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# Annual Report and Financial Statements

## Syndicate 2488

CHUBB®

31 December 2022

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# Active Underwriter's Report

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## *Introduction*

I am pleased to report yet another set of strong results for Syndicate 2488 (“the syndicate”) for the year ended 31 December 2022. Despite the volatility and uncertainty that characterised the year, we were once again able to grow our business, successfully executing our strategies against a backdrop of generally, but by no means universally, favourable market conditions, and report a healthy underwriting profit.

## *Reflections on 2022*

Despite January seeing a return to relative normality post-pandemic with the majority of domestic COVID-19 restrictions lifted, only a few weeks later Russia launched an invasion of Ukraine that triggered an ongoing humanitarian crisis, with millions of people displaced from their homes, with the war continuing to take a heavy toll on human and economic life. The response to Russia's aggression was swift, resulting in widespread sanctions, divestment and cessation of business activities, with the subsequent disruptions in trade and food and fuel price shocks having a global impact and contributing to the highest levels of inflation seen for decades. The cost-of-living crisis, tightening financial conditions and the lingering effects of the COVID-19 pandemic also continued to impact economic prosperity. However, the global economy grew circa 3.5% in 2022, with further growth forecast for 2023 and beyond.

Insurance is a key factor in the development of every modern economy. It helps to drive economic growth by providing clients with the financial stability, through payment of claims and risk mitigation services, to expand their businesses. It provides innovators with the security to take the risks needed to facilitate change and support technological advancements. It also plays a role in the wider community through its standing as an employer and in its contributions to society, through the payment of taxes, charitable activities and by supporting the drive towards a more diverse, equitable and inclusive society.

Insurance demand has increased in line with a heightened awareness post-pandemic of the value of risk protection. Clients recognise Chubb Underwriting Agencies Limited's (“CUAL”) qualities, brand and reputation, and our ability to deliver superior service at all times, and our business has grown as a result. We have also embraced digital technologies and analytics to better understand risks and develop innovative insurance solutions to meet our clients' ever changing needs.

## *2022 Financial Performance*

Syndicate 2488 underwrote £649.0 million of gross written premium in the year, an increase of 15.6% on the £561.3 million reported at year end 2021 (or 5.2% at constant rates of exchange), with growth primarily driven by continued favourable market conditions and strong execution of our underwriting strategies, service capabilities and distribution initiatives. Rate increases continued to be seen across a range of business classes and although the hard market showed signs of abating towards the end of the year, price adequacy in general remains strong. Net written premiums for the year increased by 15.5%, rising to £537.9 million from £465.9 million the previous year.

The syndicate reported underwriting profits of £80.2 million and an associated combined ratio of 84.6%. The results benefited from prior period reserve releases of £24.3 million. Net catastrophe related losses, primarily relating to Hurricane Ian, amounted to £29.6 million, well within with the syndicate's risk tolerances.

Net investment returns were negative £(89.6) million, reflecting poor performance of both the investment grade fixed income and alternative asset portfolios as sovereign and corporate yields continued to rise. This resulted in a reported loss for the year of £(10.6) million.

## *Looking Ahead*

We are facing increased headwinds as we enter 2023. The geopolitical landscape remains uncertain, inflation is in double figures, and the cost-of-living crisis is having widespread consequences. From an underwriting perspective there is increased risk of significant natural catastrophe losses as a result of climate change and we are seeing a tougher reinsurance purchasing environment as reinsurance carriers adjust their post-loss pricing and seek to improve their margins. There is no doubt that competitive pressures have returned to the Lloyd's market with increased competition and over capacity leading to softening in some lines. For Chubb, rate adequacy and underwriting discipline have always been at the core of our business strategy. We remain confident in our ability to profitably grow our business at all stages of the underwriting cycle, and while we cannot be

## Active Underwriter's Report

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complacent, there are still significant opportunities in the wholesale market. We will continue to focus on distribution to ensure that we are able to see, underwrite and offer solutions to our clients and partners on as many risks as possible.

The Lloyd's Market is a unique place in which to operate and that brings with it its own unique opportunities and challenges. The Future at Lloyd's strategy, outlined in Blueprint Two, recognises the evolving global risk landscape and we fully endorse the corporation's aims to create a data-focused, automated, and cost-efficient insurance marketplace. CUAL is also investing in technology to improve the syndicate's digital capabilities and to further simplify and standardise our systems and processes to help us continue to deliver the best insurance solutions for our clients. We also were delighted that Syndicate 2488 maintained its Lloyd's regulatory status, rated as "Good" under Lloyd's Principles Oversight Framework, reflective of our performance and effective business planning.

### *And finally...*

I would like to take the opportunity to thank everyone across the organisation for their hard work this year. Chubb has a very strong culture, part of which comes from being together, exchanging ideas and developing networks and relationships. We acknowledge that the ability to meet brokers and clients face-to-face is a key element of conducting business in the London Market and we believe we have successfully integrated our work from office culture with a more flexible style of working that supports the work/life balance of our employees.

I would also like to thank our broker partners for their continued support. Our strong relationships have enabled us to align growth initiatives with specific underwriting strategies to build additional revenue and I look forward to increasing our engagement with the London Market broker community even further in the year ahead.

We have a successful business and are viewed as a leader in our chosen segments and markets. As one of the pre-eminent insurers in the Lloyd's Market, we are in an excellent position to deliver on our objectives and meet the targets we have set ourselves in 2023.

### **R Q Wilson**

Chief Underwriting Officer and Active Underwriter, Chubb Underwriting Agencies Limited

27 February 2023

## Managing Agent's Report

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The Board of Directors (“the Board”) of the syndicate’s managing agent, CUAL are pleased to submit their report and the audited syndicate annual accounts for the year ended 31 December 2022.

This report and accounts are prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“the 2008 Lloyd’s Regulations”) as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 (the “Regulations”). In addition to this statutory requirement, the report also addresses other aspects of the syndicate’s business which the Board believes will be of benefit to interested parties.

### *Ownership*

Chubb Limited, the ultimate parent of CUAL, is the Swiss-incorporated holding company of the Chubb Group of Companies. Chubb Limited and its direct and indirect subsidiaries, collectively the Chubb Group of Companies (“Chubb”) are a global insurance and reinsurance organisation. At 31 December 2022, Chubb Limited held total assets of \$199.1 billion and shareholders’ equity of \$50.5 billion. It is listed on the New York Stock Exchange (NYSE: CB) and is a component of the S&P 500 index. Chubb maintains executive offices in Zurich, New York, London, Paris and other locations, and employs approximately 34,000 people worldwide.

### *Business Overview*

Chubb is the world’s largest publicly traded property and casualty insurer. With operations in 54 countries and territories, Chubb provides commercial and personal property and casualty insurance, personal accident and supplemental health insurance, reinsurance and life insurance to a diverse group of clients.

Chubb is defined by its extensive product and service offerings, broad distribution capabilities, direct-to-consumer platform partnerships, exceptional financial strength and local operations globally. The company serves multinational corporations, mid-size companies and small businesses with property and casualty insurance and risk engineering services; affluent and high net worth individuals with substantial assets to protect; individuals purchasing life, personal accident, supplemental health, homeowners, automobile and specialty personal insurance coverage; companies and affinity groups providing or offering accident and health insurance programs and life insurance to their employees or members; and insurers managing exposures with reinsurance coverage.

Chubb assesses, assumes and manages risk with insight and discipline. It services and pays claims fairly and promptly and offers an array of services designed to help clients minimise the chances of a loss and make sure they are prepared and protected. Chubb aims to create sustainability for clients and shareholders by focusing on disciplined risk selection, pricing, and terms and conditions that appropriately reflect the transfer of risk.

Chubb’s core operating insurance companies maintain financial strength ratings of “AA” from Standard & Poor’s and “A++” from A.M. Best.

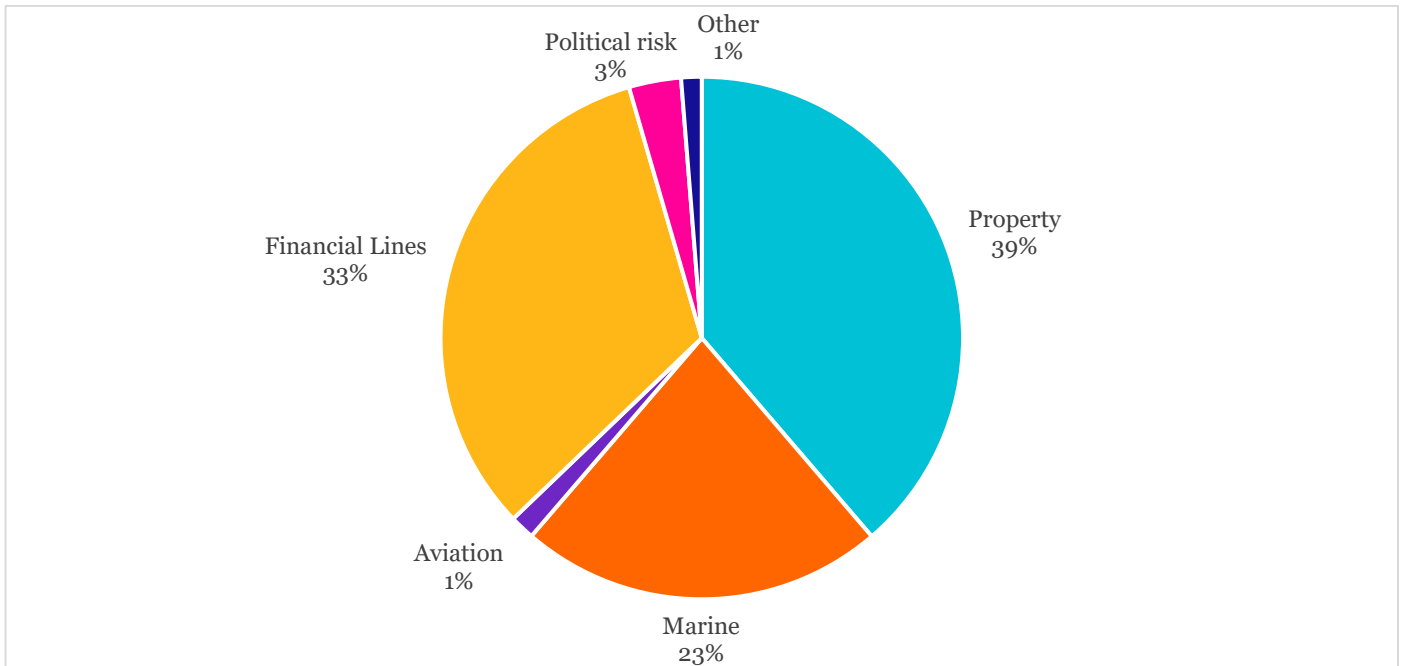
Syndicate 2488 is a strategically important business within Chubb, allowing the group to access specialist Lloyd’s and London market risks. The syndicate offers its clients a broad range of insurance and risk solutions, with policies primarily written under the name “Chubb Global Markets” (“CGM”) which capitalises on the distinctiveness and strength of the Chubb brand and acknowledges the group’s strong insurance platforms, reputation, skill sets and consistent management philosophy.

The structure of the syndicate’s operations allows the underwriters formal and informal interaction with their Chubb underwriting peers across the world. With longstanding client relationships and multi-line global platforms, Syndicate 2488 enjoys a position as a lead insurer in the key lines in which it chooses to compete, with a significant presence in the Lloyd’s market.

CGM’s underwriting products are offered principally through Syndicate 2488 and Chubb European Group SE (“CEG”), a French domiciled company which offers a wide range of property, casualty and accident and health insurance and reinsurance products to both retail and wholesale markets. Business may also be written through a number of overseas Chubb companies. Factors influencing the decision to place business with the syndicate, CEG or an overseas company include licensing eligibilities and capitalisation requirements, but predominantly reflect client and broker preference.

## Managing Agent's Report

Syndicate 2488 underwrites a diverse portfolio of business organised into product lines including aviation, property, marine, political risk and financial lines. The 2022 split of gross written premiums by major product line is illustrated below:



\* Other includes energy, environmental liability, terrorism and other non-core lines

Syndicate 2488 benefits from comprehensive and fully integrated support functions encompassing claims, finance and actuarial, risk management, legal and compliance, human resources, operations and IT. Some of the support functions are outsourced to specialist third party service providers and some of their services are performed outside of the UK.

### *Business Objectives & Strategy*

Syndicate 2488 has market-leading risk expertise, a disciplined approach to underwriting and is fully committed to meeting the insurance needs of its clients. It is distinguished by its ability to manage the challenging and constantly changing external environment, the clarity of its strategy and the thoroughness of its execution.

