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Blenheim Underwriting Limited

Syndicate Annual Report and Accounts
31 December 2023

Contents

Underwriter's Report

Introduction

2023 was yet another record year with over $120bn of worldwide insured losses. Despite this, the remediation work performed by management meant that there was a notable contrast in the frequency and scale of natural catastrophes affecting the Syndicate. To a certain extent this was seen across the industry as well, resulting in a buoyant market and providing a respite for reinsurers, who in recent years, have faced heightened exposure to catastrophic events. Geopolitical issues however continued to focus attention, with both the war in Ukraine showing no signs of resolution and tensions in the Middle East.

Last year we discussed the ongoing remediation of the Property Treaty account following several years of heightened catastrophic activity. As at 1st June 2023, we took the decision to exit the class of business. The dynamics associated with the account left us unable to deliver our business plan targets and generate the profitability needed to justify writing what has always been a volatile line of business. It was a difficult but necessary decision and one that we believe better enables the Syndicate to deliver sustained profitability going forward.

The stamp capacity is £400m for the 2024 Year of Account.

Calendar Year Result

On an annual accounting basis, the result of the Syndicate for the 2023 calendar year is a profit of £74.3m before currency translation differences (2022: £14.0m loss before currency translation differences). This represents a combined ratio of 77.9% (2022: 106.0%) and reflects a year with lower loss activity for the Syndicate. Some £144.2m (2022: £140.9m) of gross premium predominantly attributable to the 2023 Year of Account is unearned at the Statement of Financial Position date. This will become fully earned over the next twelve to twenty-four months.

2021 Account

Our stamp capacity was £325 million for the 2021 Year of Account.

The makeup of the account was discussed in last year's report, as was the 2021 Year of Account's loss was dominated by heightened catastrophic activity and the conflict in Ukraine.

We are closing the 2021 Year of Account with a loss of £8.1m being 2.5% of stamp, which is within the range of estimates we last indicated. This should be the last in a sequence of disappointing years for the Syndicate and we are hopeful that the remediation action we have taken, combined with improving market conditions in the face of a sequence of record loss years is apparent in our calendar year result. This will come into sharper focus as the 2022 Year of Account runs off to its natural point of closure this time next year, and as the 2023 Year of Account develops from a promising first 12 months.

Underwriter’s Report *(continued)*

2022 Account

Our stamp capacity is £360 million for the 2022 Year of Account.

2022, whilst not affected by such frequency of catastrophe losses as 2021, was impacted by Hurricane Ian, thought to be the second largest insured loss in history after Hurricane Katrina and a series of 'secondary perils’ such as convective storms, straight line winds, winter freeze and widespread flooding and in addition the Russian invasion of Ukraine giving rise to exposure that spreads across both the 2021 and 2022 Years of Account.

Despite these losses, the rebalancing of the portfolio we had been conducting insulated us to a certain extent. Our Direct Property account continued its delivery of healthy profits as did our growing Specialty accounts particularly the Specialty reinsurance account.

At this stage the 2022 Year of Account is developing favourably and forecast to be profitable in the range of 5.0% to 12.5% of capacity.

2023 Account

Our stamp capacity is £352 million for the 2023 Year of Account.

In 2023, despite another record year of worldwide insured losses there was a noticeable decline in loss incidents affecting the syndicate, highlighting the extremely favourable trading conditions across most of our business lines, particularly in the Direct Property segment.

Our strategic decision to exit the Property Treaty account midway through the year has expedited the process of rebalancing our portfolio, achieving a more balanced income distribution between our Property and Specialty accounts. This adjustment positions us well to navigate potential future market volatility more effectively.

At this stage the 2023 Year of Account is forecast to be profitable and although very early days looks to be trading well in advance of the 2022 Year of Account after 12 months. However, significant live exposure remains on risk at this time and I must therefore emphasise a note of caution at this stage, particularly given the overall global political situation.

2024 Account

Our stamp capacity is £400 million for the 2024 Year of Account.

For the 2024 Year of Account the Syndicate has increased its capacity to take advantage of the continuing favourable trading conditions. The split of premium is at or near being equal between Property and Specialty lines. All accounts are currently trading profitably but the relatively benign 2023 we have experienced could lead to increasing in risk appetite in the market and therefore to increased competition, and although the lines we operate in are well priced it remains imperative that we maintain our focus on profitability and manage the business effectively through the cycles. The fundamentals that underpin the current market dynamics do however remain strong and in the absence of any major capital influx will most likely continue.

Underwriter's Report *(continued)*

Concluding Comments

The business finds itself on a firmer footing in 2024 with good profits forecast for 2022 Year of Account and a positive outlook for 2023 Year of Account as well as a beneficial trading environment continuing, despite ongoing geopolitical and climatic volatility. The near to medium goal of the business must be to now build on these foundations.

We will look to grow within existing lines of business where there are opportunities and where the market allows us to. We must also be open to expanding our offering outside of the traditional lines of business that we currently write, always being mindful of the need to consistently deliver returns for our capital providers.

I would like to take the opportunity once again to thank the entire team for all of their hard work and professionalism in continuing to move the business forward.

N J Destro
Active Underwriter
27 February 2024

Directors and Administration

Managing Agent

Blenheim Underwriting Limited

Directors

Nicholas Joseph Destro
Derek Charles Grainger (resigned 1 September 2023)
Sharon Julia Ingham
John Anthony Lynch
Tessa Helen Mijatovic (appointed 1 September 2023)
Peter David Scales
Christopher Norman Clark*
Kenneth Douglas Curtis* (appointed on 1 February 2024)
Esther Ruth Felton*
John Charles Hamblin*
Lawrence Albert Holder (Chair)*
Michael James Leonard*

*Non-Executive Directors

Company Secretary

Shirley Anne Holley (appointed 2 November 2023)
Tessa Helen Mijatovic (resigned 2 November 2023)

Managing Agent's Registered Office

7th Floor
70 Mark Lane
London
EC3R 7NQ

Managing Agent's Registered Company Number

10254215

Active Underwriter

N J Destro

Bankers

Barclays Bank
Citibank N.A.
RBC Dexia

Investment Manager

Conning Asset Management Limited

Registered Auditors

BDO LLP

Managing Agent's Report

The Directors of the Managing Agent present their report for the year ended 31 December 2023.

The Syndicate's Managing Agent is Blenheim Underwriting Limited (“Blenheim”) a company registered in England and Wales.

Blenheim is a wholly owned subsidiary of White Bear Capital Limited (“WBC”), a company registered in England and Wales. WBC was incorporated on 8 June 2016 and operates in the United Kingdom (“UK”) as the holding company of a number of wholly owned subsidiaries (“the Group”).

This Syndicate Annual Report includes both the Syndicate Annual Accounts for the year ended 31 December 2023 and the Underwriting Year Accounts for the closed 2021 Year of Account.

Results

The result for the 2023 calendar year is a profit of £74.3m (2022: loss of £14.0m) before a gain on currency translation of £1.0m (2022: loss on currency translation of £2.3m) which equates to a total comprehensive income of £75.3m (2022: total comprehensive loss of £16.3m). The net combined ratio is 77.9% (2022: 106.0%).

The Syndicate has presented its results under Financial Reporting Standard 102 – “The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland” (“FRS 102”). In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with Financial Reporting Standard 103 – “Insurance Contracts” (“FRS 103”).

Principal activity and review of the business

The Syndicate’s principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd’s market. For further narrative, see Underwriter’s Report on pages 1 to 3.

Gross premiums written income by class of business for the calendar year were as follows;

	2023	2022
	£m	£m
Property Treaty	**54.3**	116.0
Direct and Facultative Property	**186.3**	155.8
Contingency	**13.4**	11.3
Accident & Health	**18.5**	11.5
Specialty Treaty	**97.6**	78.3
Construction	**4.1**	2.7
Political Risk	**18.0**	10.6
	392.2	386.2

Managing Agent's Report *(continued)*

Principal activity and review of the business *(continued)*

The Syndicate's Key Performance Indicators ("KPIs") during the year were as follows;

	2023	2022
	£m	£m
Gross premiums written	**392.2**	386.2
Profit/(Loss) for the financial year	**74.3**	(14.0)
Total comprehensive income/(loss)	**75.3**	(16.3)
Net combined ratio	**77.9%**	106.0%

The net combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to earned premiums, net of reinsurance. For further details, see the Underwriter's report on pages 1 to 3.

These KPIs are used by management to monitor the performance of the Syndicate. Gross premiums written are a measure of underwriting volume year on year. Total comprehensive loss and net combined ratio are both measures of profitability in the calendar year.

Significant events

In June 2023 the Syndicate ceased to underwrite the Property Treaty account. Since inception, the account had encountered unprecedented challenges and, from 2021, had been subject to various forms of remediation. Considerations surrounding loss frequency, including for "secondary perils", climate change and the level of growth needed to make the book profitable led management to close the account.

Investments

The total investment return for the calendar year is a profit of £8.3m (2022: £1.0m loss).

Global bonds experienced volatile markets during 2023. Central banks continued to tighten policy in response to inflation, which led to yields moving higher, though there was a sharp reverse of that trend in March, following the failure of Silicon Valley Bank, which led to expectations that the Federal Reserve would ease policy to deal with the fall-out from the failure. In the event, the Federal Reserve increased rates to their highest levels of the year. During the year the US Federal Reserve increased its Federal Funds target rate by 1%, and over the year, two and five year Government bond yields fell by about 0.2% in the US and Canada. In addition, credit spreads narrowed overall, having spiked wider following the Silicon Valley Bank failure, as markets anticipated that economies would avoid major recessions and that rates would fall in 2024.

Given our cautious investment risk appetite, the overall investment return for the year (and the performance of the investment manager) is viewed as being satisfactory.

Managing Agent's Report *(continued)*

Underwriting Year of Account summary

The table below shows the Syndicate's actual results for the closed 2021 Year of Account and the forecast range for the 2022 open Year of Account based on the traditional three year Lloyd's basis after charging standard managing agent's fees and profit commission but before charging members' agents fees.

