL”). The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at FVPL, directly attributable transaction costs.

FVPL assets comprise two subcategories: financial assets held for trading and those designated as FVPL at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, where applicable net of outstanding bank overdrafts.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

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. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are held to support underwriting liabilities.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and carrying value. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

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 deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members is gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the Statement of Financial Position under the heading members' balances. No provision has been made for any overseas tax payable by members on underwriting results.

Pension Costs

GIC UK branch operates a defined contribution scheme. Pension contributions relating to seconded staff are charged to the Syndicate and included within net operating expenses.

Profit Commission

Profit commission due from the Syndicate to the managing agent is not payable until after the appropriate year of account closes – typically at 36 months. An accrual is calculated and recognised in the financial statements based on the cumulative earned underwriting results of each year of account.

Profit commission payable to Lloyd's coverholders or producing brokers has been provided for on all years of account and recognised within acquisition costs in the income statement. Profit commission accruals are calculated based on the expected profit or loss of qualifying premium and are included within creditors on the balance sheet. Profit commissions are calculated at the minimum value of underwriting profits whilst there is uncertainty over the amounts due. As such this is an estimation based on the level of information available at a point in time.

Direct Insuranc eand Reinsurance Receivables

Direct insurance and reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of these 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. Debtors arising out of direct insurance and reinsurance operations are therefore stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management on pipeline premium balances, which form part of the direct insurance receivables. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

1. Statement of accounting policies (continued)

Basis of accounting (continued)

Direct Insurance and Reinsurance Payables

Direct insurance and reinsurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. These liabilities are derecognised when the obligation under the liability is settled, cancelled or expired.

Derecognition of Financial Assets

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

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

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

2. Risk Management

Risk Framework

The primary objective of the Syndicate's Risk Management Framework is to protect the Syndicate's capital provider, GIC Re, India, Corporate Member Limited, from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Board recognises the critical importance of having efficient and effective risk management systems in place.

HMA has an established risk management function for the Syndicate with a clear remit from the Board. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board. The Risk Management Framework sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations. It is reviewed annually and any changes Board approved.

The Risk Committee and the Board approve the risk management policies and meet regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment and documentation of existing and emerging risks and controls, including the articulation of risk appetite.

Insurance Risk - Underwriting

Insurance Risk is a core aspect of the Syndicate's business model and it is recognised that uncertainty associated with the frequency and severity of claims is inherent to general insurance. The Syndicate accepts a measured amount of this risk in exchange for underwriting profit, relying on the skills and experience of our underwriters and a robust control framework to reduce the likelihood and impact of this risk as far as is practicable and without unreasonable expense. HMA's Board approves the risk appetite limit, considering the relativity between willingness to lose and potential forecast profitability for each year of account. The risk appetite will therefore reflect the view of forecast profitability, utilising the Syndicate's latest business plan assumptions.

Principal Risks

The principal risk the Syndicate faces under insurance contracts is that the actual claims and payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and the development of long-term claims liabilities. The objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities. Management consider that this risk is heightened in the current inflationary environment.

2. Risk Management (continued)

Insurance Risk – Underwriting (continued)

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical segments. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. In light of the current inflationary environment, specific premium rates have been increased based on inflation projections, with input from across HMA's functions and utilising market benchmarks.

Reinsurance

Reinsurance allows the Syndicate to manage capital exposure to both frequency and severity of claims. This includes the management of any systemic issues impacting a particular area of the account, as well as catastrophic losses across all business areas.

Management Committee

The Syndicate organises underwriting through product areas. The Management Committee meets monthly and provides direct oversight for each underwriting unit, and reports to the HMA Executive Committee (Committee of the Board) via the Head of Strategic Business Partnership Reports.

Underwriting authorities, underwriting peer reviews of all risks, independent review procedures, and the audit and review of delegated arrangements, all contribute to the strength of the underwriting control environment. HMA records and monitors individual risk exposures to ensure they remain within the policies and guidelines set.