The syndicate's strategy focuses on an established underwriting ethos that permeates the business. Top line growth is not the primary driver for the syndicate and underwriters are fully prepared to shed volume as necessary in order to maintain an underwriting profit. Using CUAL's underwriting skills and targeted marketing strategies, the syndicate aims to generate growth in areas where risk-adjusted underwriting margins are favourable and achieve better terms or shrink business where they are not.

The syndicate's product line segmental structure enables underwriters to manage each business class at a detailed level, essential for the identification and analysis of the characteristics, challenges and opportunities of each class. Rating adequacy, competition, volatility and margins are analysed at a micro level by the underwriting teams with significant input from CUAL's actuaries and management team.

The syndicate strives to offer superior service levels in all aspects of its operations, particularly claims, and it continues to invest in technology to improve its operational efficiency, underwriter support and broker interfaces.

The syndicate and CUAL are committed to protecting and preserving its assets. It operates a conservative investment strategy and has maintained its focus on cash flow management and liquidity to secure its long-term position in the Lloyd's insurance market.

## Managing Agent's Report

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### *Post-Brexit Underwriting Arrangements*

Following the UK's decision to withdraw from the European Union ("EU"), Syndicate 2488, in common with all syndicates operating in the Lloyd's market, has implemented new processes to enable it to continue underwriting EU-based risks and to service EU policies written prior to the withdrawal.

Since 1 January 2019 the syndicate writes all EU policies via Lloyd's Insurance Company S.A. ("LIC"), which is a Belgium based insurance company wholly owned by Lloyd's.

### *Investment Strategy*

Syndicate 2488 operates a conservative investment strategy by establishing highly liquid, diversified, high quality portfolios managed by expert external managers. Detailed Chubb Group investment guidelines are established for each managed portfolio including Chubb customised benchmarks against which manager performance is measured.

Syndicate 2488 maintains seven active investment grade fixed income portfolios, held in US dollars, sterling, Canadian dollars and euro. The syndicate also maintains a US dollar investment grade portfolio, a US dollar high yield portfolio, a private equity fund and an investment grade collateralised loan obligations portfolio in respect of the Funds in Syndicate. The syndicate FIS allocation did also include an equity portfolio which was liquidated in Q3 2022 as part of a strategic initiative, given the changing market conditions, with the proceeds re-allocated to the investment grade bond portfolio.

The approximate currency split of the syndicate investment portfolios, including Funds in Syndicate, is US dollars 73%, Euros 9%, Canadian dollars 11%, Sterling 4% and Other currencies 3%. During the year the syndicate continued to maintain diversified actively managed portfolios with exposure to a broad range of sectors. No changes to the asset allocation policy were implemented during 2022.

### *Presentation of Financial Statements*

The basis of preparation of Syndicate 2488's annual financial statements is in accordance with the 2008 Lloyd's Regulations, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, and applicable accounting standards in the United Kingdom. These financial statements recognise a calendar year profit or loss, driven by net earned premium and net incurred losses arising on that net earned premium.

Managing agents are required to prepare syndicate underwriting accounts, similar to those previously prepared on a three-year underwriting basis in respect of any year of account which is being closed by reinsurance to close, unless all the members on the closing year agree otherwise. Syndicate 2488 is a fully aligned syndicate, with 100% of the underwriting capital provided by one corporate capital vehicle, Chubb Capital 1 Limited. Chubb Capital 1 Limited has agreed to waive its right to receive syndicate underwriting accounts in respect of Syndicate 2488's closed 2020 year of account and, as such, no information on this basis has been provided within this report and annual accounts.

### *Key Performance Indicators*

The following financial key performance indicators ("KPIs") have been deemed relevant to the syndicate business. These KPIs are reviewed regularly by the CUAL Board.

<b>£ million</b>	<b>2022</b>	<b>2021</b>
Gross premiums written	649.0	561.3
Net premiums written	537.9	465.9
Combined ratio % *	84.6%	88.8%
(Loss)/profit for financial year	(10.6)	58.5

\* Ratio of net claims incurred, commission and expenses to net premiums earned, excluding profit / loss on exchange



## Managing Agent's Report

Management also uses a variety of other performance indicators, including production volumes, retention ratios, price monitoring, loss and expense analyses, and operating metrics in assessing the performance of each of the product lines. All financial results are monitored against plan, forecast and prior year on a regular basis.

CUAL seeks to manage syndicate capacity levels in order to make the most effective use of available capital. The 2023 capacity of Syndicate 2488 has been set at £630.0 million (2022: £550.0 million).

### *Results & Performance*

Syndicate 2488's business is principally conducted in US dollars however, for accounting purposes, the financial results are presented in sterling. Syndicate 2488's functional currency is US dollars. Fluctuations in exchange rates during the year can therefore impact the comparability of the income statement and balance sheet for the current year with the prior year.

Syndicate 2488 produced a loss for the 2022 financial year of £(10.6) million and a combined ratio of 84.6%. A summary of the reported financial results is shown below.

<b>£ million</b>	<b>2022</b>	<b>2021</b>
Gross premiums written	649.0	561.3
Net premiums written	537.9	465.9
Net premiums earned	520.7	445.9
Incurred losses	(260.4)	(250.9)
Operating expenses	(180.1)	(145.1)
<b>Underwriting profit</b>	<b>80.2</b>	<b>49.9</b>
Loss on exchange	(1.2)	(8.2)
Investment return	(89.6)	16.8
<b>(Loss)/profit for financial year</b>	<b>(10.6)</b>	<b>58.5</b>
Combined ratio %	84.6%	88.8%

### *Rating Environment*

In general, wholesale insurance pricing remained strong throughout 2022, although the magnitude of rate increases reduced as the year progressed, and pockets of softening were seen in some lines. The overall rate movement on 2488's renewal portfolio was 7.5% with notable continued increases in Financial Lines, Property and Marine, however Aviation pricing came under some pressure particularly towards the end of the year.

### *Drivers of Underwriting Result*

Syndicate 2488 recorded an underwriting profit for 2022 of £80.2 million (2021: £49.9 million) which equates to a combined ratio of 84.6% (2021: 88.8%). The underwriting profit benefited from a prior period reserve release of £24.3 million (2021: £6.8 million). The combined ratio excluding the prior period reserve releases was 89.3% (2021: 90.3%), 5.7% points of which related to catastrophe losses. Syndicate 2488's exposure to large losses is managed by adherence to clear risk management and underwriting guidelines, and the use of reinsurance protection and sophisticated modelling and analysis, with reported losses well within risk tolerances.

The syndicate's loss ratio excluding prior period reserve movements and catastrophe losses was 49.0% (2021: 46.9%) demonstrating the strength of the underlying portfolio. The loss ratios for the current and prior years are both reported after allowing for the impact of higher rates of inflation in the countries and economic sectors in which the syndicate trades.

Gross written premiums of £649.0 million in 2022 were 15.6% higher than the prior year, or 5.2% if the impact of changes in foreign exchange rates are eliminated. Underlying growth was driven by rate and new business in Property and Marine. Aviation, Energy and Political Risk premiums were lower than prior year, primarily due to the impact of the Russia / Ukraine conflict. To date this conflict has had only a small impact on losses reported by the syndicate.

## Managing Agent's Report

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The syndicate purchases reinsurance to mitigate the impact of major events and an undue frequency of smaller losses and seeks to limit its loss exposures by purchasing reinsurance up to its maximum line sizes and accumulations. The principal reinsurance programmes operated by the syndicate during the year were partly shared with other Chubb companies including CEG. There were no major changes to the syndicate's reinsurance purchasing strategy in 2022.

Operating expenses constitute acquisition costs, Lloyd's subscriptions, Central Fund contributions and general administrative expenses. CUAL continues to focus on the management of each of these components in line with the growth and needs of the business.

### *Investment Performance*

Investment grade fixed income returns were negative in 2022 as both sovereign and corporate yields continued to rise. Returns for alternative asset classes including high yield bonds, bank loans, private loans and equities also produced negative returns for the full year as a result of the prevailing market conditions.

Overall Syndicate 2488 generated a total return of -6.4% in 2022 (2021: 1.2%) on balances available for investment. For investment grade portfolios, total returns of -9.2%, -13.2% and -6.6% were generated for sterling, euro and Canadian dollar portfolios respectively (2021: -2.2%, -1.3%, -1.7%). The US dollar investment grade portfolios which comprise over 64% of the investment grade bonds generated a total return of -7.3% in the year (2021: -0.9%).

Syndicate 2488's alternative investment assets, constituting around 19% of the total portfolio, are comprised of US dollar upper tier high yield bonds (12%) along with the Oak Hill Advisors private equity fund (7%) and a global equity portfolio that was liquidated in September 2022. The high yield portfolio generated a negative return of -8.1% and the Oak Hill Advisors fund -1.0% for the year. The global equity portfolio generated a negative YTD return of -7.9% prior to closure.

### *Cash Flow*

Total syndicate cash flow derived from operating activities in the year was positive. The syndicate made a loss on the 2019 closing year of account which was covered utilising the excess FIS balance during 2022.

### *Capital*

A syndicate's capital requirements are determined through the submission and agreement by Lloyd's of a Solvency Capital Requirement ("SCR") adjusted by Lloyd's through the application of a market wide uplift of 35%. The uplifted SCR is referred to as the Lloyd's Economic Capital Assessment ("ECA").

The Prudential Regulation Authority ("PRA") conducts reviews directly with Lloyd's on the overall SCR for the Lloyd's Market rather than at a syndicate level. Under the governance processes surrounding the Lloyd's internal model, the syndicate is obligated to ensure compliance with Lloyd's requirements for the internal model tests and standards, and processes are in place to meet these obligations.

In order to determine the SCR, the syndicate assesses its risk profile and capital requirements using an internal model which has been developed to meet Solvency II requirements. The internal model is supported by a robust validation and governance framework which ensures its ongoing appropriateness and is refined to reflect the syndicate's experience, changes in the risk profile and advances in modelling methodologies. For 2023, the SCR shows an increase compared with the 2022 requirement as a result of business growth, shifts in the sterling to US dollar exchange rate, increased inflation and higher market volatility.

A Quarterly Corridor Test ("QCT") is undertaken each quarter to establish whether the syndicate's capital remains within Lloyd's corridor of 90% to 110% of the ECA. The syndicate maintained capital either within or above the corridor throughout 2022.

Syndicate 2488 meets its Funds at Lloyd's ("FAL") requirement by the provision of investments held within the syndicate which are designated as Funds in Syndicate. The overall quantum of FAL for 2022 year end was £639.4 million (2021: £647.4 million).

## Managing Agent's Report

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### *Ratings*

All active syndicates benefit from the financial strength ratings assigned to the Lloyd's market by various rating agencies. Lloyd's currently holds financial strength ratings of "A (Excellent)" from A.M. Best, "A+ (Strong)" from Standard & Poor's, "AA- (Very Strong)" from Fitch and "AA-" from Kroll Bond Rating Agency. In view of these robust ratings, together with Chubb's core operating insurance companies' ratings of "A++" and "AA" from A.M. Best and Standard & Poor's respectively, it has not been considered necessary to obtain an individual rating for the syndicate.

### *Governance*

CUAL has a documented corporate governance framework, the purpose of which is to exercise oversight and control over the management of its own and the syndicate's business.

The Board of Directors ("the Board") has reserved responsibility for decisions in connection with a number of matters, including those of a significant strategic, structural, capital, financial reporting, internal control, risk, contractual, policy or compliance nature. During 2022 sustainability risk was added as a topic reserved for the Board.

The Board meets at least four times a year and additionally on other occasions to discharge its responsibilities in respect of these and other matters. In 2022 the Board met seven times.

Membership of the Board is kept under review to ensure that the composition and available expertise remains relevant to the current needs of the syndicate. As at the date of this report the Board comprises two independent non-executive directors, one non-executive regional Chubb representative and three executive directors. In February 2022 regulatory approval was received for the appointments of David Furby as Board director and Chief Executive Officer ("CEO") and Robert Wilson as a Board director and as Chief Underwriting Officer. CUAL greatly values the contribution of its non-executive directors in providing contrasting insights, experience and challenge in the Board's discussions and the insights of the regional Chubb representatives into the wider Chubb Group. Details of the directors, including appointments and resignations can be found on page 16.

Key non-routine Board activity during the year included: i) the development and impact of the Russian/Ukraine conflict, ii) Lloyd's Blueprint II to enhance IT capabilities, iii) the Lloyd's Principles of Doing Business which replaced the Lloyd's Minimum Standards and iv) an update to the Staff Remuneration Policy. The Board conducted deep dives on Environmental, Social and Governance ("ESG") matters, cyber and technology practices and Operational Resilience. It also approved an ESG Framework for submission to Lloyd's and changes to the Internal Model Governance Framework and associated documentation.