	2022 Year Forecast	**2021 Year Actual**
Capacity (£m)	359.8	324.9
Profit/ (loss) on capacity (%)	12.5 to 5.0	(2.5)

2021 underwriting year result

The result for the 2021 Year of Account closed on 31 December 2023 with a comprehensive loss of £8.1m on gross premiums written of £287.3m.

Gross premiums written income by class of business for the Year of Account were as follows;

	2021 £m
Property Treaty	102.3
Direct and Facultative Property	107.2
Contingency	5.4
Accident & Health	10.4
Specialty Treaty	55.6
Construction	1.4
Political Risk	5.0
	287.3

The key financial performance indicators for the Year of Account were as follows;

	2021 £m
Gross premiums written	287.3
Total comprehensive loss	(8.1)
Net combined ratio	105.0%

The net combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to earned premiums, net of reinsurance.

The 2021 underwriting year's accounts are set out on pages 54 to 79.

Managing Agent's Report *(continued)*

2022 underwriting year forecast

The 2022 forecast has been based on the following assumptions:

Future claims development will follow an expected pattern. In particular, the incidence or development of major or attritional losses or the ability of the Syndicate's reinsurers to respond to potential recoveries will not diverge materially from expectations based on developments to date;

- No material changes occur in estimates as to ultimate premium levels and future reinsurance costs;
- There will be no material reinsurance failure;
- There will be no material surplus or deficiency arising from the reinsurance to close ("RITC") of the 2021 Year of Account;
- Interest, inflation and exchange rates at 31 December 2024 will not significantly impact the assumptions taken into account in the forecast; and
- There will be no significant changes in regulatory or legislative policies which will affect the activities of the Syndicate.

Principal risks and uncertainties

The Board approves the risk appetite framework annually as part of the Syndicate's business planning and Solvency Capital Requirement ("SCR") process. The Blenheim Risk Committee ("RiC"), a sub-committee of the Board of Blenheim ("the Board"), meets at least quarterly and has responsibility for the oversight and monitoring of the Syndicate risk management framework.

The 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 Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business.

The Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Reserving Committee ("RC").

Managing Agent's Report *(continued)*

Principal risks and uncertainties *(continued)*

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 or intermediaries. The Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation where required. The Reinsurance Security and Broker Committee ("RISBC"), a management committee, sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy.

Market risk

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

Exposure to changes in interest rates arises from the Syndicate's investment portfolio. Blenheim seeks to minimise this risk through investing in highly liquid financial instruments.

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 Board reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place and may also utilise the option of a cash call from capital providers. The Syndicate also mitigates its liquidity risk by ensuring it retains adequate assets in liquid instruments.

Blenheim has also arranged various facilities to help manage the Syndicate's cash flow. Further details are set out in Note 22 of the Syndicate Annual Accounts.

Operational risk

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

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

Managing Agent's Report *(continued)*

Principal risks and uncertainties *(continued)*

Operational risk *(continued)*

The Syndicate promotes and maintains an open and transparent culture which champions and supports the fair treatment of customers and delivery of good customer outcomes. The Syndicate controls and monitors its conduct risk through a suite of key risk indicators and reporting metrics as part of its documented conduct risk framework.

Future developments

Climate change

In response to the PRA Supervisory Statement in 2019 and a subsequent "Dear Chief Executive Officer" letter in 2020, Blenheim has implemented significant changes to address and quantify the financial risks of climate change where possible and relevant, in order to meet the PRA's requirements. We expect our approach to managing the financial risks from climate change to develop over time.

Blenheim has ensured Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing the financial risks associated with climate change. The Chief Executive Officer, who is a Board member, is responsible for identifying and managing financial climate related risks.

Risk management

The Board addresses the financial risks from climate change through the risk management framework. The Board considers the risks with respect to the current and future impacts to the business environment in which it operates. The Board assesses the financial risk from climate change using stress testing developed by the Exposure Management team and has implemented a Board approved risk appetite of limits for the financial risks from climate change.

The Board has identified two main areas of financial risk arising from climate change that are applicable in the short and long-term:

Catastrophe risk

- As most of the underwriting activity relates to (re)insurance which provides cover for natural catastrophes and man-made events, the main focus of Blenheim's activities to date in relation to underwriting has been on catastrophe modelling and climate change. This has been performed by the Exposure Management team working in conjunction with the underwriting teams led by the Active Underwriter to ensure we do not overcommit the Syndicate's capital at a time when the pattern of natural catastrophes may be altering due to climate change or other reasons. Blenheim utilises industry standard catastrophe models for our main peril regions, but we also have considerable in-house expertise in developing our own catastrophe models both to help validate the outputs of the former or to address significant peril regions not covered by the models we licence.

Managing Agent's Report *(continued)*

Future developments *(continued)*

Climate change *(continued)*

Investment risk

- Financial investments are a material asset to the balance sheet which could be exposed to the financial (physical or transition) risks. As per the Prudent Person Principle, insurers must diversify their assets to avoid excessive accumulation risk in the investment portfolio. Therefore, the Blenheim Board has instructed the investment manager to have regard to and consider the impact of any climate-related risks where their impact could adversely impact returns having specific regard to thermal coal, oil sands and arctic energy.

As per SS3/19 the actions taken are proportionate to the nature, scale and complexity of the Syndicate and we expect the expertise of the Board to manage the financial risks relating to climate change to evolve over time.

Environmental, Social and Governance (“ESG”)

Blenheim acknowledges and recognises the significance of ESG considerations in delivering optimum outcomes for all stakeholders, both internal and external, and believes that appropriate ESG policies and practices support building a sustainable business.

Blenheim, as part of the wider White Bear Group, is committed to ensuring ethical behaviours in our activities, promoting diversity, equality and inclusion in the workplace, considering our own impact on the environment, continuing our strong governance work and facilitating ESG related knowledge sharing throughout the Group.

The White Bear Group, of which Blenheim is a part, has an Environmental, Social and Governance (“ESG”) Committee which is responsible for developing and recommending ESG strategy to Group companies, including Blenheim. The ESG Committee includes senior members of Blenheim management including the Chief Executive Officer, Finance Director, Chief Risk Officer and the Active Underwriter. The ESG Committee reports on and recommends ESG Policy to the Blenheim Board and meets at least quarterly to consider progress and develop strategy.

The ESG Committee is focused on:

- Communicating ESG policy to employees and providing appropriate training.
- Taking steps as part of our recruitment practices to widen the pool of talent from which we draw our workforce, together with supporting volunteering programmes that promote the London Insurance Market within local communities.
- Tracking progress in promoting diversity, equality and inclusion in the workplace with a number relevant KPIs active which are reported regularly to the Group and subsidiary boards.
- Operating robust and independent whistleblowing arrangements across the Group that actively encourage employees to speak up on actual or suspected wrongdoing.
- Continuing to work towards formalising our approach to reducing the Group’s environmental footprint.
- Developing a sustainable and consistent underwriting approach to ESG issues and the associated risk management framework to support this. The Group approach is to work closely with (re)insurance clients and producing brokers to help manage and navigate transition to more sustainable worldwide energy sources and emissions levels.
- Developing our catastrophe modelling and scenario testing in respect of climate change related risks to support underwriting decision making and business planning.
- Considering impact of any ESG risks within our investment strategies.

Managing Agent's Report *(continued)*

Environmental, Social and Governance (“ESG”) *(continued)*

Blenheim’s activity will be kept under review to ensure that progress continues to align with, and is responsive to, new scientific developments, emerging trends and priorities, stakeholder expectation, legislation, and regulation.

Going concern

The directors have made the necessary enquiries and have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the accounts.

Disclosure of information to the Auditor

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

Auditors

BDO LLP will not be reappointed as auditors. The Blenheim Audit Committee undertook a tender process in respect of external audit services during 2023 and it was concluded that Deloitte LLP be appointed as auditors for future audits. Members may object to the intention to appoint Deloitte LLP as auditors within 21 days of the issue of these accounts. Any such objection should be addressed to T Mijatovic, Compliance Director at the registered office of Blenheim Underwriting Limited.

Syndicate Annual General Meeting

As permitted under the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding a Syndicate Annual General Meeting of the members of the Syndicate. Members may object to this proposal within 21 days of the issue of these accounts. Any such objection should be addressed to T Mijatovic, Compliance Director at the registered office of Blenheim Underwriting Limited.

On behalf of the Board

J A Lynch
Director
27 February 2024

Blenheim Underwriting Limited

Syndicate Annual Report and Accounts
31 December 2023

Statement of Managing Agent's Responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 and FRS 103. 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 to the Members of Syndicate 5886

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008.

We have audited the financial statements of Syndicate 5886 (the 'Syndicate') for the year ended 31 December 2023 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows, and notes to the financial statements, 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

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 financial statements section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council's ("FRC") Ethical Standard, and we have fulfilled our 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 financial statements, we have concluded that the Managing Agent's use of the going concern basis of accounting in the preparation of the financial statements 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 at least twelve months from when the financial statements 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.

Independent Auditor's Report to the Members of Syndicate 5886
(continued)

Other information

The Managing Agent is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in 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 there is a material misstatement in the financial statements 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 in this regard.

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

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

- the information given in the Managing Agent's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 Agents 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:

- adequate accounting records have not been kept; or

- the financial statements are not in agreement with the accounting records;

- certain disclosure of Managing Agent emoluments and other benefits specified by law are not made; or

- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the Members of Syndicate 5886
(continued)

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent's responsibilities out on page **14** the Managing Agent is responsible for the preparation of the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, 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 the Managing Agent either intends to cease the underwriting business of the syndicate, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the financial statements 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 financial statements.

Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Our responses to significant audit risks over technical provisions and management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specifically, we engaged an actuary as auditor's specialists to review the assumptions and methodology applied by the Syndicate in the valuation of technical provisions and to carry out their own independent reprojections of a significant proportion of the Syndicate's book of business. Our assessment of management override included an assessment of key accounting estimates and an assessment of journals.
- We obtained an understanding of the legal and regulatory framework applicable to the Syndicate's operations and the control environment in monitoring compliance with laws and regulations. We reviewed correspondence with the Prudential Regulation Authority ("PRA"), Financial Conduct Authority ("FCA") and Lloyd's of London.
- We carried out enquiries with management.
- We reviewed minutes of board meetings throughout the period.
- Agreement of the financial statement disclosures to underlying supporting documentation.

Independent Auditor's Report to the Members of Syndicate 5886
(continued)

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's Syndicates 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.

Alexander Barnes, *Senior Statutory Auditor*
For and on behalf of BDO LLP, Statutory Auditor
London, UK
27 February 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

Technical account - General business

For the year ended 31 December 2023

	Notes	2023 £'000	2022 £'000
Gross premiums written	4	**392,180**	386,236
Outward reinsurance premiums		**(86,939)**	(88,507)
Net written premiums		**305,241**	297,729
Change in the provision for unearned premiums			
Gross amount		**(11,001)**	(22,944)
Reinsurers' share		**7,014**	(2,155)
	5	**(3,987)**	(25,099)
Earned premiums, net of reinsurance		**301,254**	272,630
Allocated investment return transferred from the non-technical account	10	**8,295**	(986)
Claims paid			
Gross amount		**(180,544)**	(172,132)
Reinsurers' share		**33,216**	28,959
		(147,328)	(143,173)
Changes in the provision for claims outstanding			
Gross amount		**39,186**	(107,868)
Reinsurers' share		**(34,211)**	42,270
	5	**4,975**	(65,598)
Claims incurred, net of reinsurance		**(142,353)**	(208,771)
Net operating expenses	6	**(92,462)**	(80,294)
Balance on technical account – general business		**74,734**	(17,421)

All the amounts above are in respect of continuing operations. The notes on pages 24 to 53 form part of these financial statements.

Income Statement *(continued)*

Non-technical account - General business

For the year ended 31 December 2023

	2023 £'000	2022 £'000
Balance on technical account – general business	**74,734**	(17,421)
Investment return	**8,295**	(986)
Allocated investment return transferred to the general business technical account	**(8,295)**	986
Exchange (loss)/gain	**(453)**	3,417
Profit/(Loss) for the financial year	**74,281**	(14,004)

Statement of Comprehensive Income

For the year ended 31 December 2023

	2023 £'000	2022 £'000
Profit/(Loss) for the financial year	**74,281**	(14,004)
Currency translation differences	**1,048**	(2,255)
Total comprehensive income/(loss) for the year	**75,329**	(16,259)

Statement of Changes in Members' Balances

For the year ended 31 December 2023

	2023 £'000	2022 £'000
At 1 January	**(54,117)**	(46,418)
Total comprehensive income/(loss) for the year	**75,329**	(16,259)
Collection from members	**1,756**	8,560
At 31 December	**22,968**	(54,117)

All the amounts above are in respect of continuing operations. The notes on pages 24 to 53 form part of these financial statements.

Statement of Financial Position

As at 31 December 2023

	Notes	2023 £'000	2022 £'000
ASSETS			
Investments			
Financial investments	11	**170,858**	118,415
Reinsurers' share of technical provisions			
Provision for unearned premiums	5	**15,178**	10,400
Claims outstanding	5	**81,701**	119,905
		96,879	130,305
Debtors			
Debtors arising out of direct insurance operations	12	**60,547**	53,144
Debtors arising out of reinsurance operations	13	**83,325**	92,883
Other debtors	14	**9,409**	10,428
		153,281	156,455
Cash and other assets			
Cash at bank and in hand	18	**69,444**	68,583
Other assets	19	**22,150**	25,011
		91,594	93,594
Prepayments and accrued income			
Accrued interest		**1,501**	682
Deferred acquisition costs	5	**29,552**	28,182
Other prepayments and accrued income		**1,909**	730
		32,962	29,594
Total assets		**545,574**	528,363

The notes on pages 24 to 53 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		**22,968**	(54,117)
Liabilities			
Technical provisions			
Provision for unearned premiums	5	**144,163**	140,894
Claims outstanding	5	**326,036**	380,805
		470,199	521,699
Creditors			
Creditors arising out of direct insurance operations	15	**1,380**	2,710
Creditors arising out of reinsurance operations	16	**46,666**	55,664
Other creditors	17	**2,880**	679
		50,926	59,053
Accruals and deferred income		**1,481**	1,728
Total liabilities		**522,606**	582,480
Total members' balances and liabilities		**545,574**	528,363

The notes on pages 24 to 53 form part of these financial statements.

The financial statements on pages 19 to 23 were approved by the Board of Directors on 27 February 2024 and were signed on its behalf by:

S J Ingham
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) on ordinary activities		**74,281**	(14,004)
(Decrease)/increase in gross technical provisions		**(51,499)**	168,237
Decrease/(Increase) in reinsurers' share of gross technical provisions		**33,426**	(50,138)
Decrease/(Increase) in debtors		**3,175**	(49,852)
(Decrease)/increase in creditors		**(8,128)**	24,229
Impairment of financial assets		**-**	(94)
Movement in other assets/liabilities/foreign exchange		**5,743**	(33,735)
Investment income		**(8,295)**	986
Net cash inflow from operating activities		**48,703**	45,629
Cash flows from investing activities			
Purchases of other financial investments		**(154,100)**	(132,957)
Sales of other financial investments		**104,307**	22,614
Investment income received		**4,502**	(986)
Net cash outflow from investing activities		**(45,291)**	(111,329)
Cash flows from financing activities			
Collection of losses		**1,756**	8,560
Net cash inflow from financing activities		**1,756**	8,560
Net increase/(decrease) in cash and cash equivalents		**5,168**	(57,140)
Cash and cash equivalents at beginning of year		**75,655**	120,533
Foreign exchange (loss)/gain on opening cash and cash equivalents		**(3,838)**	12,262
Cash and cash equivalents at end of year	18	**76,985**	75,655

The notes on pages 24 to 53 form part of these financial statements.

Notes to the Syndicate Annual Accounts

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 United Kingdom Generally Accepted Accounting Practice ("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 Syndicate's functional currency is US Dollars, being the primary economic environment in which it operates. The accounts have been presented in Sterling ("GBP"), which is the Syndicate's presentation currency and rounded to the nearest £'000. The presentation currency is consistent with the Syndicate's Quarterly Monitoring Return.

2. Accounting policies

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 premiums written 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 premiums written are stated gross of brokerage payable and exclude taxes and duties levied on them. Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon claims provisions.

Profit commissions on contracts are accrued where applicable.

Reinsurance premiums

Reinsurance premiums comprise the total premiums payable for the whole cover provided by contracts entered in 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.

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 Statement of Financial Position date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and Incurred But Not Reported ("IBNR").

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Claims incurred *(continued)*

The amount included in respect of IBNR is based on a combination of statistical techniques of estimation applied by the in-house actuaries and a detailed review of losses by management, further reviewed by external consulting actuaries. The statistical techniques generally involve projecting from past experience of the development of claims over time (using market data where Syndicate data is unavailable) 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.

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, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Gross premiums written 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 outwards reinsurance policy based on the underlying direct or inwards reinsurance business being reinsured.

Unexpired risks

A provision for unexpired risks is made where claims and related expenses are likely to arise after the end of the financial period in respect of contracts concluded before that date and 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.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Deferred acquisition costs

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

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

Profit commission

Profit Commission is charged by the Managing Agent at a rate of 20% of the profit on a Year of Account basis subject to the operation of a two year deficit clause. The profit commission is payable after the appropriate Year of Account closes.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies and Lloyd’s syndicates. 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. Any impairment loss is recorded in the Income Statement, however we do not expect any impairment losses as we maintain strong monthly controls and reviews over the reinsurance overdue balances to ensure that balances do not become overdue, or are fully collateralised where reinsurers do not meet the required minimum credit rating. 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 and 2022.

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

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

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

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 is US Dollars being the primary economic environment in which it operates. The Syndicate’s presentation currency is Sterling (GBP).

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

Exchange differences are recorded in the non-technical account.

In translating its results and financial position into the presentational currency, the Syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

The following Statement of Financial Position rates of exchange have been used in the preparation of these accounts:

	2023 Year End	2022 Year End
AUD	**1.9**	1.8
CAD	**1.7**	1.6
EUR	**1.2**	1.1
JPY	**179.5**	158.6
USD	**1.3**	1.2

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 Income Statement comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Financial assets and liabilities *(continued)*

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.

Initially, financial assets and liabilities are measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in the income statement. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency but excludes interest and dividend income. At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

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 the Income Statement. 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 the Income Statement.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

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. They also comprise collective investment schemes which are invested on a short-term basis. This excludes Lloyd's overseas deposits which are included within other assets.

Investment return

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

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, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

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

- Deposits with credit institutions are included at cost plus accrued income.

- Money Market Funds are valued on a stable net asset value ("NAV") basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments.

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

- Bonds are included in the Statement of Financial Position 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.

- Currency derivatives and bond futures are included at market price.

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

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Fair value measurement of investments *(continued)*

- 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 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 Statement of Financial Position under the heading 'Other debtors'.

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.

3. Critical accounting judgements and key sources of estimation uncertainty

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.

Critical accounting judgements

There have been no critical accounting judgements made in the process of applying the Syndicate's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the Statement of Financial Position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Gross premiums written

Gross premiums written are a key source of estimation uncertainty as it relies upon the underwriter's judgement of pipeline premium at policy level as well as projection of future premiums at portfolio level based, primarily on the assumption past premium development can be used to project future premium development.

Notes to the Syndicate Annual Accounts *(continued)*

3. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Gross premiums written *(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 misstatements of revenue recorded in the financial statements.