Diversification

Risks usually cover twelve months' duration. Risks deliberately emanate from a diverse range of sources. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical segmentation.

Claims Management

To reduce the risk exposure of the Syndicate, HMA has put in place strict claim review policies to assess all new and ongoing claims. HMA performs regular detailed reviews of claims handling procedures and conducts frequent investigations of possible fraudulent claims.

The following table gives an indication of the likely quantum and scale of the largest (on a gross basis) Realistic Disaster Scenarios estimated for 2022 (highest gross event loss for year ended 31 December 2021 was California Earthquake – Los Angeles at £94.0m).

Realistic Disaster Scenarios	**Gross £000**	**Net £000**
California Earthquake – San Francisco	118,135	11,579
North East Windstorm	114,160	24,407
California Earthquake – Los Angeles	107,762	21,432

The Syndicate monitors exposures through a combination of deterministic modelling as part of the Realistic Disaster Scenarios Framework and stochastic modelling as part of Lloyd's catastrophe model reporting requirements.

Insurance Risk – Reserving

Principal Risk

HMA's reserving policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year. Booked reserves represent the level of reserves booked at syndicate level and provide the basis for the syndicate results and forecasts. Actuarial best estimate reserves are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning.

2. Risk Management (continued)

Insurance Risk – Reserving (continued)

The following table illustrates the sensitivity of the financial year results (before managing agent's profit commission) to changes in the current year earned net loss ratio (negative movements reflect a decrease in results / members' balances).

Impact on result and members' balances (change in net reserves)	**2022 £000**	**2021 £000**
Net loss ratio - increase of 5%	(7,270)	(3,813)
Net loss ratio - increase of 10%	(14,540)	(7,626)

Mitigation

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios, reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to historical loss data. The use of independent external reserve assessments, by professional services firms, provides additional risk mitigation.

Management has considered the effects of the recent heightened inflation environment on claims reserves and has made appropriate allowance in the reserve results. Specific considerations were made around current economic circumstances, social inflation trends and the potential impact to business portfolio mix when setting reserving assumptions.

Regulatory Risk

HMA is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. HMA has a Compliance Officer, who monitors regulatory developments and assesses the impact on HMA policy. HMA also carries out a compliance-monitoring programme as documented in the Compliance Framework.

Capital Framework at Lloyd's

Lloyd's is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority ("PRA") under the Financial Services and Markets Act 2000. Lloyd's is subject to the capital regime determined by the PRA which is based upon the Solvency II capital regime. Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

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

Provision of Capital by Members

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

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The key aspect of credit risk is the risk of default by a reinsurer, insurance intermediary or debt holder. The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2022 by classifying assets according to Standard & Poor's credit ratings of the counterparties for assets not yet due. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB and below are classified as speculative grade and have not been rated.

2. Risk Management (continued)

Credit Risk (continued)

As at 31 December 2022	**AAA**	**AA**	**A**	**BBB and below**	**Not rated**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Variable yield securities and shares	26,082	-	-	-	1,291	27,373
Debt securities	78	25,666	27,952	2,050	-	55,746
Overseas deposits	1,059	232	182	142	277	1,892
Reinsurers' share of outstanding claims	-	434	8,267	-	4,223	12,924
Reinsurance debtors not yet past due	-	104	2,845	-	4,927	7,876
Cash at bank and in hand	-	-	16,189	-	-	16,189
Total	27,219	26,436	55,435	2,192	10,718	122,000

As at 31 December 2021	**AAA**	**AA**	**A**	**BBB and below**	**Not rated**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Variable yield securities and shares	5,090	-	4,267	-	-	9,357
Debt securities	74	10,892	11,720	1,165	-	23,850
Overseas deposits	780	146	296	147	188	1,557
Reinsurers' share of outstanding claims	-	503	9,743	-	5,155	15,401
Reinsurance debtors not yet past due	-	73	267	-	2,669	3,009
Cash at bank and in hand	-	-	12,226	-	-	12,226
Total	5,944	11,614	38,519	1,312	8,012	65,400