The Board received regular reports on the status of business results, business and function plans, resourcing, developments in the risk and regulatory environments, regulatory compliance, underwriting controls, actuarial and solvency matters. One meeting each year is dedicated to the syndicate's business strategy. An annual effectiveness review was carried out and no material issues were identified.

The Board has delegated a number of matters to committees. Each of the following committees has formal terms of reference and matters reserved to it. Each, with the exception of the CUAL Management Committee, includes non-executive directors in its membership, and reports to the Board regularly in respect of its remit.

The Audit & Risk Committee, which is comprised exclusively of non-executive directors, considered and made recommendations to the Board on areas including the validation of solvency calculations, reserving, internal controls, financial reporting, whistleblowing, actuarial matters and the external audit. In addition, it oversaw and advised the Board on emerging risk exposures including inflation and interest rate risk, resourcing pressures and the implementation plan to meet the Financial Services Authority's new Consumer Duty requirements. It reviewed updates to the risk management framework, solvency and capital matters. It also ensured that business risks and controls were recorded and monitored and approved changes to the peer review risk criterion. David Furby ceased to be a member of the Committee in February 2022 when he became an executive director on receipt of regulatory approval for his role as CEO.

This Committee received reports from the compliance, conduct, actuarial and finance functions on a quarterly basis. Other regular reporting included updates on the syndicate's "Own Risk and Solvency Assessment" metrics, which helps to provide an

## Managing Agent's Report

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independent overview of management's assessment of risk, including performance against Board approved risk appetites. It also reviewed the Company's compliance with the new Lloyd's Principles of Doing Business which were introduced in 2022 and the completion of various CUAL Lloyd's returns and other regulatory requirements.

In relation to the external audit process, the Committee monitored the nature and scope of work in the audit of the financial statements and other external reporting requirements. The Committee received regular reports from the External Auditor and the independent non-executive directors met regularly with the External Auditor without management being present.

In the case of the internal audit function, the Committee's role involved agreeing and monitoring, in conjunction with the group audit function, the nature and scope of work to be carried out by the internal audit team and the availability of sufficient resources. The Committee received regular reports from the Internal Auditor and the independent non-executive directors met regularly with the Head of Internal Audit without management being present.

In addition the independent non-executive directors met with the Chief Risk Officer without management being present and the board evaluation results highlighted that the private sessions were a useful part of the annual meeting cycle.

The Committee's role was aimed at providing assurance to the Board that the internal control systems, agreed by executive management, were appropriate for the prudent management of the business during the year and were operating as designed. At all times the Committee members were expected to challenge any aspect of these processes which it considered weak or generally poor practice.

During 2022 the Committee in particular reviewed and came to satisfactory conclusions on:

i) the impact of catastrophe events, including Hurricane Ian and Storm Elliot; the modelling of natural and man-made catastrophe risks and the impact of inflation on claims and reserves, ii) CUAL's response to the regulatory information requests, for example compliance with sanctions requirements following the start of the Russia/Ukraine conflict and adherence with the new Operational Resilience and Consumer Duty requirements and iii) the outcome of the Bank of England's CBEST thematic review. Other areas of focus were the risks associated with resourcing challenges and the implementation of the Company's new Target Operating Model and centralised operating platform (AdvantageGo).

The CUAL Management Committee comprises executive directors and other members of the senior management team. The primary role of the Management Committee is to oversee the day-to-day management of business operations and performance, and to assist the Chief Executive Officer in implementing and overseeing operational strategies and decisions determined by the Board. The CUAL Management Committee oversees the support function activities, key steering groups and specialist sub-committees.

The specialist sub-committees include the: finance, capital & credit; reserve; investment; internal model steering; delegated authority review; operational resilience steering and IT steering committees. These report to the CUAL Management Committee to ensure that various aspects of the business are reviewed by a wide senior management group. The Underwriting Risk Committee ("URC") was established during 2022 to replace the underwriting controls & product oversight committee, providing a greater focus on underwriting strategy. The URC reports on a quarterly basis to the Audit & Risk Committee.

CUAL has a Routine Board Committee. It meets on an ad hoc basis between formal Board meetings to consider authorisation of routine activity and its activities are reported at the subsequent quarterly Board meeting.

### *Risk & Control Framework*

The Chubb Group is a global underwriting franchise whose risk management obligation to stakeholders is simple: ensure sufficient financial strength over the long term in order to pay policyholder claims while simultaneously building and sustaining shareholder value.

The Chubb Enterprise Risk Management ("ERM") strategy helps achieve the goal of building shareholder value by systematically identifying, and then monitoring and managing, the various risks to the achievement of corporate business objectives and thereby minimising potential disruptions that could otherwise diminish shareholder value or balance sheet strength.

## Managing Agent's Report

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CUAL has adopted the Chubb Group Enterprise Risk Management Framework (“RMF”), which describes the role of ERM within CUAL and how it helps the syndicate achieve its business objectives, meet its corporate obligations and maintain the reputation of the Chubb franchise. Chubb’s documented RMF is principles-based and sets out the organisational framework for risk taking, risk management, monitoring and governance.

The RMF adopts a “three lines of defence” model, comprising day-to-day risk management and controls, risk management oversight, and independent assurance.

The RMF identifies the key risks to which each business segment and the syndicate as a whole is exposed, and their resultant impact on economic and regulatory capital. This framework employs Solvency II principles to assess risk and manage capital requirements to ensure the capital required to support CUAL’s business objectives and to meet the requirements of policyholders and regulators.

The Board is ultimately responsible for ensuring that the syndicate operates within an established framework of effective systems of internal control, including the approval of the overall risk tolerance for the organisation and compliance with policies, procedures, internal controls and regulatory requirements.

The Board’s oversight of the RMF is effected through the various committees and functions with particular purposes and direction around the monitoring of risk tolerances and oversight of internal controls and compliance procedures. The risk management function has a strong mandate from the Board to promote the RMF and embed it across the syndicate.

The RMF was re-approved by the Board in 2022 together with a review of individual risk policies and risk appetite statements which set out defined risk-tolerance constraints for the execution of the business strategy. All key policies and procedures are subject to Board approval and ongoing review by executive management, the risk management function and internal audit function.

Disclosures regarding risks and capital management are provided in note 3 to the financial statements. CUAL employs and monitors risk guidelines to ensure acceptable risk accumulations in the syndicate.

### *Compliance*

Compliance with regulation, legal and ethical standards is a high priority for Chubb and CUAL, and the compliance function has an important oversight role in this regard. Annual affirmation of the Chubb Code of Conduct is required of all employees and directors.

As a material subsidiary of Chubb Limited, a US listed company, the financial control environment in which the financial statements are derived is subject to the requirements of US Sarbanes-Oxley legislation. CUAL has formalised documentation and tested controls to enable Chubb Limited to fulfil the requirements of the legislation.

CUAL is also committed to fulfilling its other compliance-related duties, including its observance of customer-focused policies in line with regulatory principles, and it uses various metrics to assess its performance.

The managing agency utilises a skilled and specialist workforce employed by Chubb Services UK Limited and Chubb European Group SE, to manage its regulatory and compliance responsibilities and aims to operate to a high standard. CUAL recognises and values its relationships with regulators in each of its jurisdictions and engages in open dialogue and communication to address and resolve any issues.

### *Social, Environmental and Employee Matters*

Chubb’s culture is characterised as an inclusive and equitable meritocracy. The company strives to be a responsible employer, placing employee engagement at the heart of its business strategy and achieve an environment where all colleagues feel comfortable to perform to their full potential and are recognised for their contributions. Chubb has created a workplace built on its values, which foster diversity and equal opportunities for all, promote employee participation, encourage professional development and support employee well-being.

## Managing Agent's Report

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### *The Chubb Code of Conduct*

The Chubb Code of Conduct addresses, among other things, conflicts of interest, corporate opportunities, confidentiality, fair dealing, protection and proper use of company assets, compliance with laws and regulations and reporting illegal or unethical behaviour. All employees, officers and directors of CUAL are expected to acknowledge acceptance of this code, confirming that they know and understand the standards expected. CUAL expects its business partners such as consultants, agents, third party representatives and service providers to also comply with the code. Appropriate measures may be taken if anyone fails to meet those standards or contractual obligations.

### *Diversity, Equality & Inclusion*

Chubb is committed to a diverse and inclusive environment where all staff are treated with dignity, fairness and respect, regardless of their age, disability, race, religion or belief, gender identity and expression, sexual orientation, marital status or family circumstances. CUAL seeks to provide a workplace that is inclusive and welcoming to foster collaboration and innovation, enabling fair play and opportunity, where all employees can perform to their best and advance towards their career aspirations.

The Chubb approach is based on three key principles:

1. **Inclusion:** creating a working culture and environment where we value the whole person and the experiences they bring to work, where everyone has the opportunity to achieve their full potential and develop in a way that is consistent with our vision and values. Our aim is to be an organisation where people feel valued, involved, respected, supported and connected to the success of the business.
2. **Equity:** promoting equity by removing barriers, eliminating discrimination and ensuring equal and fair opportunity and access for all.
3. **Diversity:** accepting each person as an individual and respecting and appreciating differences in ethnicity, gender identity and expression, age, national origin, disability, sexual orientation, education and religion and the value that these differences bring to the workplace every day.

CUAL also has four active Employee Networks: 'Gender Equality Network', 'Parents and Carers Network', 'Cultural Awareness' and 'Pride', with a new Disability Network launching in early 2023. Each network has dedicated Executive sponsorship.

### *Talent Strategy*

Chubb's ability to deliver outstanding business results relies on the calibre of its talent and the efforts of its employees at all levels of the organisation. CUAL aims to maintain a mid and long-term talent pipeline to ensure the right quality and quantity of diverse talent is available for the company to deliver its key business objectives.

To this end, CUAL has a talent strategy that actively supports the personal and professional development of all its people. The organisation strives to attract, retain and develop employees to meet their career aspirations. A core element of Chubb's employee value proposition is the opportunity to constantly evolve as a professional and reach one's full potential. It endeavours to identify talent on a regular basis and provide high quality development programmes that build the necessary leadership qualities for now and the future. Formal succession plans are in place at the senior level to fill open positions internally where appropriate.

CUAL expects all employees to own and drive their development by availing themselves of the structured and unstructured learning on offer. In turn, it will help those employees who are motivated to develop and grow by providing the critical experiences, resources, tools and opportunities to succeed in their career. CUAL supports employees with job-related professional qualifications and external development opportunities where appropriate. It also provides regulatory and technical e-learning to new starters and existing employees.



## Managing Agent's Report

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### *Environmental Matters*

Chubb recognises its responsibility to provide solutions that help clients manage environmental risks, to reduce its own environmental impact and to make meaningful contributions to environmental causes. As one of the world's largest property and casualty insurers, Chubb believes that the wellbeing of our society depends on a healthy environment and that a proper ethic strives for a sustainable balance between development and preservation.

Consideration is given to:

- Recognising and responding to the reality of climate change across its businesses;
- Managing environmental risk for its customers with innovative products and risk engineering solutions;
- Supporting environmental resiliency projects throughout the world;
- Protecting biodiversity and saving land through its philanthropy; and
- Reducing the environmental footprint of its own operations.

Chubb is committed to developing insurance products and risk management services that facilitate market-based solutions to current and pending environmental and climate-related issues. Chubb's environmental insurance solutions include coverages for premises-based exposures, contractors' and project pollution liability, renewable energy, clean tech and environmental clean-up projects, as well as "green building" consulting services and a property policy that enables greener rebuilding after a loss. Chubb globally will continue to develop and offer new insurance solutions for low- and zero-emission technologies including a suite of coverages through its "Clean Tech" industry insurance programme for clients deriving energy from renewable sources, focused on energy efficiency, or addressing the scarcity of resources.

Chubb has taken significant actions to address climate change, including limitations on underwriting and investing in coal and oil sands. On 1<sup>st</sup> July 2019, Chubb published its Coal Policy relating to coal-fired electricity generating plants, coal mining and utilities and power generation companies which stated that:

- Chubb would no longer underwrite risks related to the construction and operation of new coal-fired plants;
- Chubb would not underwrite new risks for companies that generate > 30% of revenues from thermal coal mining and will phase out coverage of existing risks that exceed this threshold by the end of 2022; and
- Chubb would not underwrite new risks for companies generating more than 30% of their energy production from coal and began to phase out coverage of existing risks exceeding this threshold at the start of 2022 (accounting for the viability of alternative energy sources in the impacted region).