Claims outstanding and related reinsurance recoveries

The measurement of the provision for claims outstanding involves assumptions and estimates 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 Statement of Financial Position 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 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.

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.

Notes to the Syndicate Annual Accounts *(continued)*

4. Analysis of underwriting result

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

	2023					
	Gross premiums written	**Gross premium earned**	**Gross claims incurred**	**Net operating expenses**	**Reinsurance balance**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Direct Insurance						
Accident & Health	**15,528**	**13,657**	**(5,459)**	**(5,829)**	**(899)**	**1,470**
Energy – Marine	**1,467**	**1,075**	**(2,056)**	**(389)**	**116**	**(1,254)**
Energy – Non Marine	**2,298**	**1,757**	**(330)**	**(517)**	**(411)**	**499**
Fire and other damage to Property	**148,873**	**141,500**	**(43,564)**	**(38,276)**	**(20,938)**	**38,722**
Aviation	**11,148**	**10,840**	**(11,668)**	**(2,311)**	**2,648**	**(491)**
Motor (other classes)	**10,605**	**10,946**	**(6,166)**	**(3,470)**	**(1,523)**	**(213)**
Third party liability	**487**	**131**	**(53)**	**(61)**	**(21)**	**(4)**
Transport	**1,903**	**1,832**	**(998)**	**(630)**	**(258)**	**(54)**
Pecuniary Loss	**31,661**	**25,767**	**(10,610)**	**(7,558)**	**(2,001)**	**5,598**
	223,970	**207,505**	**(80,904)**	**(59,041)**	**(23,287)**	**44,273**
Reinsurance	**168,210**	**173,674**	**(60,454)**	**(33,421)**	**(57,633)**	**22,166**
Total	**392,180**	**381,179**	**(141,358)**	**(92,462)**	**(80,920)**	**66,439**

	2022					
	Gross premiums written	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance						
Accident & Health	10,834	8,584	(3,873)	(3,577)	(382)	752
Energy – Marine	1,282	670	(207)	(146)	(12)	305
Energy Non-Marine	1,413	847	(154)	(239)	(158)	296
Fire and other damage to Property	122,177	109,661	(62,577)	(30,027)	(4,111)	12,946
Aviation	10,340	10,081	(5,410)	(1,967)	(809)	1,895
Motor (other classes)	9,335	8,648	(4,303)	(2,774)	(1,170)	401
Third party liability	24	67	(49)	(24)	(6)	(12)
Transport	2,652	2,503	(943)	(820)	(375)	365
Pecuniary Loss	21,885	15,928	(4,672)	(4,417)	(3,432)	3,407
	179,942	156,989	(82,188)	(43,991)	(10,455)	20,355
Reinsurance	206,294	206,303	(197,812)	(36,303)	(8,978)	(36,790)
Total	386,236	363,292	(280,000)	(80,294)	(19,433)	(16,435)

Commissions on direct insurance gross premiums written during 2023 were £47.6m (2022: £39.0m). All premiums were concluded in the UK.

Notes to the Syndicate Annual Accounts *(continued)*

5. Technical provisions

	Gross provisions £'000	2023 Reinsurance assets £'000	Net provisions £'000
Claims outstanding			
Balance at 1 January	**380,805**	**(119,905)**	**260,900**
Change in claims outstanding	**(39,186)**	**34,211**	**(4,975)**
Effect of movements in exchange rates	**(15,583)**	**3,993**	**(11,590)**
Balance at 31 December	**326,036**	**(81,701)**	**244,335**
Claims notified	**156,166**	**(35,708)**	**120,458**
Claims incurred but not reported	**169,870**	**(45,993)**	**123,877**
Balance at 31 December	**326,036**	**(81,701)**	**244,335**
Unearned premiums			
Balance at 1 January	**140,894**	**(10,400)**	**130,494**
Change in unearned premiums	**11,001**	**(7,014)**	**3,987**
Effect of movements in exchange rates	**(7,732)**	**2,236**	**(5,496)**
Balance at 31 December	**144,163**	**(15,178)**	**128,985**
Deferred acquisition costs			
Balance at 1 January	**28,182**	**-**	**28,182**
Change in deferred acquisition costs	**2,743**	**-**	**2,743**
Effect of movements in exchange rates	**(1,373)**	**-**	**(1,373)**
Balance at 31 December	**29,552**	**-**	**29,552**

	Gross provisions £'000	2022 Reinsurance assets £'000	Net provisions £'000
Claims outstanding			
Balance at 1 January	253,397	(72,085)	181,312
Change in claims outstanding	107,868	(42,270)	65,598
Effect of movements in exchange rates	19,540	(5,550)	13,990
Balance at 31 December	380,805	(119,905)	260,900
Claims notified	178,538	(45,018)	133,520
Claims incurred but not reported	202,267	(74,887)	127,380
Balance at 31 December	380,805	(119,905)	260,900
Unearned premiums			
Balance at 1 January	100,065	(8,082)	91,983
Change in unearned premiums	22,944	2,155	25,099
Effect of movements in exchange rates	17,885	(4,473)	13,412
Balance at 31 December	140,894	(10,400)	130,494
Deferred acquisition costs			
Balance at 1 January	20,235	-	20,235
Change in deferred acquisition costs	5,045	-	5,045
Effect of movements in exchange rates	2,902	-	2,902
Balance at 31 December	28,182	-	28,182

There was no provision for unexpired risks at 31 December 2023 (31 December 2022: £nil).

Notes to the Syndicate Annual Accounts *(continued)*

6. Net operating expenses

	2023	2022
	£'000	£'000
Acquisition costs	**71,872**	65,162
Change in deferred acquisition costs	**(2,743)**	(5,045)
Administrative expenses	**23,333**	20,177
Net operating expenses	**92,462**	80,294

Members' standard personal expenses amounting to £6.3m (2022: £5.1m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission.

7. Staff costs and staff numbers

	2023	2022
	£'000	£'000
Wages and salaries	**8,482**	7,386
Social security costs	**1,087**	981
Pension costs	**1,043**	793
Other staff costs	**563**	514
	11,175	9,674

The average number of staff working for the Syndicate during the year is as follows:

	2023	2022
Underwriting and claims	**26**	27
Operations, finance and administration	**38**	36
	64	63

8. Auditor's remuneration

	2023	2022
	£'000	£'000
Audit of the Financial statements	**327**	217
Other services pursuant to Regulations and Lloyd's Byelaws	**38**	35
	365	252

Auditor's remuneration is included as part of the administrative expenses in Note 6 to the financial statements.

Notes to the Syndicate Annual Accounts *(continued)*

9. Emoluments of the Directors of Blenheim Underwriting Limited and the Active Underwriter

The aggregate emoluments of the Directors and staff of the Syndicate are met by Blenheim and subsequently recharged to the Syndicate. These are disclosed within the financial statements of that company.

The emoluments of the Active Underwriter recharged to the Syndicate are set out as below;

	2023	2022
	£'000	£'000
Remuneration	**316**	303
Medical insurance	**5**	5
	321	308

10. Investment return

	2023	2022
Investment income	**£'000**	£'000
Interest from financial assets at fair value through profit and loss	**4,986**	1,844
Interest on cash and cash equivalents	**414**	172
Other interest and similar income	**537**	321
Realised gains on investments	**784**	33
Unrealised gains on investments	**2,282**	126
	9,003	2,496
Investment expenses and charges		
Investment management expenses including interest	**(148)**	(77)
Realised losses on investment	**(532)**	(1,009)
	(680)	(1,086)
Unrealised losses on investments	**(28)**	(2,396)
Total investment return	**8,295**	(986)

Notes to the Syndicate Annual Accounts *(continued)*

10. Investment return *(continued)*

	2023	2022
Calendar year investment return	**£'000**	£'000
Average amount of syndicate funds available for investment during the year	**238,809**	185,637
Investment return (net of expenses)	**8,295**	(986)
Calendar year investment yield	**3.5%**	(0.5%)

11. Financial investments

	2023		2022	
	Carrying value	**Purchase price**	Carrying value	Purchase price
	£'000	**£'000**	£'000	£'000
Shares and other variable yield securities and units in unit trusts				
• Designated at fair value through profit or loss	**10,834**	**10,834**	10,365	10,365
Debt securities and other fixed income securities				
• Designated at fair value through profit or loss	**160,024**	**159,675**	108,050	110,343
	170,858	**170,509**	118,415	120,708

The value of listed securities within shares and other variable yield securities and units in unit trusts is £1.0m (2022: £0.2m) and debt securities and other fixed income securities is £143.1m (2022: £99.4m).

Amounts included within shares and other variable securities include Collective Investment Schemes where funds are invested in a single vehicle which invests in investments.

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

Notes to the Syndicate Annual Accounts *(continued)*

11. Financial investments *(continued)*

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	**967**	**6,574**	**3,293**	**10,834**
Debt securities and other fixed income securities	**-**	**160,024**	**-**	**160,024**
Total	**967**	**166,598**	**3,293**	**170,858**

	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	25	7,047	3,293	10,365
Debt securities and other fixed income securities	-	108,050	-	108,050
Total	25	115,097	3,293	118,415

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.

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

Notes to the Syndicate Annual Accounts *(continued)*

11. Financial investments *(continued)*

The main asset classes in the level 3 category are unlisted equities, structured bond-type debt products and interest rate swaps.

- For unlisted equities, the non-observable inputs relate to assumptions regarding the price/equity ratio of the investee compared to those of comparable listed entities together with an illiquidity adjustment which typically ranges between 10-20%.

- For structured bond-type debt products, these are valued using an internally developed cash flow model using a discount rate with a non-observable illiquidity adjustment of between 5-10%.

- For interest rate swaps, these are valued from broker quotes which include non-observable discount rates based on the credit rating of the counterparty.

The Syndicate's level 3 financial investment are in respect of a loan to the Lloyd's Central Fund. Lloyd's considers the loans to meet the criteria to be recognised as a basic financial instrument under FRS 102 and be classified as level 3 in the fair value hierarchy. These loans are being valued at cost.