The HMA Reinsurance Working Group monitors all reinsurer counterparties with whom the Syndicate conducts business and sets credit limits for the recoveries due from individual reinsurers. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, with the assistance of outside expertise, management of reinsurer credit risk follows active and regular review of credit ratings and financial exposure to all approved reinsurers. Investment credit risk is managed through investment management guidelines and monitored by the HMA Finance and Investments Committee.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of any mitigation arrangements. As at the balance sheet date, all financial assets of the Syndicate are unimpaired.

As at 31 December 2022	**Not yet due**	**Past due by three months**	**Past due three to six months**	**Past due six to 12 months**	**Past due over 12 months**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Variable yield securities and shares	27,373	-	-	-	-	27,373
Debt securities	55,746	-	-	-	-	55,746
Overseas deposits	1,892	-	-	-	-	1,892
Reinsurers' share of outstanding claims	12,924	-	-	-	-	12,924
Reinsurance Debtors	7,876	-	-	-	-	7,876
Cash at bank and in hand	16,189	-	-	-	-	16,189
Insurance debtors	13,381	568	293	239	118	14,599
Other debtors	80,510	2,928	1,514	1,233	610	86,795
Total	215,891	3,496	1,807	1,472	728	223,394

As at 31 December 2021	**Not yet due**	**Past due by three months**	**Past due three to six months**	**Past due six to 12 months**	**Past due over 12 months**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Variable yield securities and shares	9,356	-	-	-	-	9,356
Debt securities	23,851	-	-	-	-	23,851
Overseas deposits	1,557	-	-	-	-	1,557
Reinsurers' share of outstanding claims	15,401	-	-	-	-	15,401
Reinsurance Debtors	3,009	-	-	-	-	3,009
Cash at bank and in hand	12,226	-	-	-	-	12,226
Insurance debtors	7,869	3,442	192	358	72	11,933
Other debtors	65,829	-	-	-	-	65,829
Total	139,098	3,442	192	358	72	143,162

2. Risk Management (continued)

Liquidity Risk

Liquidity Risk is the risk that the Syndicate, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. HMA operates and maintains procedures designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business. The procedures set limits for cash required to meet expected cash flows. Contingency arrangements exist to meet liquidity requirements in extreme circumstances.

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.

As at 31 December 2022	**Up to one year £000**	**One to three years £000**	**Three to five years £000**	**Greater than five years £000**	**Total £000**
Claims outstanding	27,272	42,393	28,933	82,917	181,515
Creditors	8,947	-	-	-	8,947
Other	152	-	-	-	152
Total	36,371	42,393	28,933	82,917	190,614

As at 31 December 2021	**Up to one year £000**	**One to three years £000**	**Three to five years £000**	**Greater than five years £000**	**Total £000**
Claims outstanding	20,251	31,042	19,945	45,277	116,515
Creditors	5,913	-	-	-	5,913
Other	151	-	-	-	151
Total	26,315	31,042	19,945	45,277	122,579

Market Risk

Investment Risk

The Syndicate's investments are exposed to two key risks: interest rate risk and credit risk. Interest rate risk is driven by changes in the value or future cash flows of a financial instrument due to changes in market interest rates. Credit risk is driven by the change in the value of an instrument due to either a change in the market's view of its credit worthiness or alternatively due to a default - the risk of a default on instrument is described in the credit risk section above. Since the syndicate holds investments in government and corporate bonds, it is exposed to these risks.

The below sets out the impact of a 50 basis point movement in interest rates. Note insurance liabilities are not discounted in these accounts and therefore are not exposed to interest rate risk, although they are under the Solvency II regime used under the Lloyd's capital framework.