In 2022, Chubb also committed that it will no longer underwrite risks for projects involving direct mining or in-situ extraction and processing of bitumen from oil sands. Chubb will continue to assess its coverage of carbon-intensive industries and their strategies for transitioning to a lower-carbon economy.

Chubb no longer makes new debt or equity investments in companies that generate more than 30% of revenues from thermal coal mining or that generate more than 30% of energy production from coal, and is in the process of developing investment strategies to increase its investment in companies engaged in alternative energy and clean tech.

In addition, Syndicate 2488 also complies with guidelines issued by Lloyd's for environmental underwriting and investing. In accordance with these guidelines the syndicate will not make new investment purchases in securities issued by companies engaged in thermal coal extraction or power generation, tar (oil) sands and Arctic energy extraction and by the end of 2025, any existing investments in these companies will be divested. Lloyd's guidelines also discourage the syndicate from underwriting new policies for companies engaged in thermal coal extraction or power generation, tar (oil) sands and Arctic energy extraction and any existing coverages will be non-renewed by 2030.

Chubb globally seeks to encourage the global transition to a net zero economy through its decisions on specific underwriting risks. The company continues to assess its coverage of carbon-intensive industries and their related strategies and plans for transitioning to a lower-carbon economy. This approach will ensure the company's underwriting and investment positions evolve as practical alternatives become available.

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## Managing Agent's Report

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transitioning to a lower-carbon economy. This approach will ensure the company's underwriting and investment positions evolve as practical alternatives become available.

In April 2022, Chubb published its Climate Change Policy, summarising the company's approach to support the transition to a net-zero economy and its climate related actions and commitments, including specific fossil fuel commitments. It also produces an annual Climate Related Financial Disclosure which utilises the Task Force on Climate-Related Financial Disclosures ("TCFD") reporting framework and outlines the full scope of the company's environmental program and initiatives. Both documents are available on Chubb's website (accessed via <https://about.chubb.com/citizenship/environment.html>)

### *Citizenship & Charitable Giving*

The Chubb Charitable Foundation believes that meaningful contributions that support communities globally provide lasting benefits to society, to Chubb and to Chubb employees. Chubb supports a wide range of activities that benefit the community through the global Chubb Foundation, predominantly in the areas of education, poverty eradication, health and the environment.

'Charity at Chubb' is Chubb's European charity committee with a remit to make the best, most relevant charitable impact aligned to Chubb's wider corporate & social responsibility and diversity & inclusion strategies. Employees also participate in a number of local voluntary community schemes and personal fundraising efforts which the company supports through a charitable contribution scheme.

In 2022, Charity at Chubb focused on championing and encouraging activities under the pillars of: Community & Employee Engagement; Social Mobility; Wellbeing & Disability Confidence; and Education & Youth. In October, Chubb organised a "Week of Giving" where employees harnessed the power of collective action and volunteered their time to undertake a wide variety of tasks, including cleaning, planting, painting and cooking, to help give back to their local communities.

### *Guarding against Financial Crime*

Chubb recognises the importance of the effective management of financial crime risk in terms of its obligations to its customers, the expectations of its regulators and long term financial stability. The management of financial crime risk is fully integrated into Chubb's wider Risk Management Framework. The Financial Crime Framework is comprised of Board policies and procedures and sets out the company's approach to the management of financial crime risk and is underpinned by the Chubb Code of Conduct.

The Financial Crime Framework sets out Chubb's approach to managing financial crime risk, including the governance procedures, how financial crime risk is assessed, the control framework in place, and oversight procedures.

Financial crime policies and explanatory guidance notes relating to financial crime are in place, are appropriately detailed and take into account the nature and complexity of Chubb's activities. All business lines are required to implement appropriate risk based procedures and controls at each stage of the insurance transaction to mitigate financial crime risk exposure and to ensure compliance with the agreed standards.

Detailed and regular financial crime reports are provided that enable Senior Management, the Audit & Risk Committee and the Board to understand the financial crime risks to which CUAL is exposed. This enables CUAL to manage financial crime risk in accordance with Chubb's risk appetite, and to ensure that controls operate effectively.

Financial crime training including sanctions restrictions, anti-bribery and anti-money laundering is provided for all new starters and risk based training, tailored to specific roles is provided regularly thereafter. Chubb's training has a strong practical dimension, including case studies and knowledge testing. Training material is reviewed periodically to ensure consistency and effectiveness and is updated when required to ensure that it is relevant and up to date.

### *Human Rights*

Chubb conducts its business in a manner that respects the human rights and dignity of all and supports international efforts to promote and protect human rights. Chubb does not tolerate abuse of human rights in a Chubb workplace or in the course of its business. Chubb aims to comply with legal and regulatory requirements everywhere it conducts business and to embed



## Managing Agent's Report

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the values in the Chubb Code of Conduct in its activities which affirms its commitment to compliance with equal employment opportunity laws and other applicable civil rights, human rights and labour laws.

Chubb policies, frameworks and actions, which aim to prevent modern slavery and human trafficking in its business and supply lines include:

- Attestation to the Chubb Code of Conduct;
- Undertaking employment verification checks as part of the hiring process where allowed by local legislation;
- Requiring agencies who supply workers to carry out employment verification checks, wherever staff are located and where allowed by local legislation;
- Procurement agreements require third party suppliers to comply with applicable laws and regulations and permit Chubb to terminate relationships where they fail to do so;
- Subjecting key business transactions to both on boarding and periodic regulatory screening;
- Providing training and support for all staff on how and where they can raise concerns about wrongdoing and assurances that they will not suffer reprisals for doing so; and
- Taking appropriate action where potential issues are identified.

Chubb supports the United Nations Global Compact ("the Compact"), the world's largest corporate sustainability initiative. The company is committed to aligning business operations with the Compact's 10 principles, which address human rights, labour, the environment and anti-corruption.

Chubb has policies, procedures and training materials to make its commitment to anti-slavery and human trafficking explicit to customers, employees, suppliers and business partners. In 2019 Chubb enhanced its framework for the management of its third parties by launching a new risk assessment tool and control standards. This was followed by training to business managers and support staff in 2020. Furthermore, Chubb's General Data Protection Regulations communications make reference to the continued expectation that third-party vendors must abide by modern slavery and human trafficking legislation.

Chubb's Modern Slavery and Human Trafficking Transparency statement has been published on the Chubb website.

### *Directors*

The following have been directors of the managing agent from 1 January 2022 to the date of this report unless otherwise indicated:

#### *Executive directors:*

D M A Furby	Chief Executive Officer with effect from 24 February 2022, previously a non-executive director
C P J O'Brien	
R Q Wilson	Appointed 2 February 2022, Chief Underwriting Officer

#### *Non-executive directors:*

M A Connole	
J A Turner	Chairman and Independent Non-Executive Director
T C Wade	Independent Non-Executive Director and Chairman of the Audit & Risk Committee

Qualifying third-party indemnity provisions (as defined by section 234 of the Companies Act 2006) are in place for the benefit of the directors and, at the date of this report, are in force in relation to certain losses and liabilities which they may incur (or have incurred) in connection with their duties, powers or office.

The managing agent also has the benefit of a group insurance company management activities policy effected by Chubb Limited (CUAL's ultimate holding company). No charge was made to CUAL during the year for this policy.

## Managing Agent's Report

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### *Directors' Participations*

None of the directors participates on the syndicate on a bespoke basis. Certain directors participate indirectly on the syndicate by virtue of their interests in the stock of Chubb Limited.

### *Statement of Managing Agent's Responsibilities*

The managing agent is required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 (the "Regulations"), to prepare syndicate annual accounts for Syndicate 2488 for each financial year which give a true and fair view of the state of affairs of the syndicate and of its profit or loss for that year.

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

- select suitable accounting policies and then apply them consistently;
- state whether applicable United Kingdom Accounting Standards, comprising FRS 102 and FRS 103 have been followed, subject to any material departures disclosed and explained in the financial statements;
- make judgements and accounting estimates that are reasonable and prudent; and
- prepare the financial statements on the going concern basis unless it is inappropriate to presume that the company will continue in business.

The directors of the managing agent confirm that they have complied with the above requirements in preparing the syndicate annual accounts.

The managing agent is responsible for keeping adequate accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. The managing agent is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps to prevent and detect fraud and other irregularities.

Legislation in the UK concerning the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

### *Statement as to Disclosure of Information to Auditors*

In the case of each director in office at the date the directors' report is approved:

- so far as the director is aware, there is no relevant audit information of which the company's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the company's auditors are aware of that information.

### *Independent Auditors*

The 2008 Lloyd's Regulations, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 (the "Regulations") require that the auditors of the syndicate annual accounts be appointed by the members of the syndicate, initially for the syndicate annual accounts for the 2009 year end after which provisions for deemed reappointment of auditors will apply. PricewaterhouseCoopers LLP is deemed to have been reappointed as the auditors of the syndicate annual accounts for the 2022 year end.

## Managing Agent's Report

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On 10th December 2001, Lloyd's granted consent to PricewaterhouseCoopers LLP continuing to act as syndicate auditors for Syndicate 2488 (for the 2002 and previous years of account) and as corporate auditors for CUAL and other Chubb group companies (for the 2002 financial year). This consent was, in effect, an extension of the consent granted previously in relation to the 2001 and prior years of account and has been further extended without time limit.

Approved by the Board and signed on its behalf:

**C P J O'Brien**

Director

27 February 2023

## **INDEPENDENT AUDITORS' REPORT TO THE MEMBER OF SYNDICATE 2488**

### **Report on the audit of the syndicate annual accounts**

#### **Opinion**

In our opinion, 2488's syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2022 and of its loss and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual accounts included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2022; the Income Statement, the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Members' Balances for the year then ended; and the notes to the syndicate annual accounts which include a description of the significant accounting policies.

#### **Basis for opinion**

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

#### **Independence**

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

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

Other than those disclosed in note 6, we have provided no non-audit services to the syndicate in the period under audit.

#### **Conclusions relating to going concern**

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

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

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

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

#### **Reporting on other information**

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual

## Independent Auditors' Report

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accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

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

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

### **Managing Agent's Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2022 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

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

## **Responsibilities for the syndicate annual accounts and the audit**

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

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

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

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

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

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

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgemental areas, including the valuation of claims reserves and estimated premium income, and the posting of inappropriate journals. Audit procedures performed by the engagement team included:

## Independent Auditors' Report

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- Discussions with senior management involved in the Legal and Internal Audit functions, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Assessment of any matters reported on the managing agent's whistleblowing helpline and the results of the management's investigation of such matters;
- Reading key correspondence with Lloyd's, the Prudential Regulation Authority and the Financial Conduct Authority in relation to compliance with laws and regulations;
- Reviewing relevant meeting minutes including those of the Audit and Risk Committee;
- Testing journal entries identified in accordance with our risk assessment;
- Challenging assumptions made by the management in their significant accounting estimates, in particular, in relation to the valuation of incurred but not reported claims and estimates within gross premiums written; and
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

### **Use of this report**

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

### **Other required reporting**

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

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

We have no exceptions to report arising from this responsibility.

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

## Income Statement for the year ended 31 December 2022

		<b>2022</b>	<b>2021</b>
<b>Technical account – general business</b>	<b>Notes</b>	<b>£000</b>	<b>£000</b>
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	4	649,031	561,297
Outwards reinsurance premiums		(111,093)	(95,426)
Net premiums written		537,938	465,871
Change in the gross provision for unearned premiums		(12,798)	(21,013)
Change in the provision for unearned premiums, reinsurers' share		(4,424)	1,056
Change in unearned premiums, net of reinsurance		(17,222)	(19,957)
Earned premiums, net of reinsurance		520,716	445,914
Allocated investment loss transferred from the non-technical account	8	(56,586)	(10,157)
<b>Total technical income</b>		<b>464,130</b>	<b>435,757</b>
<b>Claims incurred, net of reinsurance</b>			
Claims paid, gross amount	4	(321,474)	(295,475)
Claims paid, reinsurers' share		79,546	85,673
Net claims paid		(241,928)	(209,802)
Change in the provision for claims, gross amount	4	(26,351)	(16,351)
Change in the provision for claims, reinsurers' share		7,860	(24,781)
Change in the provision for claims, net of reinsurance		(18,491)	(41,132)
Claims incurred, net of reinsurance		(260,419)	(250,934)
Net operating expenses	6	(180,126)	(145,036)
<b>Total technical charges</b>		<b>(440,545)</b>	<b>(395,970)</b>
<b>Balance on the general business technical account</b>		<b>23,585</b>	<b>39,787</b>

The notes on pages 28 to 50 form an integral part of these financial statements.