12. Debtors arising out of direct insurance operations

	2023	2022
	£'000	£'000
Due from intermediaries (within one year)	**59,340**	51,786
Due from intermediaries (after one year)	**1,207**	1,358
	60,547	53,144

13. Debtors arising out of reinsurance operations

	2023	2022
	£'000	£'000
Due from intermediaries (within one year)	**82,817**	92,570
Due from intermediaries (after one year)	**508**	313
	83,325	92,883

Notes to the Syndicate Annual Accounts *(continued)*

14. Other debtors

	2023	2022
	£'000	£'000
Members' agents fees due	2,468	2,260
Deposits with ceding undertakings	6,871	7,711
Other	70	457
	9,409	10,428

15. Creditors arising out of direct insurance operations

	2023	2022
	£'000	£'000
Direct Business - intermediaries (within one year)	1,380	2,710

16. Creditors arising out of reinsurance operations

	2023	2022
	£'000	£'000
Reinsurance accepted (within one year)	891	910
Reinsurance ceded (within one year)	45,775	54,754
	46,666	55,664

17. Other creditors

	2023	2022
	£'000	£'000
Expenses due to Blenheim (within one year)	1,792	600
Managing agent profit commission	515	-
Other (within one year)	573	79
	2,880	679

Notes to the Syndicate Annual Accounts *(continued)*

18. Cash and cash equivalents

	2023	2022
	£'000	£'000
Cash at bank and in hand	**69,444**	68,583
Holdings in collective investment schemes	**7,541**	7,072
	76,985	75,655

19. Other assets

	2023	2022
	£'000	£'000
Overseas deposits	**22,150**	25,011

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and therefore are restricted assets.

20. Related parties

Blenheim, Managing Agent of the Syndicate since 6 August 2021 is a wholly owned subsidiary of WBC.

Blenheim incurs the majority of the Syndicate's administrative expenses which it then recharges to the Syndicate without mark-up. Expenses incurred jointly for the Group are recharged to group companies on a basis representing the nature of the expenses and their usage by group companies. As at 31 December 2023, amounts owed to Blenheim from the Syndicate relating to expense recharges totalled £1.8m (2022: £0.6m).

Managing agency fees of £2.6m (2022: £2.7m) were charged by Blenheim to the Syndicate during 2023. The balance owing as at 31 December 2023 is £nil (2022: £nil). Managing agent profit commission relating to Blenheim of £0.5m (2022: £nil) was accrued for on the 2022 Year of Account. This amount only becomes payable subject to the 2022 Year of Account closing with a profit.

Blenheim receives fees for acting as a manager of several consortia that are led by Syndicate 5886. No fees were charged to the Syndicate by Blenheim for this service.

As part of the Group, WBC wholly owns White Bear Corporate Capital Limited, a Lloyd's corporate member which participates on Syndicate 5886 on the 2022 Year of Account for £104.8m and on the 2023 Year of Account for £105.0m. The Syndicate provided three binding authorities (2022: four binding authorities) to White Bear Managers Ltd ("WBM"), a Lloyd's coverholder and member of the Group. During the financial year, WBM had written total fees of £2.1m (2022: £0.6m) in respect of the services for these binding authorities. Both companies have common Directors with Blenheim.

All transactions are entered into on an arm's length basis.

Notes to the Syndicate Annual Accounts *(continued)*

21. 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.

22. Bank facilities

At the start of the year, the Syndicate had the benefit of a revolving credit facility for US$70.0m with Barclays Bank Plc. This facility was subsequently renewed in December 2023 for the 12 months to 31 December 2024.

The Syndicate utilised US$20.0m of the letter of credit facility until November 2023 when the utilisation was reduced to US$15.0m.

23. Off-Statement of Financial Position items

As noted in Note 22, during the year, the Syndicate had the benefit of a combined letter of credit and revolving credit facility of US$70.0m (2022: US$70.0m) with Barclays Bank of which it utilised US$20.0m until November 2023 when the utilisation was reduced to US$15m (2022: US$20.0m) for the purposes of regulated trust funding at 31 December 2023. This arrangement is considered to be off-Statement of Financial Position as neither the asset nor the liability are owned by the Syndicate.

24. 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.

Blenheim maintains a risk management function for the Syndicate with clear terms of reference from the Board and its committees. The RiC is the predominant committee to consider risk management within the governance structure. The RiC is a non-executive committee formed by and at the direction of the Board. The RiC is intended to act as a governance body for ensuring Blenheim maintains an accurate and up to date risk management framework to enable monitoring of the risks to which the business and syndicates under management are, or could be exposed to, and the appropriateness and effectiveness of the strategies and the control environment used to mitigate them.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

a) Governance framework *(continued)*

The Board, on the recommendation of the RiC, approves Blenheim's core risk management policies and any commercial, regulatory and organisational requirements of such policies. The 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

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

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

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

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 2023 was 35% (2022: 35%) of the members' 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 (FAL), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending member's balances reported on the Statement of Financial Position on page 22, represent resources available to meet members' and Lloyd's capital requirements.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

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. Further details are set out in the Managing Agent's Report on pages 5 to 12.

The Syndicate purchases reinsurance as part of its risk mitigation strategies. Reinsurance ceded is placed largely on a non-proportional basis. Non-proportional reinsurance is excess-of-loss reinsurance 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.

The RC, an executive Board committee, oversees 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 Board.

In terms of COVID-19 and Ukraine losses, including Russian related aviation losses, management have considered all policies exposed and potential coverages. The validity of each potential claims advice was assessed and any provision made on a case by case basis. Many issues are yet to be clarified from a legal perspective and to date few cases, particularly as they relate to reinsurance, have reached either arbitration or court. We believe that the overall loss reserves are sufficient to reflect the uncertainties of COVID-19 and Ukraine losses.

The Syndicate uses commercially available risk management software and internal modelling methodologies including specific deterministic realistic disaster scenarios ("RDS"), in accordance with Lloyd's franchise guidelines, to enable the quantification and management of natural and man-made catastrophe portfolio exposures. However, there is always a risk that claims that arise are greater than those resulting from modelled scenarios depending on the size, nature and geographic impact of the event or from un-modelled events.

Based on the July 2023 Lloyd's RDS submission, the largest Gross RDS was a Florida (Miami-Dade) windstorm event with an industry loss estimate of US$131.0bn. This equates to a loss to the Syndicate of US$207.9m gross and US$85.3m net of reinsurance recoveries and reinstatement costs (2022: Florida (Pinellas) windstorm event US$250.2m gross and US$79.4m net of reinsurance recoveries and reinstatement costs).

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming and 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 plausible 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 can be non-linear.

	2023	2022
Gross	**£'000**	£'000
Five percent increase in claim liabilities	**(16,302)**	(19,040)
Five percent decrease in claim liabilities	**16,302**	19,040
Net		
Five percent increase in claim liabilities	**(12,217)**	(13,045)
Five percent decrease in claim liabilities	**12,217**	13,045

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

c) Insurance risk *(continued)*

Claims development table gross of reinsurance

The table below and on the following page 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 Statement of Financial Position date.

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

				Underwriting Year			
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Estimate of cumulative UK GAAP gross claims incurred:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At end of first underwriting year	121,053	87,813	79,074	115,915	152,873	201,077	92,756
One year later	147,576	125,378	137,849	163,425	214,759	242,641	-
Two years later	154,337	127,716	145,749	167,115	211,320	-	-
Three years later	154,524	125,958	148,067	172,330	-	-	-
Four years later	155,403	122,524	151,224	-	-	-	-
Five years later	156,140	121,462	-	-	-	-	-
Six years later	156,163	-	-	-	-	-	-
Less cumulative gross paid	(151,014)	(115,685)	(132,693)	(145,445)	(146,498)	(117,906)	(12,619)
Liability for gross outstanding claims	5,149	5,777	18,531	26,885	64,822	124,735	80,137
Total gross outstanding claims (all years)							**326,036**

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

c) Insurance risk *(continued)*

Claims development table net of reinsurance

The table 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 net of reinsurance basis at the Statement of Financial Position date.

				Underwriting Year			
	2017	**2018**	**2019**	**2020**	**2021**	**2022**	**2023**
Estimate of cumulative UK GAAP net claims incurred:	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
At end of first underwriting year	66,266	61,479	61,309	81,829	115,417	148,831	81,281
One year later	81,509	90,744	107,477	120,910	163,241	202,677	-
Two years later	83,830	94,227	113,491	123,468	161,006	-	-
Three years later	81,916	91,936	117,052	125,338	-	-	-
Four years later	81,748	89,907	121,159	-	-	-	-
Five years later	81,326	89,068	-	-	-	-	-
Six years later	81,326	-	-	-	-	-	-
Less cumulative gross paid	(78,202)	(85,047)	(107,091)	(105,556)	(121,790)	(107,967)	(11,867)
Liability for net outstanding claims	3,124	4,021	14,068	19,782	39,216	94,710	69,414
Total net outstanding claims (all years)							**244,335**

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.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

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 in line with the investment guidelines.

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 reinsurer credit risk:

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty has no credit rating, then collateral is usually sought to mitigate any risk. This is monitored by the RISBC, a management committee.