Interest rate risk	**2022 £000**	**2021 £000**
Impact of 50 basis point increase on result	(775)	(332)
Impact of 50 basis point decrease on result	788	332
Impact of 50 basis point increase net assets	(775)	(332)
Impact of 50 basis point decrease net assets	788	332

The current inflationary environment has resulted in short term volatility in the investment return. The Syndicate's investment strategy of a high credit quality and relatively short duration portfolio mitigates against this in the medium term, HMA management has considered its investment approach and has not made any adjustments as a result.

2. Risk Management (continued)

Market Risk (continued)

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 writes a significant proportion of insurance business in currencies other than pounds sterling, which creates an exposure to currency risk. The Syndicate seeks to manage this exposure by matching foreign currency assets and liabilities. The Syndicate is expected to have sufficient liquid funds available, which may include trades from other currencies, at the point expenses become payable. The table below summarises the exposure of financial assets and liabilities to foreign currency exchange risk at the balance sheet date.

As at 31 December 2022	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**JPY £000**	**Total £000**
Financial investments	1,291	76,471	-	5,357	-	-	83,119
Reinsurers' share of technical provisions	(138)	15,835	(471)	(481)	468	(163)	15,050
Insurance and reinsurance receivables	4,268	91,799	262	517	823	(52)	97,617
Cash and overseas deposits	6,756	479	7,714	335	1,657	1,140	18,081
Other debtors, prepayments & accrued income	1,723	7,083	198	265	221	37	9,527
Total assets	13,900	191,667	7,703	5,993	3,169	962	223,394
Technical provisions	20,393	191,095	20,919	1,684	2,460	457	237,008
Insurance and reinsurance liabilities	219	8,236	(272)	213	-	-	8,396
Other creditors, accruals, deferred income	712	(9)	-	-	-	-	703
Total liabilities	21,324	199,322	20,647	1,897	2,460	457	246,107
Currency (deficiency)/surplus	(7,424)	(7,655)	(12,944)	4,096	709	505	(22,713)

As at 31 December 2021	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**JPY £000**	**Total £000**
Financial investments	1,291	29,377	-	2,539	-	-	33,207
Reinsurers' share of technical provisions	162	17,273	(88)	(623)	307	(83)	16,948
Insurance and reinsurance receivables	6,664	58,125	2,266	792	955	61	68,863
Cash and overseas deposits	5,607	297	4,617	318	1,961	983	13,783
Other debtors, prepayments & accrued income	3,720	5,835	148	356	274	28	10,361
Total assets	17,444	110,907	6,943	3,382	3,497	989	143,162
Technical provisions	22,893	121,929	16,491	1,349	2,222	309	165,193
Insurance and reinsurance liabilities	20	5,784	(54)	-	-	-	5,750
Other creditors, accruals, deferred income	2,330	3	-	-	-	-	2,333
Total liabilities	25,243	127,716	16,437	1,349	2,222	309	173,276
Currency (deficiency)/surplus	(7,799)	(16,809)	(9,494)	2,033	1,275	680	(30,114)

The table below gives an indication of the impact on the result of a percentage change in the relative strength of pounds sterling against the value of the US dollar, Canadian dollar, Australian dollar, euro and Japanese yen simultaneously.

2. Risk management (continued)

Market Risk (continued)

Currency Risk (continued)

	2022 £000	2021 £000
Sterling weakens		
10% against other currencies	(1,699)	(2,480)
20% against other currencies	(3,822)	(5,579)
Sterling strengthens		
10% against other currencies	1,390	2,029
20% against other currencies	2,548	3,719

Operational Risk

The Syndicate is potentially exposed to direct or indirect losses resulting from inadequate or failed internal processes, systems, or people, or from external events. HMA seeks to manage this risk with detailed procedure manuals and a structured programme of testing of processes and systems by internal audit.