## Income Statement for the year ended 31 December 2022

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<b>Non-technical account</b>	<b>Notes</b>	<b>2022</b>	<b>2021</b>
		<b>£000</b>	<b>£000</b>
<b>Balance on the general business technical account</b>		23,585	39,787
<b>Investment return</b>			
Investment income	8	59,987	50,084
Unrealised gains on investments	8	72,155	27,275
Investment expenses and charges	8	(33,696)	(3,742)
Unrealised losses on investments	8	(188,035)	(56,863)
Allocated investment loss transferred to general business technical account	8	56,586	10,157
Investment return	8	(33,003)	26,911
Loss on exchange		(1,145)	(8,220)
<b>(Loss) / profit for the financial year</b>		<b>(10,562)</b>	<b>58,479</b>

The above results are all derived from continuing operations.

The notes on pages 28 to 50 form an integral part of these financial statements.

## Statement of Comprehensive Income for the year ended 31 December 2022

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	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>(Loss) / profit for the financial year</b>	<b>(10,562)</b>	<b>58,479</b>
Currency translation differences	37,410	6,540
<b>Total comprehensive income for the financial year</b>	<b>26,848</b>	<b>65,019</b>



## Statement of Financial Position as at 31 December 2022

<b>Assets</b>	<b>Notes</b>	<b>2022 £000</b>	<b>2021 £000</b>
<b>Investments</b>			
Other financial investments	9	1,555,224	1,456,956
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	16	55,953	56,329
Claims outstanding	16	308,124	285,626
		364,077	341,955
<b>Debtors – amounts falling due within one year</b>			
Debtors arising out of direct insurance operations		97,566	74,002
Debtors arising out of reinsurance operations		68,957	62,189
Other debtors	10	9,908	3,527
		176,431	139,718
<b>Other assets</b>			
Cash at bank and in hand	12	209,673	177,947
Deposits with ceding undertakings		2,527	3,437
		212,200	181,384
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	16	68,973	62,434
Other prepayments and accrued income		11,090	8,529
		80,063	70,963
<b>Total assets</b>		<b>2,387,995</b>	<b>2,190,976</b>

The notes on pages 28 to 50 form an integral part of these financial statements.

## Statement of Financial Position as at 31 December 2022

<b>Liabilities</b>	<b>Notes</b>	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
<b>Capital and reserves</b>			
Members' balances		646,888	622,749
<b>Technical provisions</b>			
Provision for unearned premiums	16	300,896	270,920
Claims outstanding	16	1,147,299	1,066,639
		1,448,195	1,337,559
<b>Creditors – amounts falling due within one year</b>			
Creditors arising out of reinsurance operations		91,394	60,619
Bank loans and overdrafts	12	166,789	130,296
Other creditors including taxation and social security		20,493	24,218
		278,676	215,133
<b>Accruals and deferred income</b>		14,236	15,535
<b>Total liabilities</b>		2,387,995	2,190,976

The notes on pages 28 to 50 form an integral part of these financial statements.

The syndicate annual accounts on pages 28 to 50 were approved by the board of Chubb Underwriting Agencies Ltd on the 27 February 2023 and were signed on its behalf by:

**C P J O'Brien**

Director  
27 February 2023

## Statement of Changes in Members' Balances

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	<b>Members' Balances</b>
	<b>£000</b>
<b>At 1 January 2021</b>	631,716
Profit for the financial year	58,479
Net transfer out of members' balances designated as Funds in Syndicate	(13,256)
Profit distribution	(58,588)
Other	(2,142)
Currency translation differences	6,540
<b>At 31 December 2021</b>	622,749
Loss for the financial year	(10,562)
Net transfer out of members' balances designated as Funds in Syndicate	(4,602)
Loss collection	3,147
Other	(1,254)
Currency translation differences	37,410
<b>At 31 December 2022</b>	646,888

## Statement of Cash Flows for the year ended 31 December 2022

		<b>2022</b>	<b>2021</b>
<b>Operating activities</b>	<b>Notes</b>	<b>£000</b>	<b>£000</b>
<b>Operating (loss) / profit</b>		(10,562)	58,479
Increase in gross technical provisions		110,636	47,885
(Increase) / decrease in reinsurers' share of gross technical provisions		(22,122)	19,977
Increase in debtors		(45,813)	(16,892)
Increase / (decrease) in creditors		25,750	(3,099)
Investment return		89,589	(16,755)
Other		(73,887)	(25,832)
<b>Net cash inflows from operating activities</b>		73,591	63,763
<b>Investing activities</b>			
Investment income received		26,292	46,342
Purchase of debt and equity investments		(429,063)	(511,065)
Sale of debt and equity investment		293,561	453,172
Other		(13,465)	25,541
<b>Net cash (outflows) / inflows from investing activities</b>		(122,675)	13,990
<b>Financing activities</b>			
Transfers from / (to) members in respect of underwriting participations		3,147	(58,588)
FIS released to member		(4,602)	(13,256)
<b>Net cash outflows from financing activities</b>		(1,455)	(71,844)
(Decrease) / increase in cash and cash equivalents		(50,539)	5,909
Cash and cash equivalents at 1 January		78,086	56,894
Exchange differences on opening cash		63,607	15,283
<b>Cash and cash equivalents at 31 December</b>	12	91,154	78,086
Cash at bank and in hand	12	209,673	177,947
Short-term deposits with credit institutions	12	48,270	30,435
Overdraft	12	(166,789)	(130,296)
<b>Cash and cash equivalents at 31 December</b>	12	91,154	78,086

## Notes to the Financial Statements

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### 1. BASIS OF PREPARATION

The syndicate annual accounts have been prepared in accordance with applicable accounting standards in the United Kingdom, including:

- Financial Reporting Standard FRS 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”);
- Financial Reporting Standard FRS 103, “Insurance Contracts” (“FRS 103”);
- the provisions of Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (“SI2008/410”); and
- Regulation 5 of the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“the 2008 Lloyd’s Regulations”), as amended by The Statutory Auditors and Third Country Auditors Regulations 2017 (the “Regulations”).

These annual accounts include all sources of capital supporting the operations of the syndicate. Given that Syndicate 2488 is a fully aligned syndicate, with 100% of the underwriting capacity provided by Chubb corporate capital vehicles, these accounts are able to disclose the total Funds at Lloyd’s (“FAL”) capital supporting the operations of the syndicate (see note 14).

These annual accounts have been prepared on a going concern basis. The principal accounting policies, which are set out below, have been applied consistently to all the years presented unless otherwise stated.

Syndicate 2488’s functional currency is US dollars. The presentational currency is sterling which is common practice in the Lloyd’s market and aids comparability.

### 2. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the directors of the managing agent have made judgements, estimates and assumptions that affect the application of the syndicate’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements. The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (“IBNR”) to the syndicate.

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

The gross written premium is initially based on estimated premium income (“EPI”) for each contract. EPI estimates are based on information provided by the brokers, policyholders, coverholders, past underwriting experience and the contractual terms of the policy. The EPI estimates are reviewed on a regular basis. Premiums in respect of insurance contracts underwritten under binding authorities have the highest degree of uncertainty at the time of the initial premium booking. In 2022 £290.6 million (2021 £264.7 million) of premium was written under binding authorities. Binding authority premiums are booked as the underlying contracts

## Notes to the Financial Statements

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### 2. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES – continued

incept (a straight-line basis is selected for this inception pattern) and any difference between the EPI for these policies and the actual premium received is eliminated before each year of account closes.

Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

The significant accounting policies used in the preparation of these financial statements are as follows:

#### *Premiums written*

Premiums written, which are stated gross of brokerage but exclusive of premium taxes, relate to business incepted during the year, together with adjustments made in the year to premiums written in prior accounting periods. Estimates are made of pipeline premiums, representing amounts due but not yet received or notified to the syndicate by intermediaries;

#### *Unearned premiums*

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established risk profiles or time apportionment as appropriate.

#### *Acquisition costs*

Acquisition costs comprise brokerage, commissions and other related costs, and are deferred over the period in which the related premiums are earned.

#### *Claims incurred*

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect expenses and adjustments to claims outstanding from previous years. Where applicable, deductions are made for reinsurance, salvage and other recoveries.

#### *Provision for claims outstanding and related reinsurance recoveries*

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs and deduction for expected salvage and other recoveries. The provision also includes the estimated cost of claims incurred but not reported (“IBNR”) at the balance sheet date based on statistical methods.

These methods 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 amount of salvage and subrogation recoveries is separately identified and where material reported as an asset.

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

The two most critical assumptions as regards the provision for claims outstanding 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 provision for gross claims outstanding 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

## Notes to the Financial Statements

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### 2. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES – continued

and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. When calculating the provision for claims outstanding, the reported business segments are subject to specific issues, as set out below:

#### *Fire and other damage to property; marine, aviation and transport; accident and health*

These business segments are predominantly “short tail”; that is there is not a significant delay between the occurrence of the claim and the claim being reported to the syndicate. The costs of claims notified to the syndicate at the balance sheet date are estimated on a case by case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time to reflect changes in the underlying estimates of the cost of notified claims and late notifications.

#### *Third party liability (including marine and aviation liability)*

Liability claims are longer tail than the classes of business described above and so a larger element of the provision for claims outstanding relates to IBNR. Claims estimates for the syndicate’s liability business are derived from a combination of loss ratio based estimates and an estimate based upon actual claims experience using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimate of the loss ratio based on the experience of previous years adjusted for factors such as premium rate changes and claims inflation, and on the anticipated market experience, is an important assumption in this estimation technique. In respect of liability claims, the assessment of claims inflation and anticipated market experience is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability class of business is also subject to the emergence of new types of latent claims but no allowance is included for this as at the balance sheet date.

#### *Reinsurance acceptances*

This business segment includes both short tail and longer tail business, and is subject to the issues laid out in the preceding two sections.

#### *Unexpired risks provision*

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

#### *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. Both realised investment gains and losses are included as part of investment return in the profit and loss account. Dividends receivable are accounted for by reference to the date on which the price of the investment is quoted ex-dividend. Interest and expenses are accounted for on an accruals basis.

Realised gains and losses on investments carried at bid value are calculated as the difference between net sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their purchase price or, if they have previously been revalued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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. Other than

## Notes to the Financial Statements

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### 2. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES – continued

investment return on Funds at Lloyd's retained within the syndicate, all investment return has been wholly allocated to the technical account.

#### *Investments*

Investments in marketable securities are stated at bid value on the balance sheet date. For quoted investments where there is an active market, this is their quoted bid price at the balance sheet date. For quoted and non-quoted investments where there is no active market, the bid value is determined by reference to prices for similar assets in active markets.

Overseas deposits are stated at cost or market value, as notified by Lloyd's.

#### *Investments – fair value through profit and loss*

A financial asset is classified into this category at inception if they are acquired principally for the purpose of selling in the short term, if they form part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated to minimise any measurement or recognition inconsistency with the associated liabilities.

Financial assets designated as fair value through profit and loss are initially recognised at fair value with any transaction costs being expensed through the profit and loss account. For quoted investments where there is an active market, the fair value is their quoted bid price at the balance sheet date. For quoted investments where there is no active market, the fair value is determined by reference to prices for similar assets in active markets.

#### *Insurance and other receivables*

Insurance and other receivables are recognised at fair value less any provision for impairment. Any impairment of a receivable will be recognised if there is evidence that the company will not be able to collect the amounts receivable according to the original terms of the receivable.

#### *Insurance and other payables*

Payables arising from insurance contracts, creditors and deposits received from reinsurers, are initially measured at cost, which is equal to fair value, net of transaction costs. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

#### *Taxation*

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

A provision has been made for overseas taxes payable (United States Federal Income Tax, Canadian Federal Income Tax, Japanese Income Tax) on underwriting results or investment earnings. Any payments on account during the year, made by the syndicate on behalf of its corporate member have been set off against members' balances in the balance sheet.

#### *Foreign currencies*

Foreign currency transactions are accounted for, in functional currency, at the exchange rates prevailing at the date of the transactions. Gains and losses resulting from the settlement of such transactions, from translating such transactions into the functional currency of the syndicate, and from the revaluation to year end exchange rates of monetary assets and liabilities, are recognised in the profit and loss account.

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are



## Notes to the Financial Statements

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### 2. SIGNIFICANT ACCOUNTING POLICIES, JUDGEMENTS AND ESTIMATES – continued

monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined. Results recorded in their functional currency, are translated into sterling at average rates of exchange for the year while assets and liabilities are translated to sterling at year end exchange rates. Differences arising on translation are recorded in the statement of comprehensive income.

#### *Profit commission*

Profit commission is chargeable by the managing agent at a rate of 15% of the year of account profit, subject to the operation of a deficit clause. This does not become payable until after the appropriate year of account closes, normally at 36 months.