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

31 December 2023		**£'000**		
	Neither past due or impaired	**Past due but not impaired**	**Impaired**	**Total**
Shares and other variable yield securities	**10,834**	**-**	**-**	**10,834**
Debt securities and other fixed income securities	**160,024**	**-**	**-**	**160,024**
Overseas Deposits	**22,150**	**-**	**-**	**22,150**
Reinsurers share of claims outstanding	**81,701**	**-**	**-**	**81,701**
Debtors arising out of direct insurance operations	**56,523**	**4,024**	**-**	**60,547**
Debtors arising out of reinsurance operations	**-**	**13,965**	**-**	**13,965**
Other assets	**126,909**	**-**	**-**	**126,909**
Cash at bank and in hand	**69,444**	**-**	**-**	**69,444**
Total	**527,585**	**17,989**	**-**	**545,574**

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

1. Credit risk *(continued)*

31 December 2022	£'000			
	Neither past due or impaired	Past due but not impaired	Impaired	Total
Shares and other variable yield securities	10,365	-	-	10,365
Debt securities and other fixed income securities	108,050	-	-	108,050
Overseas Deposits	25,011	-	-	25,011
Reinsurers share of claims outstanding	119,905	-	-	119,905
Debtors arising out of direct insurance operations	49,274	3,870	-	53,144
Debtors arising out of reinsurance operations	-	9,250	-	9,250
Other assets	134,055	-	-	134,055
Cash at bank and in hand	68,583	-	-	68,583
Total	515,243	13,120	-	528,363

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 BB are classified as speculative grade and have not been rated, debtors, other than amounts arising from reinsurance contracts ceded, have been excluded from the table as these are not rated.

31 December 2023				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	**967**	**-**	**9,867**	**-**	**-**	**-**	**10,834**
Debt securities and other fixed income securities	**19,629**	**47,470**	**83,197**	**9,728**	**-**	**-**	**160,024**
Overseas Deposits	**13,594**	**2,151**	**1,760**	**1,629**	**1,445**	**1,571**	**22,150**
Reinsurers share of claims outstanding	**-**	**12,431**	**45,071**	**-**	**220**	**23,979**	**81,701**
Cash at bank and in hand	**-**	**-**	**69,444**	**-**	**-**	**-**	**69,444**
Total	**34,190**	**62,052**	**209,339**	**11,357**	**1,665**	**25,550**	**344,153**

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

1. Credit risk *(continued)*

31 December 2022				£'000			
	AAA	AA	A	BBB	BB or less	Not Rated	Total
Shares and other variable yield securities	169	-	10,196	-	-	-	10,365
Debt securities and other fixed income securities	18,629	30,220	54,192	5,009	-	-	108,050
Overseas Deposits	11,835	2,958	1,604	1,635	3,608	3,371	25,011
Reinsurers share of claims outstanding	-	25,151	72,908	-	285	21,561	119,905
Cash at bank and in hand	-	-	68,583	-	-	-	68,583
Total	30,633	58,329	207,483	6,644	3,893	24,932	331,914

Of the £25.6m currently not rated at 31 December 2023, £2.4m is fully collateralised, £1.6m relates to overseas deposits and £18.3m relates to general reinsurance IBNR that has not been allocated to any specific loss and hence any specific reinsurer. (2022: of the £24.9m not rated, £7.2m was fully collateralised, £3.4m related to overseas deposits with £11.3m related to general reinsurance IBNR).

Maximum credit exposure

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 and utilising available banking facilities.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

2. Liquidity risk *(continued)*

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.

31 December 2023			**£'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Creditors	**-**	**50,926**	**-**	**-**	**-**	**50,926**
Claims outstanding	**-**	**170,432**	**113,686**	**29,109**	**12,809**	**326,036**
Total	**-**	**221,358**	**113,686**	**29,109**	**12,809**	**376,962**

31 December 2022			£'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	-	59,053	-	-	-	59,053
Claims outstanding	-	198,820	136,004	32,036	13,945	380,805
Total	-	257,873	136,004	32,036	13,945	439,858

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 risks.

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

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 US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro, Japanese Yen, Canadian Dollars and Australian Dollars.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

3. Market risk *(continued)*

a) Currency risk *(continued)*

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

31 December 2023				**CNV £'000**			
	GBP	**USD**	**EUR**	**CAD**	**AUD**	**JPY**	**Total**
Total Assets	**31,297**	**431,774**	**14,215**	**43,807**	**20,152**	**4,329**	**545,574**
Total Liabilities	**(36,779)**	**(393,692)**	**(47,288)**	**(22,223)**	**(18,229)**	**(4,395)**	**(522,606)**
Net Assets/(Liabilities)	**(5,482)**	**38,082**	**(33,073)**	**21,584**	**1,923**	**(66)**	**22,968**

31 December 2022				CNV £'000			
	GBP	USD	EUR	CAD	AUD	JPY	Total
Total Assets	27,373	412,488	13,746	41,891	26,605	6,260	528,363
Total Liabilities	(36,097)	(427,437)	(50,747)	(31,610)	(27,510)	(9,079)	(582,480)
Net Assets/(Liabilities)	(8,724)	(14,949)	(37,001)	10,281	(905)	(2,819)	(54,117)

The Syndicate holds assets and liabilities in these six main currencies. The Syndicate for the most part aims to ensure its assets and liabilities match in currency as closely as possible to mitigate the currency risk. The currency shortfall in the currencies above is partly driven by the gross claims being in those currencies and any recoveries being in US Dollars. However, it should be noted that there is a degree of currency mitigation because the reinsurance collections made on these losses are based on the gross losses being converted to Sterling at the prevailing exchange rate to mitigate the currency risk.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

3. Market risk *(continued)*

a) Currency risk *(continued)*

Sensitivity to changes

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

	Impact on profit and members' balance	
	2023	2022
	£'000	£'000
Sterling weakens		
10% against other currencies	**(2,845)**	(4,539)
20% against other currencies	**(5,690)**	(9,079)
Sterling strengthens		
10% against other currencies	**2,845**	4,539
20% against other currencies	**5,690**	9,079

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 most significant contribution to risk in the fixed income portfolio is interest rate risk:

	2023	2022
Impact on profit and net assets	**£'000**	£'000
50 basis points increase	**(1,389)**	(1,065)
50 basis points decrease	**1,406**	1,082

The Board monitors the duration of investments in order to manage the interest rate risk within the fixed income portfolio. If interest rates fall the syndicates fixed income securities fair value will tend to increase and if they rise the fair value will tend to decrease. The value of Debt securities and other fixed income securities at 31 December 2023 was £160.0m (2022: £108.1m) with an average duration of around 1.81 years (2022: 1.95 years).

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

Notes to the Syndicate Annual Accounts *(continued)*

25. Subsequent events

The Syndicate will collect the 2021 underwriting year loss of £8.8m in US Dollars from members in June 2024.

Blenheim Underwriting Limited

Syndicate Underwriting Year Accounts
For the 2021 Year of Account
Closed at 31 December 2023

Directors and Administration

Managing Agent

Blenheim Underwriting Limited

Directors

Nicholas Joseph Destro
Derek Charles Grainger (resigned 1 September 2023)
Sharon Julia Ingham
John Anthony Lynch
Tessa Helen Mijatovic (appointed 1 September 2023)
Peter David Scales
Christopher Norman Clark*
Kenneth Douglas Curtis (appointed on 1 February 2024)
Esther Ruth Felton*
John Charles Hamblin*
Lawrence Albert Holder (Chair)*
Michael James Leonard*

*Non-Executive Directors

Company Secretary

Shirley Anne Holley (appointed 2 November 2023)
Tessa Helen Mijatovic (resigned 2 November 2023)

Managing Agent's Registered Office

7th Floor
70 Mark Lane
London
EC3R 7NQ

Managing Agent's Registered Company Number

10254215

Active Underwriter

N J Destro

Bankers

Barclays Bank
Citibank N.A.
RBC Dexia

Investment Manager

Conning Asset Management Limited

Registered Auditors

BDO LLP

Managing Agent's Report for the 2021 Closing Year of Account

For the 36 months ended 31 December 2023

The Directors of Blenheim Underwriting Limited ("Blenheim") present their report at 31 December 2023 for the 2021 closed Year of Account.

This report is prepared in accordance with the Lloyd's Syndicate Byelaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Business Review

A summary of the 2021 Year of Account performance is given in the accompanying Underwriter's Report within the Syndicate Annual Accounts.

Underwriting year results

The Syndicate generated a loss of £8.8m after members' agents' fees on gross premiums written of £287.3m for the 2021 underwriting year.

Principal activities and review of the business

The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market.

Gross premium written income by class of business for the Year of Account were as follows;

	2021 £m
Property Treaty	102.3
Direct and Facultative Property	107.2
Contingency	5.4
Accident & Health	10.4
Specialty Treaty	55.6
Construction	1.4
Political Risk	5.0
	287.3

The Syndicate's key financial performance indicators for the Year of Account were as follows;

	2021 £m
Gross premiums written	287.3
Total comprehensive loss	(8.1)
Net combined ratio	105.0%

The net combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to earned premiums, net of reinsurance.

Managing Agent’s Report for the 2021 Closing Year of Account *(continued)*

Disclosure of Information to the Auditor

So far as each person who was a Director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with their report, of which the auditor is unaware. Having made enquiries of fellow Directors of the Agency and the Syndicate’s auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make he/she aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate’s risk and capital management.

Approved by the Board of Directors and signed on behalf of the Board.

J A Lynch
Director
27 February 2024

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close ("RITC") which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the Syndicate underwriting year accounts, the Managing Agent is required to:-

- select suitable accounting policies and apply them consistently throughout each underwriting year and from one underwriting year to the next. Where items affect more than one underwriting year, the Managing Agent must ensure that the Syndicate treats the affected member equitably. In particular, the premium charged for reinsurance to close should be equitable between the reinsured and reinsuring members of the Syndicate;

- take into account all income and charges relating to a closed Year of Account without regard to the date of receipt or payment;

- make judgements and estimates that are reasonable and prudent; and

- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate underwriting year accounts comply with the Lloyd's Regulations 2008 and Syndicate Accounting Byelaw. 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 UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Syndicate 5886 2021 closed Year of Account

Opinion

In our opinion, the Syndicate underwriting year accounts:

- give a true and fair view of the loss for the 2021 closed Year of Account;
- 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 Syndicates and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the Syndicate underwriting year accounts of Syndicate 5886 ('the Syndicate') for the three years ended 31 December 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Members' Balances, the Statement of Cash Flows and notes to the Syndicate underwriting year accounts, 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 Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

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 underwriting year 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 underwriting year accounts in the UK, including the Financial Reporting Councils ("FRC's") Ethical Standard, and we have fulfilled our 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 audit opinion.