Climate Change

HMA undertakes assessments of the Syndicate's exposure to climate change risk. Within market risk, it is possible that the Syndicate's investments could be exposed to climate change risk, this is monitored using various metrics in conjunction with the Syndicate's investment managers which suggests that there is only marginal exposure to climate change risk. Within underwriting risk, climate change is relevant for a number of product areas, and HMA assesses current and future climate change risk in a variety of ways, including stress and scenario testing, over short and long term time horizons. HMA does not believe that these financial statements are subject to material uncertainty arising from climate change risk.

3. Segmental Analysis

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

2022	**Gross premiums written £000**	**Gross premiums earned £000**	**Gross claims incurred £000**	**Gross operating expenses £000**	**Reinsurance balance £000**	**Total £000**
Direct insurance:						
Marine aviation and transport	-	-	-	-	-	-
Fire and other damage to property	28,572	32,466	(21,223)	(5,644)	(4,466)	1,133
Miscellaneous	111	143	(51)	(19)	(25)	48
	28,683	32,609	(21,274)	(5,663)	(4,491)	1,181
Reinsurance	148,703	142,989	(85,385)	(29,387)	(20,123)	8,094
Total	177,386	175,598	(106,659)	(35,050)	(24,614)	9,275

2021	**Gross premiums written £000**	**Gross premiums earned £000**	**Gross claims incurred £000**	**Gross operating expenses £000**	**Reinsurance balance £000**	**Total £000**
Direct insurance:						
Marine aviation and transport	3,497	1,582	(1,334)	(794)	(163)	(709)
Fire and other damage to property	22,430	20,295	(27,977)	(4,720)	(2,150)	(14,552)
Miscellaneous	2,176	1,462	(376)	(728)	(341)	17
	28,103	23,339	(29,687)	(6,242)	(2,654)	(15,244)
Reinsurance	93,012	79,920	(45,441)	(15,728)	(15,873)	2,878
Total	121,115	103,259	(75,128)	(21,970)	(18,527)	(12,366)

Commissions on direct insurance gross premiums during 2022 were £4.6m (2021: £3.3m).

3. Segmental Analysis (continued)

All premiums were concluded in the UK, other than £8.4m (2021: £6.8m) of business through the Lloyd's Brussels platform, results relating to these risks are reported under the Inwards Reinsurance class of business, reflecting the contractual arrangement with Lloyd's Brussels.

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

	2022	**2021**
	£000	**£000**
India	18,158	17,539
US	82,774	42,348
Other	76,454	61,228
Total	177,386	121,115

4. Claims Incurred, Net of Reinsurance

Prior Year Reserve Development

In setting claims provisions, the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Claims incurred, net of reinsurance, include adverse prior year development of £12.3m (2021: favourable development of £5.1m). Prior year claims development is analysed by line of business in the table below.

	2022	**2021**
	£000	**£000**
Fire and other damage to property	(198)	2,312
Reinsurance	(12,192)	2,830
(Adverse)/favourable development	(12,390)	5,142

Gross Claims Development

Pure underwriting year	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of cumulative claims incurred						
At the end of the underwriting year	26,197	27,943	43,944	61,874	**78,113**	
One year later	36,869	61,480	69,836	**104,354**		
Two years later	32,927	58,673	**61,825**			
Three years later	30,563	**59,310**				
Four years later	**23,488**					
Less: cumulative payments to date	16,988	48,068	39,229	35,336	5,954	
Gross claims outstanding provision	6,500	11,242	22,596	69,018	72,159	181,515

4. Claims Incurred, Net of Reinsurance (continued)

Net Claims Development

Pure underwriting year	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	Total £000
Estimate of cumulative claims incurred						
At the end of the underwriting year	18,209	27,123	39,366	57,048	**75,137**	
One year later	23,566	50,634	61,033	**98,530**		
Two years later	20,133	45,499	**53,652**			
Three years later	19,325	**44,571**				
Four years later	**15,224**					
Less: cumulative payments to date	8,725	35,717	33,652	34,475	5,954	
Net claims outstanding provision	6,499	8,854	20,000	64,055	69,183	168,591