The managing agent has waived its right to the receipt of profit commission for the 2019 and 2020 years of account. It is currently anticipated that the profit commission will also be waived for the 2021 and 2022 years of account.

#### *Reinsurance to close (“RITC”) received from a third party syndicate*

When the syndicate accepts a RITC premium from another syndicate it records all of the assets and liabilities transferred from the other syndicate on the balance sheet at fair value on the date the RITC agreement is effective. Any unearned gross and reinsurance premiums included with the RITC transaction are recorded in the income statement on the date of the RITC agreement is effective and immediately deferred as movements in gross and reinsurers’ share of unearned premiums and are subsequently earned over the remaining life of the relevant contracts. The RITC transaction has no impact on the syndicate’s profit or net assets at the time that it is first recorded.

### 3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT

#### *Capital management*

CUAL assesses the capital needs for Syndicate 2488 and maintains an efficient capital structure consistent with its risk profile and business requirements and to meet regulatory requirements. The company then seeks to maintain financial strength and capital adequacy to support business growth and meet the requirements of policyholders, rating agencies and regulators, whilst retaining financial flexibility by ensuring substantial levels of liquidity. Once the capital needs have been met, it is the policy of the company to distribute any surplus capital through dividends to its ultimate parent company.

From a prudential perspective, the Lloyd’s market is regulated by the PRA and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held. In line with regulatory requirements CUAL managed its capital levels in 2022 in the context of Solvency II and the Funds at Lloyd’s requirement.

Syndicate 2488’s regulatory capital requirement is set according to the Solvency II Internal Model. The company performs tests and controls to ensure continuous and full compliance with the Solvency II regulations.

The primary objectives for managing capital can be summarised as follows:

- to satisfy the requirements of policyholders, regulators and rating agencies;
- to match the profile of assets and liabilities, taking account of the risks inherent in the business;
- to manage exposures to key risks; and
- to retain financial flexibility by maintaining strong liquidity.

#### *Insurance risk*

Insurance risk arises from underwriting activities both prospective and retrospective. Key risks include unexpected losses arising from inaccurate pricing, fluctuations in the timing, frequency and/or severity of claims compared to expectations, inadequate reinsurance protection and inadequate reserving. The syndicate mitigates the risk of inaccurate pricing by maintaining underwriting discipline throughout its operations with the use of underwriting guidelines, technical expertise and appropriate

## Notes to the Financial Statements

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### 3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

authority limits which are monitored through price monitoring procedures, an established peer review process and exception monitoring. These guidelines are updated regularly to reflect developments in the nature of the insurance risks being underwritten.

The syndicate's exposures are continually monitored and the catastrophe management function, independent of underwriting management, has responsibility to model aggregate risk and assists with the pricing of risk, providing a key control to the underwriting process.

The syndicate also uses reinsurance to help mitigate insurance risk by providing coverage against and limiting large individual or aggregated losses. However, the use of reinsurance provides additional risk where reinsurance may transpire to be inadequate in coverage or recoveries cannot be collected due to reinsurer default.

The reserving process is owned by the Actuarial Function and includes: coordinating the calculation of technical provisions; selecting appropriate methods and assumptions for each element of the reserve calculation; ensuring the appropriateness of the methodologies and underlying models used as well as the assumptions made in the calculation of the technical provisions; assessing the sufficiency and quality of the data used in the calculation of the technical provisions; comparing best estimate against experience; reviewing sufficiency of reserves; monitoring of large losses; forecasting and planning; regular deep dives; calculation of a range of reasonable estimates; arranging appropriately independent external review and peer review of assumptions and calculations. Challenge and oversight is provided by the Reserve Committee. The Responsibilities of this committee include monitoring the risk appetite statements related to reserve risk. CUAL's independent non-executive directors attend the Reserve Committee meetings.

#### *Sensitivity to insurance risk*

As highlighted in note 2, there is inherent uncertainty in the ultimate cost of claims for which the company uses a variety of different actuarial techniques to estimate the provision for claims outstanding. If the net claims ratio for the year had been higher by 1%, then the profit for the financial year would have been lower by £5.2 million (2021: £4.5 million) and members' balances would have been lower by £5.2 million (2021: £4.5 million). If the net claims ratio had been lower by 1%, then the profit for the financial year would have been higher by £5.2 million (2021: £4.5 million) and members' balances would have been higher by £5.2 million (2021: £4.5 million).

#### *Concentrations of insurance risk*

As shown in note 4, the syndicate writes a diverse book of business across a number of underwriting classes. Approximately 79% of the gross written premiums for 2022 (2021: approximately 77%) related to property and casualty lines of insurance, with the remainder split across a number of other classes.

Geographically, 54% (2021: 51%) of gross premiums written in 2022 relate to risks within the United States of America, with the remainder being spread across Europe, Asia Pacific, Latin America, Africa and the Middle East.

#### *Financial risk management objectives*

The syndicate is exposed to a range of financial risks through its financial assets and financial liabilities. The most important components of this financial risk are market risk (including interest rate risk and currency risk), liquidity risk and credit risk.

These financial risks principally arise from the investment activity of the business and consequent holdings in fixed income investments, all of which are exposed to general and specific market movements. The underwriting activity of the business also generates financial risk, particularly in the form of currency risk as well as liquidity and credit risk through its insurance and reinsurance receivables and payables. The notes below explain how financial risks are managed. The processes used to manage these risks are unchanged from previous periods, and cover areas such as investment activity through stochastic modelling of the portfolio, within its internal capital model and consequent capital requirements.

## Notes to the Financial Statements

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### 3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

#### *Investment activity governance*

The managing agent operates an Investment Committee which functions under terms of reference determined by the Board. The Committee is charged with establishing and effecting an appropriate investment policy for the syndicate having regard to the financial risk appetite of the syndicate. In addition, the Committee has the responsibility for recommending the appointment and removal of investment managers, for reviewing the managers' performance and for reporting on all other material aspects of the investment function.

The Investment Committee comprises senior Chubb management along with representatives from Chubb Asset Management, the group's investment specialists who provide advisory services to Chubb group companies and is chaired by David Furby.

The investment management function is outsourced to specialist external managers.

#### *Asset allocation policy*

The Investment Committee has established an asset allocation policy which defines the limits for different asset types. The broad asset allocation policy cites two major asset classes: investment grade fixed income securities and alternative assets. The policy includes limits within the alternative assets for high yield, emerging market debt, illiquid loans and equities. The policy stipulates a target range of between 70% and 100% for investment grade fixed income securities and a range of between 0% and 30% for alternative asset classes. At the end of 2022 the total allocation to alternative assets was approximately 19% (2021: 28%) and is monitored by the Investment Committee.

#### *Investment guidelines*

Investment management agreements have been established with the external investment managers. The agreements include specific guidelines for each individual portfolio in order to limit risks arising from duration, currency, liquidity, credit and counterparty exposures. The managers provide quarterly affirmation of compliance with these guidelines.

#### *Interest rate risk*

The syndicate is exposed to interest rate risk primarily through its investments in fixed interest securities and, to the extent that claims inflation is correlated to interest rates, its liabilities to policyholders. Interest rate risk arises in the fixed income investment portfolio primarily through instrument duration. Accordingly, the investment guidelines include restrictions relating to the maximum weighted average duration of the portfolio. The restriction is stated by reference to the permissible duration variance compared to the customised benchmark index by which the external investment managers' performance is assessed.

Sensitivity analysis for interest rate risk illustrates how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. To illustrate the downside risk within the fixed interest portfolio of £1,298.8 million at external managers as at 31 December 2022 (2021: £1,140.8 million), the impact of an increase of 50 basis points in interest yields across all portfolios consecutively (principally sterling, euros and US dollars) has been calculated. Such an increase would decrease the market value of the investment portfolio and lead to a decrease in the total investment return of £25.4 million (2021: £27.3 million) and accordingly decrease total shareholders' funds by £25.4 million (2021: £27.3 million).

The impact of higher rates of inflation in the countries and economic sectors in which the syndicate trades has been analysed and reflected in the loss ratios selected for the current and prior underwriting years and is allowed for in forecasts and risk pricing.

#### *Equity price risk*

The syndicate held £7.9 million of equities in 2022 (2021: £105.3 million) and as a result the syndicate is exposed to changes in the level and volatility of equity prices. To illustrate the downside risk within the equity portfolio, the impact of a 5% decrease in stock market prices has been calculated. Such a decrease would decrease the market value of the equity portfolio and lead to a decrease in the total investment return of £0.4 million (2021: £4.9 million) and accordingly decrease total shareholders' funds by £0.1 million (2021: £4.9 million).

## Notes to the Financial Statements

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### 3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

#### *Currency risk*

The syndicate is primarily exposed to currency risk in respect of assets and liabilities under policies of insurance denominated in currencies other than sterling. The syndicate maintains various currency balances generated through regular business activity but the majority of the funds held are denominated in sterling, euros, Canadian dollars and US dollars. The syndicate's policy seeks to ensure that an approximate currency match of assets and liabilities is maintained, with the bulk of surplus funds held in Canadian dollars and US dollars.

Any component of the members' funds denominated in currencies other than sterling gives rise to currency risk due to exchange rate volatility relative to sterling.

The accounting policy for foreign currencies is stated in note 2 to the financial statements.

For the profit and loss account, the 2022 average US dollar/sterling rate of US\$1.246/£1 shows sterling is weaker by 9.7% compared with the prior period (2021: US\$1.380/£1). Had the average sterling rate weakened against the US dollar by 10% compared to the actual 2022 average and all other variables remained constant, the loss for the year would have been £9.5 million less than the amount reported (2021: £6.1 million more).

For the monetary components of the balance sheet, the year-end rates of US\$1.237/£1 used to convert US dollar to sterling shows sterling is weaker by 6.4% (2021: US\$1.322/£1). Assuming sterling had weakened by 10% against the US dollar and all other variables remained constant, the effect of translating year-end net assets based on these parameters would have resulted in an increase in members' balances of £71.9 million, which would have appeared as a gain in the statement of comprehensive income (2021: £69.2 million gain).

#### *Liquidity risk*

Liquidity risk is the risk that the syndicate is unable to meet its obligations as they fall due. To counter this risk, the syndicate aims to maintain funds in the form of cash or cash equivalents to meet known cash flows. In addition, the asset allocation policy and the investment guidelines are structured in order to ensure that funds are predominantly held in investment grade fixed income securities, the proceeds of which are readily realisable.

However, a significant share of the syndicate's investments is held to meet regulatory deposit requirements which may not be available to meet recommended liquidity needs.

Syndicate 2488 participates in a notional pooling programme with other Chubb group companies under a facility operated by Bank Mendes Gans, a subsidiary of ING, which specialises in global liquidity management. The facility operates by the notional pooling of designated balances of the Chubb group participants in order to provide additional liquidity. Chubb group participants may overdraw individual account balances to fund immediate short term needs against credit balances held elsewhere within the pool. On this basis, CUAL maintained an overdraft of £166.8 million at year end (2021: £130.3 million) and credit balances of £39.6 million (2021: £167.2 million) in designated accounts.

The syndicate also benefits from letter of credit facilities which can be utilised to meet certain funding needs and notional pooling facilities with other Chubb group companies which serve to provide additional liquidity.

## Notes to the Financial Statements

### 3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

As indicated in the balance sheet, the syndicate’s financial liabilities are all payable within one year. Non-derivative financial liabilities with contractual maturities are paid within agreed terms of trade. Non-derivative financial liabilities with contractual maturities are limited to reinsurance premiums payable and expense accruals.

<b>£000</b> <b>31 December 2022</b>	<b>No Stated Maturity</b>	<b>0-1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Claims outstanding	-	410,577	351,397	178,399	206,926	1,147,299
Creditors	-	278,676	-	-	-	278,676
<b>Total</b>	-	<b>689,253</b>	<b>351,397</b>	<b>178,399</b>	<b>206,926</b>	<b>1,425,975</b>

<b>£000</b> <b>31 December 2021</b>	<b>No Stated Maturity</b>	<b>0-1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
Claims outstanding	-	361,373	345,575	165,375	194,316	1,066,639
Creditors	-	215,133	-	-	-	215,133
<b>Total</b>	-	<b>576,506</b>	<b>345,575</b>	<b>165,375</b>	<b>194,316</b>	<b>1,281,772</b>

#### *Credit risk*

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. The syndicate is exposed to credit risk through its investment activity and its insurance operations.

The syndicate is exposed to investment credit and price risk as a result of its holdings in fixed income. The risk in respect of fixed income investments is moderated by the application of detailed investment guidelines which limit the size of holdings with individual issuers, restrict duration and dictate minimum credit quality, both for individual holdings and for the aggregate weighted portfolio.