Emphasis of matter – Closure of the 2021 Year of Account

We draw attention to the basis of preparation within Note 1 which explains that the 2021 Year of Account of Syndicate 5886 had closed and all assets and liabilities transferred to the 2022 Year of Account by Reinsurance to Close ("RITC") at 31 December 2023.

As a result, the syndicate underwriting year accounts for the 2021 Year of Account of Syndicate 5886 have been prepared under a basis other than a going concern.

Our opinion is not modified in respect of this matter.

Independent Auditor’s Report to the Members of Syndicate 5886 2021 Closed Year of Account *(continued)*

Other information

The Managing Agent is responsible for the other information. The other information comprises the information included in the annual report, other than the Syndicate underwriting year accounts and our auditor’s report thereon. Our opinion on the Syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Syndicate underwriting year accounts or our knowledge obtained in 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 there is a material misstatement in the Syndicate underwriting year 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 in this regard.

Matters on which we are required to report by exception

Under the Lloyd’s Syndicate Accounting Byelaw (no. 8 of 2005) we are required to report in respect of the following matters if, in our opinion:

- The Managing Agent in respect of the Syndicate has not kept adequate accounting records; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records.

We have nothing to report in this regard.

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent’s responsibilities out on page 58, the Managing Agent is responsible for the preparation of the Syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd’s Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view of the results for the 2021 closed Year of Account, and for such internal control as the Managing Agent determines is necessary to enable the preparation of Syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the Managing Agent is responsible for assessing the syndicate’s ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Independent Auditor's Report to the Members of Syndicate 5886
2021 Closed Year of Account *(continued)*

Auditor's responsibilities for the audit of the Syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the Syndicate underwriting year 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 underwriting year accounts.

Extent to which the audit was 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- Our responses to significant audit risks over technical provisions and management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specifically, we engaged an actuary as auditor's specialists to review the assumptions and methodology applied by the Syndicate in the valuation of technical provisions and to carry out their own independent reprojections of a significant proportion of the Syndicate's book of business. Our assessment of management override included an assessment of key accounting estimates and an assessment of journals.
- We obtained an understanding of the legal and regulatory framework applicable to the Syndicate's operations and the control environment in monitoring compliance with laws and regulations. We reviewed correspondence with the Prudential Regulation Authority ("PRA"), Financial Conduct Authority ("FCA") and Lloyd's of London.
- We carried out enquiries with management.
- We reviewed minutes of board meetings throughout the period.
- Agreement of the financial statement disclosures to underlying supporting documentation.

Our audit procedures were designed to respond to risks of material misstatement in the Syndicate underwriting year accounts, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate underwriting year accounts the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the Syndicate underwriting year accounts is located on the FRC's website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Independent Auditor's Report to the Members of Syndicate 5886 2021 Closed Year of Account *(continued)*

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicates 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.

Alexander Barnes, *Senior Statutory Auditor*
For and on behalf of BDO LLP, Statutory Auditor
London, UK
27 February 2024

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

Technical account – General business

For the 36 months ended 31 December 2023

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	5	287,285	
Outward reinsurance premiums		(71,293)	
			215,992
Change in the provision for unearned premiums Gross amount		6,556	
Reinsurers' share		(124)	
			6,432
			222,424
Reinsurance to close premium receivable, net of reinsurance	7		63,999
Allocated investment return transferred from the non-technical account	10		3,022
Claims incurred, net of reinsurance			
Claims paid:			
- Gross amount		(178,992)	
- Reinsurers' share		30,928	
Net claims paid		(148,064)	
Reinsurance to close premium payable, net of reinsurance	8	(80,212)	
			(228,276)
Net operating expenses	9		(69,266)
Balance on the technical account – general business			(8,097)

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 68 to 79 form part of these financial statements.

Income Statement *(continued)*

Non-technical account – General business

For the 36 months ended 31 December 2023

	Notes	£'000
Balance on the technical account – general business	6	(8,097)
Investment return		3,022
Allocated investment return transferred to the general business technical account		(3,022)
Exchange gain		1,567
Loss for the closed Year of Account		(6,530)

Statement of Comprehensive Income

For the 36 months ended 31 December 2023

	£'000
Loss for the closed Year of Account	(6,530)
Currency translation differences	(1,523)
Total comprehensive loss for the closed Year of Account	(8,053)

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 68 to 79 form part of these financial statements.

Statement of Financial Position

As at 31 December 2023

	Notes	£'000	£'000
ASSETS			
Investments	11		65,028
Debtors			
Debtors arising out of direct insurance operations	12	6,407	
Debtors arising out of reinsurance operations	13	23,399	
Other debtors, prepayments and accrued income		2,787	
			32,593
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account			40,953
Other Assets			
Cash at bank and in hand	17	3,345	
Overseas deposits		7,977	
			11,322
Total assets			149,896
LIABILITIES			
Amounts due from members			(8,816)
Reinsurance to close premiums payable to close the account – gross amount			121,165
Creditors			
Creditors arising out of direct insurance operations	14	405	
Creditors arising out of reinsurance operations	15	16,744	
Inter-year loans	16	19,593	
Other creditors, accruals and deferred income		805	
			37,547
Total liabilities			149,896

The notes on pages 68 to 79 form part of these financial statements.

The Syndicate underwriting year accounts were approved by the Board on 27 February 2024 and were signed on its behalf by

S J Ingham
Director
27 February 2024

Statement of Members' Balances

For the 36 months ended 31 December 2023

	£'000
Total comprehensive loss for the closed Year of Account	(8,053)
Members' agents' fees paid on behalf of members	(763)
Members' balances carried forward at 31 December 2023	(8,816)

The notes on pages 68 to 79 form part of these financial statements.

Statement of Cash Flows

	Notes	£'000
Cash flows from operating activities		
Loss for the closed Year of Account		(6,530)
Increase in debtors		(29,876)
Increase in creditors		36,742
Movement in other assets/liabilities/foreign exchange		(2,654)
Investment income		(3,022)
RITC premium payable, net of reinsurance		80,210
Net cash inflow from operating activities		74,870
Cash flows from investing activities		
Purchases of other financial investments		(97,375)
Sales of other financial investments		34,027
Investment income received		2,241
Increase in overseas deposits		(7,977)
Net cash outflow from investing activities		(69,084)
Cash flows from financing activities		
Members' agents fees paid on behalf of members		(763)
Net cash outflow from financing activities		(763)
Net increase in cash and cash equivalents		5,023
Cash and cash equivalent at 1 January 2021		-
Cash and cash equivalent at end of the Year of Account	17	5,023

The notes on pages 68 to 79 form part of these financial statements.

Notes to the Syndicate Underwriting Year Accounts

For the 36 months ended 31 December 2023

1. Basis of preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including relevant disclosures of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK (“FRS 102”) and Financial Reporting Standard 103 Insurance Contracts (“FRS 103”).

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

The Syndicate's functional currency is US Dollars, being the primary economic environment in which it operates. The accounts have been presented in Sterling (GBP), which is the Syndicate’s presentation currency and rounded to the nearest £'000.

Members participate on a Syndicate by reference to a Year of Account and each Syndicate Year of Account is a separate annual venture. These accounts relate to the 2021 Year of Account which has been closed by way of Reinsurance to Close “(RITC”) at 31 December 2023. Consequently the Statement of Financial Position represents the assets and liabilities of the 2021 Year of Account at the date of closure and the Income Statement reflects the transactions for that Year of Account during the 36 months period until closure. As each Syndicate Year of Account is a separate annual venture, there are no comparative figures.

The 2021 underwriting year has now closed. The Directors of the Managing Agent have prepared the underwriting year accounts on a non-going concern basis. There was no effect of this on the amounts reported in the accounts.

2. Accounting policies

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.

Underwriting transactions

The underwriting accounts for each Year of Account are normally kept open for three years before the result on that year is determined. At the end of that three year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the Year of Account to be closed by payment of a RITC premium to the successor Year of Account.

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the Year of Account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the Year of Account into which the arrangement incepts. Additional and return premiums follow the Year of Account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Underwriting transactions *(continued)*

Gross premiums written are earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being protected.

Gross claims paid are allocated to the same Year of Account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the Year of Account to which the claim was charged.

The RITC premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risks and annual reinstatement premiums) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the premium so determined. The RITC premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor Year of Account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

The outstanding claims comprise amounts set aside for claims notified and claims Incurred But Not Reported (“IBNR”).

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate’s external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The provision for claims includes amounts in respect of internal and external claims handling costs.

The reinsurers’ share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, 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.

The Syndicate uses a number of statistical techniques to assist in making the above 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 that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. The methods used, and the estimates made, are reviewed regularly.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Underwriting transactions *(continued)*

A provision for unexpired risks is created where claims, related expenses and deferred acquisition costs, likely to arise after the Statement of Financial Position date in respect of contracts relating to the closing Year of Account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums at the Statement of Financial Position date.

Profit commission
Profit Commission is charged by the Managing Agent at a rate of 20% of the profit on a Year of Account basis subject to the operation of a two year deficit clause. The profit commission is payable after the appropriate Year of Account closes.

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 Income Statement 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.

Initially, financial assets and liabilities are measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Financial assets at fair value through profit or loss are measured at fair value with fair value 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.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Financial assets and liabilities *(continued)*

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.

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 Statement of Financial Position 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 investment disposed of in the current period.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Investment return *(continued)*

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.

Syndicate operating expenses

Costs incurred by the Managing Agent in respect of the Syndicate are recharged to the Syndicate and included within the relevant Income Statement account heading. Where expenses do not relate to any specific Year of Account they are apportioned between years of account on a basis which reflects the benefit obtained by each Year of Account from each type of expense.