5. Net Operating Expenses

	2022 £000	2021 £000
Acquisition costs	31,337	19,864
Change in deferred acquisition costs	(14)	(3,278)
Administrative expenses	3,727	5,384
Gross operating expenses	35,050	21,970
Reinsurers' commissions	226	-
Net operating expenses	35,276	21,970

6. Auditor's Remuneration

	2022 £000	2021 £000
Fees payable to the Syndicate's auditor for:		
Audit of the Syndicate Annual Accounts	85	80
Other services pursuant to regulations and Lloyd's byelaws	65	62
Other non-audit services	93	60
	243	202

Auditor's remuneration is included as part of administrative expenses in note 5.

7. Staff Numbers and Costs

All staff were employed by Hamilton UK Services Limited, except for 9 underwriting staff seconded from GIC UK branch (average number employed during the year; 2021: 8) and 3 from GIC Head Office (2021: 3).

7. Staff Numbers and Costs (continued)

The following amounts were recharged to the Syndicate in respect of seconded staff (there are no direct recharges of staff costs from HMA):

	2022 £000	2021 £000
Wages and salaries	2,129	2,117
Pension costs	97	82
	2,226	2,199

8. Emoluments of the Directors of Hamilton Managing Agency Limited

The Directors of HMA received remuneration from Hamilton UK Services Limited, none of which is directly charged to the Syndicate.

No other director related compensation or amounts considered to represent key management personnel compensation was charged to the Syndicate.

The active underwriter received the following remuneration charged as a syndicate expense:

	2022 £000	2021 £000
Emoluments	367	346
Pension contributions	6	2
	373	348

9. Investment Return

	2022 £000	2021 £000
Interest from financial instruments designated as at fair value through profit or loss	697	275
Other interest and similar income	109	19
Investment income	806	294
Other income from investments designated as at fair value through profit or loss:		
Realised losses	(501)	(79)
Unrealised losses	(1,835)	(367)
	(2,336)	(152)
Investment management charges	(34)	(13)
Total investment return transferred to the technical account	(1,564)	(165)

10. Financial investments

	2022 Market Value £000	2022 Cost £000	2021 Market Value £000	2021 Cost £000
Shares and other variable yield securities	27,373	26,082	9,357	9,357
Debt securities and other fixed income securities	55,746	58,068	23,850	24,229
	83,119	84,150	33,207	33,586

The Syndicate classifies its financial instruments held at fair value in the balance sheet using a fair value hierarchy, as follows:

Level 1 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.

Level 2 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.

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

2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities	26,082	-	1,291	27,373
Debt securities and other fixed income securities	-	55,746	-	55,746
Other assets: overseas deposits	273	1,619	-	1,892
Total	26,355	57,365	1,291	85,011

2021	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities	4,999	3,067	1,291	9,357
Debt securities and other fixed income securities	-	23,850	-	23,850
Other assets: overseas deposits	250	1,307	-	1,557
Total	5,249	28,224	1,291	34,764

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

The level 3 assets are loans provided by the Syndicate to the Lloyd's Central Fund and are carried at fair value using information provided by Lloyd's. These instruments are not tradeable and their valuation includes significant unobservable inputs.

11. Deferred Acquisition Costs

	2022 £000	2021 £000
Balance at 1 January	10,277	7,322
Change in deferred acquisition costs	14	3,278
Effect of exchange rates	(1,253)	(323)
Balance at 31 December	9,038	10,277

12. Debtors Arising Out of Direct Insurance Operations

Included within debtors arising out of direct insurance operations at 31 December 2022 is £2.1m in relation to payments to loss funds (2021: £2.5m).