The average credit quality of investment portfolios remained high throughout the year and at year end was “A” (2021: “A”).

The investment guidelines seek to limit the credit risk of each of the portfolios through specifying eligible/ineligible investments, setting maximum counterparty exposures and minimum weighted credit quality and individual issuer credit quality.

#### *Credit risk – insurance operations*

The syndicate is exposed to credit risk as a result of its regular insurance and reinsurance activity. The areas of key exposure are:

- reinsurers’ share of provision for claims outstanding;
- debtors arising from reinsurers in respect of claims already paid;
- amounts due from direct insurance and reinsurance policyholders; and
- amounts due from direct insurance and reinsurance intermediaries.

Ceded reinsurance is used to manage and mitigate inwards direct insurance and reinsurance risk. Ceded reinsurance does not discharge the syndicate’s liability as primary insurer. If a ceded reinsurer fails to pay a claim, the syndicate remains liable for the payment to the policyholder. A Reinsurance Security Committee is operated by the Chubb group which analyses the creditworthiness of ceded reinsurers on a quarterly basis by reviewing their financial strength. In addition, the recent payment history of ceded reinsurers is used to update the reinsurance purchasing strategy.

## Notes to the Financial Statements

### 3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

With regard to direct insurance and reinsurance receivables, the syndicate operates a committee to review broker security, a process for monitoring arrangements with managing general agents, and, in certain circumstances, the requirement for collateral to be posted by the policyholder to the benefit of the syndicate.

The assets bearing credit risk are summarised below:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Other financial investments	1,555,224	1,456,956
Reinsurers' share of technical provisions	364,077	341,955
Debtors arising out of direct insurance operations	97,566	74,002
Debtors arising out of reinsurance operations	68,957	62,189
	2,085,824	1,935,102

Other financial investments are designated as fair value through the income statement at inception, and their performance evaluated on a fair value basis, in accordance with a documented investment strategy as detailed in note 3. The Moody's credit rating for other financial investments is detailed below.

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
AAA	153,229	143,286
AA	503,394	409,068
A	338,891	298,372
BBB	240,051	200,040
Below BBB or not rated	319,659	406,190
	1,555,224	1,456,956

The value of £319.7 million that is below BBB or not rated includes the Oakhill Equity portfolio which is not rated and Swiss Overseas deposits.

Other financial investments are neither past due nor impaired.

The amount of change, during the period and cumulatively, in the fair value of receivables that is attributed to changes in credit risk is represented by a provision for impairment against receivables past due.

Reinsurers' share of technical provisions includes claims outstanding, related claims handling costs and IBNR. This is described along with the valuation methods in note 2. This balance includes 2.0% past due that have been impaired (2021: 2.0%).

## Notes to the Financial Statements

### 3. CAPITAL MANAGEMENT & FINANCIAL RISK MANAGEMENT – continued

Debtors arising out of direct and reinsurance operations are held at fair value less any provision for impairment as described in note 2. Debtors arising out of direct and reinsurance operations include:

	<b>2022</b>	<b>2021</b>
Impaired	0.0%	0.0%
Past due but not impaired:		
0 to 6 months past due	17.0%	21.2%
6 to 12 months past due	3.3%	2.6%
Over 12 months past due	2.1%	5.5%
Total past due but not impaired	22.4%	29.3%

The Standard & Poor's credit rating for reinsurers' share of claims outstanding and debtors arising out of reinsurance operations that are neither past due nor impaired are detailed below.

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
AA	233,656	187,438
A	93,669	109,567
BBB	301	306
Below BBB	24	12
Not rated	3,724	3,291
	331,374	300,614

### 4. SEGMENTAL ANALYSIS

Segmental information in the format required by Schedule 3 to the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors 2017 ("the Regulations"), is as presented below.

	<b>Gross premiums written £000</b>	<b>Gross premiums earned £000</b>	<b>Gross Claims Incurred £000</b>	<b>Gross Operating Expenses £000</b>	<b>Reinsurance balance £000</b>
<b>Year to 31 December 2022</b>					
Direct Insurance					
Fire and other damage to property	211,082	211,129	(87,931)	(73,741)	(7,374)
Marine, aviation and transport	118,020	112,199	(44,542)	(37,378)	8,012
Accident and health	(26)	(26)	(80)	(86)	102
Third party liability	184,221	178,757	(190,922)	(54,805)	52,275
Miscellaneous	7,063	8,318	3,822	(2,288)	(8,806)
Reinsurance acceptances	128,671	125,856	(28,172)	(28,540)	(55,608)
<b>TOTAL</b>	<b>649,031</b>	<b>636,233</b>	<b>(347,825)</b>	<b>(196,838)</b>	<b>(11,399)</b>

## Notes to the Financial Statements

### 4. SEGMENTAL ANALYSIS - continued

	Gross premiums written £000	Gross premiums earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Reinsurance balance £000
<b>Year to 31 December 2021</b>					
Direct Insurance					
Fire and other damage to property	183,036	176,911	(112,771)	(62,452)	20,157
Marine, aviation and transport	91,584	89,048	(40,900)	(29,905)	(3,477)
Accident and health	74	74	(703)	(233)	732
Third party liability	159,902	148,843	(105,820)	(45,562)	(8,368)
Miscellaneous	8,202	8,257	(131)	(3,257)	(1,883)
Reinsurance acceptances	118,499	117,151	(51,501)	(21,964)	(22,302)
<b>TOTAL</b>	<b>561,297</b>	<b>540,284</b>	<b>(311,826)</b>	<b>(163,373)</b>	<b>(15,141)</b>

The reinsurance balance represents the credit/(charge) to the technical account from the aggregate of all items relating to outwards reinsurance. All business is completed in the United Kingdom.

Gross written premium information by destination (location of risk) as required by Schedule 1, Regulations 2015 (Part V, 84) is as follows:

	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
United Kingdom	82,317	78,320
United States of America	351,125	288,711
Continental Europe	28,213	34,713
Africa and Middle East	22,085	16,134
Asia Pacific	47,168	32,411
Americas	118,123	111,008
	<u>649,031</u>	<u>561,297</u>

### 5. MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING

The prior year's net provision for claims outstanding generated a surplus for 2022 (2021: surplus) as detailed below:

	<b>2022</b> <b>£000</b>	<b>2021</b> <b>£000</b>
Direct insurance		
Fire and other damage to property	7,572	12,564
Marine, aviation and transport	34,267	15,528
Accident and health	(70)	(141)
Third party liability	(18,233)	(23,099)
Reinsurance acceptances	723	1,939
	<u>24,259</u>	<u>6,791</u>



## Notes to the Financial Statements

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### 6. NET OPERATING EXPENSES

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Acquisition costs	157,768	138,068
Change in deferred acquisition costs	(4,271)	(5,869)
Administrative expenses	43,342	31,175
Reinsurance commission	(16,713)	(18,338)
	<u>180,126</u>	<u>145,036</u>

“Acquisition costs” includes total commissions for direct business amounting to £129.8 million (2021: £112.2 million).

“Administrative expenses” covers most expenses generally classified as syndicate expenses, net of an element of those expenses which are indirect acquisition costs and therefore included within acquisition costs, Lloyd’s Central Fund contributions and Lloyd’s subscriptions.

The managing agent’s fee in 2022 was in line with 2021 (£0.6 million compared with £0.6 million). Most of the services used by the syndicate (including staff costs, accommodation, IT, professional fees and travel) are provided by Chubb Services UK Limited (“CSUK”).

#### *Auditor’s remuneration*

During the year, the syndicate obtained the following services from the managing agent’s auditors and their associates.

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Fees payable to the syndicate’s auditors and their associates for the audit of the syndicate’s annual accounts	503	482
Fees payable to the syndicate’s auditors and their associates for other services:		
Audit-related assurance services	124	113
	<u>627</u>	<u>595</u>

“Audit-related assurance services” includes the audit of the syndicate’s regulatory returns.

## Notes to the Financial Statements

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### 7. DIRECTORS AND EMPLOYEES

#### *Staff costs*

The managing agency has no employees (2021: none). Staff that support the syndicate and managing agency are employed by Chubb Services UK Limited (“CSUK”), Chubb European Group SE (“CEGSE”) and other fellow Chubb group undertakings (together the “employing entities”).

#### *Directors’ emoluments*

All directors of the managing agent received emoluments from the employing entities in respect of their services to the syndicate and Chubb group companies. The cost of these emoluments is included in a fee reimbursed directly to the employing entities by the syndicate. It is not practical to allocate these amounts to the underlying entities to which the directors provide services. Consequently, the following amounts represent the total emoluments paid by the employing entities in respect of the directors of the managing agent for the period during the year in which they served as directors.

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Aggregate emoluments and benefits	2,940	2,380
Company pension contributions to money purchases pension schemes	44	58
	<u>2,984</u>	<u>2,438</u>

Amounts paid by the employing entities in respect of the Active Underwriter (2021: Active Underwriters) and highest paid director are summarised below.

	<b>2022</b>	<b>2021</b>
	<b>£</b>	<b>£</b>
Emoluments and benefits paid to the Active Underwriters	535,184	695,485
Emoluments and benefits paid to the highest paid director	1,294,312	980,834

The aggregate emoluments above do not include share-based remuneration. All executive directors of the managing agent are entitled to shares in Chubb Limited under long-term incentive plans. During the year, four directors received shares in Chubb Limited under long-term incentive plans and three directors exercised options over the shares of Chubb Limited. The highest paid director received shares in Chubb Limited under long-term incentive plans. Disclosures relating to the share-based payments are contained within the financial statements of the employing entities.

## Notes to the Financial Statements

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### 8. INVESTMENT RETURN

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Investment Income</b>		
Investment income	43,878	34,619
Gains on the realisation of investments	16,109	15,465
	<u>59,987</u>	<u>50,084</u>
<b>Investment expenses and charges</b>		
Investment management expenses	(3,327)	(1,790)
Losses on the realisation of investments	(30,369)	(1,952)
	<u>(33,696)</u>	<u>(3,742)</u>
<b>Net unrealised gains and losses on investments</b>		
Unrealised gains on investments	72,155	27,276
Unrealised losses on investments	(188,035)	(56,864)
	<u>(115,880)</u>	<u>(29,588)</u>
<b>Total Investment Return</b>	<u>(89,589)</u>	<u>16,754</u>
Investment return is analysed between:		
Allocated investment return transferred to the general business technical account	(56,586)	(10,157)
Net investment return included in the non-technical account	(33,003)	26,911
	<u>(89,589)</u>	<u>16,754</u>

## Notes to the Financial Statements

### 9. OTHER FINANCIAL INVESTMENTS

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Market value:		
Shares and other variable yield securities	7,913	105,331
Debt securities and other fixed interest securities	1,298,752	1,140,833
Overseas deposits	102,839	83,268
Deposits with credit institutions	48,270	30,435
Other Investments	97,450	97,089
	<u>1,555,224</u>	<u>1,456,956</u>
Cost:		
Shares and other variable yield securities	7,816	87,710
Debt securities and other fixed interest securities	1,414,016	1,131,956
Overseas deposits	102,839	83,268
Deposits with credit institutions	48,270	30,435
Other Investments	85,203	84,601
	<u>1,658,144</u>	<u>1,417,970</u>

The overseas deposits are held under Lloyd's premium trust deed arrangements where applicable and are administered by Lloyd's. The syndicate is required to lodge deposits in various overseas insurance markets as a condition of conducting underwriting business in those markets. All such overseas deposits are calculated in accordance with the relevant territorial authority's requirements, usually by reference to outstanding liabilities derived from business written in those territories.