Where expenses are incurred jointly by the Managing Agent and the Syndicate, they are apportioned as follows:

- **Salaries and Related Costs**
  - According to time of each individual spent on Syndicate matters.

- **Accommodation Costs**
  - According to number of personnel.

- **Other Costs**
  - As appropriate in each case.

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

Amounts recharged by the Managing Agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

Offsetting

The Syndicate sets off and presents its financial assets and liabilities net where:

(i) each it and another party owes the other determinable amounts,

(ii) it has the right to set off the amount owed with the amount owed by the other party,

(iii) it intends to set off, and

(iv) the right of set off is enforceable at law.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

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 income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Foreign currencies
The Syndicate's functional currency is US Dollars being the primary economic environment in which it operates. The Syndicate's presentation currency is Sterling (GBP).

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

Exchange differences are recorded in the non-technical account.

In translating its results and financial position into the presentational currency, the Syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

3. Critical accounting judgements and key sources of estimation uncertainty

Significant accounting estimates and judgements
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.

Critical accounting judgements
There have been no critical accounting judgements made in the process of applying the Syndicate's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statements.

Key sources of estimation uncertainty
The key sources of estimation uncertainty at the Statement of Financial Position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

3. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

Claims outstanding and related reinsurance recoveries
The measurement of the provision for claims outstanding involves assumptions and estimates 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 Statement of Financial Position 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 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.

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.

4. Risk management

Effective from 31 December 2023, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks for the Syndicate’s 2021 and prior years of account are transferred to the accepting 2022 Year of Account of the Syndicate. Accordingly, these underwriting year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main annual accounts of the Syndicate.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

5. Particulars of business written

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

	Gross premium written	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance;						
Accident & Health	7,886	8,137	(2,701)	(3,202)	(592)	1,642
Motor (other)	7,013	7,231	(4,237)	(2,375)	(442)	177
Aviation and Transport	9,526	10,022	(8,726)	(2,409)	1,027	(86)
Fire and other damage to property	84,976	88,157	(55,504)	(25,800)	3,190	10,043
Third party liability	66	73	(21)	(27)	(6)	19
Credit and suretyship	10,555	10,960	(2,269)	(3,232)	(2,014)	3,445
	120,022	124,580	(73,458)	(37,045)	1,163	15,240
Reinsurance acceptances	167,263	169,261	(142,815)	(32,221)	(20,584)	(26,359)
Total	287,285	293,841	(216,273)	(69,266)	(19,421)	(11,119)

6. Analysis of result by year of account

	2017 Pure Year	2018 Pure Year	2019 Pure Year	2020 Pure Year	2021 Pure Year	2021 Total
	£'000	£'000	£'000	£'000	£'000	£'000
Technical account balance before allocated investment return and net operating expenses	(242)	(263)	(2,181)	(3,186)	64,019	58,147
Brokerage and commission on gross premium	308	1,060	(632)	(199)	(46,739)	(46,202)
	66	797	(2,813)	(3,385)	17,280	11,945
Other acquisition costs	-	-	(1)	(15)	(2,847)	(2,863)
Change in deferred acquisition costs	-	-	-	-	(1,320)	(1,320)
Net other expenses	(9)	(13)	(51)	(84)	(18,724)	(18,881)
Investment income	-	-	25	276	2,721	3,022
	(9)	(13)	(27)	177	(20,170)	(20,042)
Balance on technical account	57	784	(2,840)	(3,208)	(2,890)	(8,097)

Notes to the Syndicate Underwriting Year Accounts *(continued)*

7. Reinsurance to close premium receivable net of reinsurance

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	66,740	17,144	83,884
Reinsurance recoveries anticipated	(14,894)	(4,991)	(19,885)
Reinsurance to close premium receivable	51,846	12,153	63,999

8. Reinsurance to close premium payable net of reinsurance

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	(81,854)	(39,311)	(121,165)
Reinsurance recoveries anticipated	24,184	16,769	40,953
Reinsurance to close premium payable	(57,670)	(22,542)	(80,212)

9. Net operating expenses

	£'000
Acquisition costs	49,065
Change in deferred acquisition costs	1,320
Standard personal expenses	4,663
Administration expenses	14,218
	69,266

The closed year loss is stated after charging:

	£'000
Auditor's remuneration:	
Audit of the Financial statements	39
Other services pursuant to Regulations and Lloyd's Byelaws	5
	44

The auditor did not receive any other remuneration other than that stated above.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

10. Investment income

Investment income	**£'000**
Interest from financial assets at fair value through profit and loss	2,486
Interest on cash and cash equivalents	195
Other interest and similar income	479
Realised gains on investments	485
Unrealised gains on investments	900
	4,545
Investment expenses and charges	
Investment management expenses including interest	(73)
Realised losses on investment	(740)
	(813)
Unrealised losses on investments	(710)
Total investment return	3,022

11. Investments

	Fair Value £'000	**Cost £'000**
Shares and other variable yield securities and units in unit trusts	4,971	4,971
Debt securities and other fixed income securities	60,057	59,926
	65,028	64,897

The aggregate amount of listed investments included in the above is £54.2m.

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributable to own credit risk in the current or comparative period.

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

	Level 1 £'000	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
31 December 2023				
Shares and other variable yield securities and units in unit trusts	371	1,307	3,293	4,971
Debt securities and other fixed income securities	-	60,057	-	60,057
Total	371	61,364	3,293	65,028

Notes to the Syndicate Underwriting Year Accounts *(continued)*

11. Investments *(continued)*

Level 1 relates to Money Market Funds that are valued on a stable net asset value ("NAV") basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments. 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. The level 3 category financial assets relate to the Lloyd's Central Fund Loans.

12. Debtors arising out of direct insurance operations

	£'000
Due within one year – Intermediaries	6,407

13. Debtors arising out of reinsurance operations

	£'000
Due within one year – Reinsurers	23,378
Due after one year – Reinsurers	21
	23,399

14. Creditors arising out of direct insurance operations

	£'000
Due within one year – Intermediaries	405

15. Creditors arising out of reinsurance operations

	£'000
Due within one year – Reinsurance accepted	250
Due within one year – Reinsurance ceded	16,494
	16,744

16. Inter-year loans

	£'000
Inter-year loans	19,593

Notes to the Syndicate Underwriting Year Accounts *(continued)*

17. Cash and cash equivalents

	£'000
Cash at bank and in hand	3,345
Holdings in collective investment schemes	1,678
	5,023

18. Related parties

Blenheim, Managing Agent of the Syndicate since 6 August 2021 is a wholly owned subsidiary of White Bear Capital Limited ("WBC").

Blenheim incurs the majority of the Syndicate's administrative expenses which it then recharges to the Syndicate without mark-up. Expenses incurred jointly for the White Bear Group ("The Group") are recharged to group companies on a basis representing the nature of the expenses and their usage by group companies.

Blenheim receives fees for acting as a manager of several consortia that are led by Syndicate 5886. No fees were charged to the Syndicate by Blenheim for this service.

As part of the Group, WBC wholly owns White Bear Corporate Capital Limited, a Lloyd's corporate member which participates on the Syndicate 5886 2021 Year of Account with a participation of £79.6m. For the 2021 Year of Account, the Syndicate provided three binding authorities to White Bear Managers Ltd ("WBM"), a Lloyd's coverholder and member of the Group. WBM had written total fees of £0.5m in respect of the services for these binding authorities for the 2021 Year of Account. Both companies have common Directors with Blenheim.

All transactions are entered into on an arm's length basis.

19. Subsequent events

The 2021 underwriting year loss, including members' agents' fees, equates to £8.8m. This will be collected from members in US Dollars during June 2024.

Summary of Closed Year Results *(unaudited)*
As at 31 December 2023

	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000
Syndicate allocated capacity	**149,904**	**179,796**	**214,760**	**249,696**	**324,900**
Number of Underwriting members	1,378	1,359	1,327	1,312	1,260
Aggregate net premiums (£'000)	71,414	118,516	156,717	174,395	215,992
Results for an illustrative share of £10,000					
	£	**£**	**£**	**£**	**£**
Gross premiums written	6,907	8,620	9,453	9,349	8,842
Net earned premiums	4,641	6,712	7,295	6,800	6,846
Reinsurance to close from an earlier account	-	796	1,221	1,847	1,970
Net claims	(4,572)	(4,657)	(4,399)	(4,317)	(4,557)
Reinsurance to close	(954)	(1,458)	(2,147)	(2,563)	(2,469)
(Loss)/gain on exchange	(7)	(47)	73	70	48
Syndicate operating expenses	(1,678)	(2,097)	(2,228)	(2,044)	(1,988)
Balance on technical account	(2,570)	(751)	(185)	(207)	(150)
Investment income less investment expenses and charges and investment gains less losses	35	63	28	(3)	93
Loss on ordinary activities	(2,535)	(688)	(157)	(210)	(57)
Currency translation differences	74	58	(98)	279	(47)
(Loss)/profit before illustrative personal expenses	(2,461)	(630)	(255)	69	(104)
Illustrative personal expenses					
Managing Agents' fee	(75)	(75)	(75)	(75)	(75)
Other personal expenses (excluding member's agents fees)	(79)	(68)	(67)	(64)	(69)
	(154)	(143)	(142)	(139)	(144)
Loss after illustrative personal expenses	(2,615)	(773)	(397)	(70)	(248)
Total of Syndicate operating expenses, Managing Agent's fee and profit commission	(1,753)	(2,172)	(2,303)	(2,119)	(2,063)
Gross capacity utilised	69.1%	86.2%	94.5%	93.5%	88.4%
Net capacity utilised	47.6%	65.9%	73.0%	69.8%	66.5%
Loss ratio	119.1%	81.4%	76.9%	79.6%	80.0%

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate. This summary however is not audited.
2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2021 Year of Account, an illustrative share of £10,000 represents 0.0031% of the respective allocated capacity.
4. The loss ratio is net claims paid plus the reinsurance to close divided by net earned premiums plus reinsurance to close received.