13. Technical Provisions

		2022	
Year ended 31 December 2022	**Gross £000**	**RI £000**	**Net £000**
Incurred claims outstanding:			
Balance at 1 January	116,515	(15,401)	101,114
Expected cost of current year claims	106,659	(5,809)	100,850
Claims paid during the year	(54,785)	10,104	(44,681)
Foreign exchange movement	13,126	(1,818)	11,308
Balance as at 31 December	181,515	(12,924)	168,591
Claims notified	73,879	(7,349)	66,530
Claims incurred but not reported	107,636	(5,575)	102,061
Balance as at 31 December	181,515	(12,294)	168,591
Unearned premiums			
Balance at 1 January	48,678	(1,547)	47,131
Premiums written during the year	177,386	(30,586)	146,800
Premiums earned during the year	(175,598)	30,197	(145,401)
Foreign exchange movement	5,027	(190)	4,837
Balance at 31 December	55,493	(2,126)	53,367

13. Technical Provisions (continued)

		2021	
	Gross	**RI**	**Net**
Year ended 31 December 2021	**£000**	**£000**	**£000**
Incurred claims outstanding:			
Balance at 1 January	87,793	(18,095)	69,698
Expected cost of current year claims	75,128	(8,475)	66,653
Claims paid during the year	(47,243)	11,396	(35,847)
Foreign exchange movement	837	(227)	610
Balance as at 31 December	116,515	(15,401)	101,114
Claims notified	52,468	(13,217)	39,251
Claims incurred but not reported	64,047	(2,184)	61,863
Balance as at 31 December	116,515	(15,401)	101,114
Unearned premiums			
Balance at 1 January	30,283	(4,903)	25,380
Premiums written during the year	121,115	(23,653)	97,462
Premiums earned during the year	(103,259)	27,002	(76,257)
Foreign exchange movement	539	7	546
Balance at 31 December	48,678	(1,547)	47,131

14. Other Creditors

	2022	2021
	£000	**£000**
Due to Hamilton Group companies	527	163
Investments payable	24	-
Balance at 31 December	551	163

15. Related Parties

Capital

Underwriting capacity is provided 100% by GIC Re, India, Corporate Member Limited ("GIC").

Managing Agent

The Syndicate is managed by Hamilton Managing Agency Limited ("HMA"). The immediate parent company of HMA is Hamilton UK Holdings Limited.

During the financial year the Syndicate incurred managing agent fees of £1.1m (2021: £0.9m) and a yearly fixed fee of £2.8m (2021: £2.7m) for the services provided to the Syndicate. In addition, Hamilton UK Services Limited recharged costs incurred on behalf of the Syndicate of £0.7m (2021: £0.5m). At the year end, £0.5m (2021: £0.2m) is payable to the Hamilton Group.

15. Related Parties (continued)

Syndicate 4000

The Syndicate participates on a Space consortia managed by Syndicate 4000, which is also managed by HMA. The management fees charged to Syndicate 1947 during the year were £0.3m (2021: £0.3m), with no balances outstanding at year end (2021: nil).

Ultimate Parent Company

The ultimate parent company of GIC Re, India, Corporate Member Limited is General Insurance Corporation of India, a company registered in India.

The ultimate parent company of Hamilton Managing Agency Limited is Hamilton Insurance Group, Ltd, a company registered in Bermuda.

Transactions with the GIC Group

The Syndicate's gross premium written includes cessions from the GIC Group (details are provided on page 4). The Syndicate also purchases certain reinsurance programmes from the GIC Group, premiums ceded (net of commissions) were £2.5m (2021: £2.1m).

During the year the cession business attaching to the 2018 to 2020 underwriting years of account was commuted effective 30 November 2022. The liability of the Syndicate for future claims therefore ceased. Final premiums and claims on these years were £68.1m and £56.9m respectively.

Details of staff seconded to the Syndicate from GIC UK branch are provided in note 7.

16. 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") and 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 accounts 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.

17. Off Balance Sheet Items

The Syndicate has not been a party to any arrangements which are not reflected in its Statement of Financial Position, where material risks and benefits arise to the Syndicate.

18. Subsequent Events

A profit distribution of £744,000 will be made from Syndicate 1947 to the corporate member in June 2023.