£649.9 million (2021: £659.5 million) of the total market value relates to Funds at Lloyd's, as explained in note 11. This is analysed as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Market value:		
Equity Shares	376	97,795
Debt securities and other fixed interest securities	543,919	459,713
Deposits with credit institutions	8,119	4,937
Other Investments	97,450	97,089
	<u>649,864</u>	<u>659,534</u>
Cost:		
Equity Shares	279	80,173
Debt securities and other fixed interest securities	585,927	452,014
Deposits with credit institutions	8,119	4,937
Other Investments	85,203	84,601
	<u>679,528</u>	<u>621,725</u>

## Notes to the Financial Statements

### 9. OTHER FINANCIAL INVESTMENTS - continued

#### *Fair Value Hierarchy*

FRS 102 requires the syndicate to classify financial instruments into a fair value hierarchy as follows:

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

An analysis of financial instruments at 31 December 2022 by fair value hierarchy is set out below:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Shares and other variable yield securities	122	-	7,791	7,913
Debt securities and other fixed income securities	140,346	1,158,406	-	1,298,752
Loans and deposits with credit institutions	5,213	43,057	-	48,270
Overseas deposits	33,613	69,226	-	102,839
Other Investments	-	-	97,450	97,450
<b>Total</b>	<b>179,294</b>	<b>1,270,689</b>	<b>105,241</b>	<b>1,555,224</b>

An analysis of financial instruments at 31 December 2021 by fair value hierarchy is set out below:

	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Shares and other variable yield securities	97,795	-	7,537	105,332
Debt securities and other fixed income securities	65,104	1,075,729	-	1,140,833
Loans and deposits with credit institutions	9,609	20,826	-	30,435
Overseas deposits	23,667	59,600	-	83,267
Other Investments	-	-	97,089	97,089
<b>Total</b>	<b>196,175</b>	<b>1,156,155</b>	<b>104,626</b>	<b>1,456,956</b>

‘Debt securities and other fixed interest securities’ with active markets such as Government securities are classified within Level 1, as fair values are based on quoted market prices. For debt securities and other fixed interest securities that trade in less active markets, including corporate securities, fair values are based on the output of pricing models, the significant inputs into which include, but are not limited to, yield curves, credit risks and spreads, measures of volatility, and prepayment speeds. These debt securities and other fixed interest securities are classified within Level 2. For debt securities and other fixed interest securities and debt securities and other fixed interest securities for which pricing is unobservable, these are classified within Level 3.

‘Loans and deposits with credit institutions’ include short term investments, such as liquidity funds. Where such securities are traded in active markets, they are classified within Level 1, as fair values are based on quoted market prices. Where no active market exists for such securities they are typically classified within Level 2 and where pricing is unobservable, Level 3.

For securities in level 3 where pricing is based on unobservable inputs, valuations are sourced from models and / or third parties. Any third party models are reviewed and approved by the Chubb Group’s specialist asset management function on a quarterly basis. Significant uncertainty would be considered to exist in relation to pricing based on unobservable inputs.

## Notes to the Financial Statements

### 9. OTHER FINANCIAL INVESTMENTS - continued

However, for Syndicate 2488 this uncertainty is considered to be immaterial as the exposure to these types of assets is only a small proportion, 6.7%, of the investment portfolio as at 31 December 2022 (2021: 7.2%).

An analysis of movements during the year in Level 3 balances is as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Balance at 1 January	104,626	101,196
Gains recognised in profit and loss account	5,710	6,004
Sales	(5,222)	(1,587)
Transfers in / (out) of Level 3	127	(987)
Balance at 31 December	<u>105,241</u>	<u>104,626</u>

### 10. OTHER DEBTORS

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
<b>Amounts falling due within one year:</b>		
Amounts due from group companies	8,383	2,113
Unsettled investment trades	1,499	799
Other debtors	26	615
	<u>9,908</u>	<u>3,527</u>

There are no debtors due in greater than 1 year.

### 11. MEMBERS' BALANCES

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

Members' balances are supported by Funds at Lloyd's ("FAL"), as disclosed in note 14.

Members' balances at 31 December 2022 include £639.4 million (2021: £647.4 million) designated as FAL.

Members' balances designated as FAL are included in the following asset headings:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Other financial investments	641,745	654,597
Deposits with credit institutions	8,119	4,936
Other prepayment and accrued income	(10,428)	(12,107)
Total assets designated as Funds at Lloyd's	<u>639,436</u>	<u>647,426</u>

## Notes to the Financial Statements

### 12. CASH AND CASH EQUIVALENTS

An analysis of cash and cash equivalents is as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
Cash at bank and in hand	209,673	177,947
Short-term deposits with credit institutions	48,270	30,435
Overdrafts	(166,789)	(130,296)
	<u>91,154</u>	<u>78,086</u>

Short-term deposits with credit institutions include deposits held at call with banks and other short term highly liquid investments that are readily convertible to cash and which are subject to an insignificant risk of change in value. Such investments are those with less than three months' maturity from the date of acquisition, or which are redeemable on demand with only an insignificant change in their fair values.

Overdrafts arise as part of the notional pooling programme that is described in more detail in the Liquidity risk section of note 3.

### 13. TRANSACTIONS WITH RELATED PARTIES

The ultimate holding company of the syndicate's managing agent, Chubb Underwriting Agencies Limited ("CUAL"), is Chubb Limited, a company which is registered in Zurich, Switzerland and quoted on the New York Stock Exchange.

Copies of the ultimate holding company's consolidated accounts can be obtained from Investor Relations at Chubb's executive offices at 1133 Avenue of the Americas, New York, NY 10036.

The principal related reinsurance partner of the syndicate is Chubb Tempest Re, a leading global multi-line reinsurer that is part of the Chubb group. The syndicate may have reinsured, or have been reinsured by, insurance companies in which Chubb Limited has interests and of which it and certain of its subsidiaries are controllers.

During calendar year 2022, a number of outwards reinsurance contracts were effected with group companies. The main excess of loss reinsurance programmes in operation during 2022 were shared with other Chubb companies, including Chubb European Group SE.

The following is a summary of the reinsurance transactions and balances with related parties in 2022 and as at 31 December 2022:

<b>Reinsurance Premium Related</b>	<b>Chubb Tempest Reinsurance</b>	<b>Chubb European Group SE</b>	<b>Chubb America</b>	<b>Other</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Reinsurance Premiums	17.9	0.3	-	0.2	18.4
Reinsurance Commissions	1.0	-	-	-	1.0
Reinsurers' share of Unearned Premium Reserve	7.6	0.3	-	0.1	8.0
Reinsurance Creditor	7.8	0.5	0.1	0.4	8.8

## Notes to the Financial Statements

### 13. TRANSACTIONS WITH RELATED PARTIES - continued

<b>Reinsurance Recovery Related</b>	<b>Chubb Tempest Reinsurance</b>	<b>Chubb European Group SE</b>	<b>Chubb America</b>	<b>Other</b>	<b>Total</b>
	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>	<b>£m</b>
Change in reinsurers' share of Claims Incurred	21.4	0.2	(1.4)	(0.2)	20.0
Balance of reinsurers' share of Claims Outstanding	76.5	1.7	6.1	0.8	85.1
Reinsurance Debtor	13.1	0.6	0.1	5.7	19.5

The syndicate's capacity for all years of account is provided entirely by Chubb Capital I Limited, which is a corporate member of Lloyd's, participating only on Syndicate 2488. Chubb Capital I Limited is a wholly owned subsidiary within the Chubb group.

Managing agency fees of £0.6 million (2021: £0.6 million) were paid by the syndicate to CUAL. Staff providing services to CUAL and the syndicate are employed by Chubb Services UK Limited ("CSUK"), another Chubb Limited company. CSUK settles expenses on behalf of, and provides services to, the syndicate and CUAL. During 2022 the syndicate incurred expenses of £45.7 million (2021: £32.7 million) from CSUK and had an outstanding balance with CSUK of £5.7 million payable as at 31 December 2022 (2021: £6.2 million due).

### 14. 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 and can therefore be considered as the capital supporting the operations of the syndicate.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority ("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 assessment of the reserving risk in respect of business that has been underwritten. The syndicate's members have met their FAL requirements by the retention of closed year of account profits in the syndicate. At 31 December 2022 FAL totaled £639.4 million (2021: £647.4 million).



## Notes to the Financial Statements

### 15. CLAIMS DEVELOPMENT TABLES

The following tables show the development of claims over a period of time on both a gross and net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest claim arose for which there is still uncertainty about the amount and timing of the claims payment but need not go back more than 10 years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into sterling at the current year-end rates.

#### *Claims development as at 31 December 2022 – Gross*

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Estimate of ultimates:											
End of underwriting year	136,108	135,857	150,349	138,979	157,085	107,158	100,584	179,950	143,898	144,490	1,394,458
One Year Later	320,838	308,898	319,349	336,417	319,256	282,789	299,795	328,978	332,204	-	2,848,524
Two Years Later	327,279	308,069	347,578	347,469	354,506	305,852	314,187	304,903	-	-	2,609,843
Three Years Later	320,310	306,217	331,692	347,982	351,433	319,022	295,763	-	-	-	2,272,419
Four Years Later	293,870	303,855	313,146	354,147	356,108	335,296	-	-	-	-	1,956,422
Five Years Later	275,969	304,488	311,298	353,171	373,155	-	-	-	-	-	1,618,081
Six Years Later	275,462	304,687	313,142	357,127	-	-	-	-	-	-	1,250,418
Seven Years Later	274,489	300,510	314,533	-	-	-	-	-	-	-	889,532
Eight Years Later	277,184	313,533	-	-	-	-	-	-	-	-	590,717
Nine Years Later	277,062	-	-	-	-	-	-	-	-	-	277,062
Current estimate of ultimate claims	277,062	313,533	314,533	357,127	373,155	335,296	295,763	304,903	332,204	144,490	3,048,066
Cumulative payments	(254,231)	(267,827)	(259,194)	(291,932)	(315,683)	(259,598)	(194,330)	(155,610)	(96,700)	(26,906)	(2,122,011)
In balance sheet	22,831	45,706	55,339	65,195	57,472	75,698	101,433	149,293	235,504	117,584	926,055
Provision for prior financial years											221,244
Liability in the balance sheet											1,147,299

## Notes to the Financial Statements

### 15. CLAIMS DEVELOPMENT TABLES - continued

*Claims development as at 31 December 2022 – Net*

	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Estimate of ultimates:											
End of underwriting year	107,129	109,034	118,687	108,457	109,272	84,270	80,621	124,878	119,676	124,001	1,086,025
One Year Later	252,745	255,606	253,715	263,047	251,658	218,730	239,931	250,183	274,284	-	2,259,899
Two Years Later	256,280	260,824	281,597	282,845	276,124	232,442	244,916	238,550	-	-	2,073,578
Three Years Later	255,158	268,337	271,214	275,636	272,437	236,649	226,808	-	-	-	1,806,239
Four Years Later	238,911	265,342	257,503	268,857	274,153	237,367	-	-	-	-	1,542,133
Five Years Later	224,508	262,041	256,201	264,630	280,307	-	-	-	-	-	1,287,687
Six Years Later	221,457	261,797	257,956	269,428	-	-	-	-	-	-	1,010,638
Seven Years Later	220,380	256,658	259,502	-	-	-	-	-	-	-	736,540
Eight Years Later	224,549	261,374	-	-	-	-	-	-	-	-	485,923
Nine Years Later	223,545	-	-	-	-	-	-	-	-	-	223,545
Current estimate of ultimate claims	223,545	261,374	259,502	269,428	280,307	237,367	226,808	238,550	274,284	124,001	2,395,166
Cumulative payments	(208,433)	(234,824)	(218,743)	(244,427)	(240,914)	(187,910)	(146,270)	(117,536)	(85,176)	(26,568)	(1,710,801)
In balance sheet	15,112	26,550	40,759	25,001	39,393	49,457	80,538	121,014	189,108	97,433	684,365
Provision for prior financial years											154,810
Liability in the balance sheet											839,175

## Notes to the Financial Statements

### 16. RECONCILIATION OF INSURANCE BALANCES

The reconciliation of opening and closing deferred acquisition costs is as follows:

	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>
At 1 January	62,434	55,169
Change in acquisition costs deferred during the year	4,271	5,869
Foreign exchange movement	2,268	1,396
At 31 December	<u>68,973</u>	<u>62,434</u>

The reconciliation of opening and closing unearned premium provision is as follows:

	<b>Gross</b>		<b>Reinsurers' share</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January	270,920	245,182	56,329	54,225
Increase in provision	12,798	21,013	(4,424)	1,056
Foreign exchange movements	17,178	4,725	4,048	1,048
At 31 December	<u>300,896</u>	<u>270,920</u>	<u>55,953</u>	<u>56,329</u>

The reconciliation of opening and closing provision for claims is as follows:

	<b>Gross</b>		<b>Reinsurers' share</b>	
	<b>2022</b>	<b>2021</b>	<b>2022</b>	<b>2021</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
At 1 January	1,066,639	1,044,492	285,626	307,707
Increase/(decrease) in provision	26,351	16,351	7,860	(24,781)
Foreign exchange movements	54,309	5,796	14,638	2,700
At 31 December	<u>1,147,299</u>	<u>1,066,639</u>	<u>308,124</u>	<u>285,626</u>

### 17. ULTIMATE HOLDING COMPANY

The managing agent's immediate holding company is Chubb Leadenhall Limited. The managing agent's ultimate holding company is Chubb Limited, a company which is registered in Zurich, Switzerland and quoted on the New York Stock Exchange. Copies of the ultimate holding company's consolidated accounts can be obtained from Investor Relations at Chubb's executive offices at 1133 Avenue of the Americas, New York, NY 10036.