

Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Bylaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

RenaissanceRe

RenaissanceRe Syndicate
1458

Syndicate Annual Report and Accounts
For the year ended 31 December 2022

RenaissanceRe

Table of contents

	Page
Managing agent's report	1
Statement of managing agent's responsibilities	7
Independent auditor's report	8
Income statement	12
Statement of changes in member's balances	14
Statement of financial position	15
Statement of cash flows	17
Notes to the financial statements	18

Managing agent's report

The Syndicate's managing agent, RenaissanceRe Syndicate Management Limited ("RSML" or the "Agency"), is a company registered in England and Wales (Company Number: 01120384). The managing agency's immediate parent undertaking is RenaissanceRe European Holdings Ltd, a company incorporated in the United Kingdom. The ultimate parent company of the largest group as well as the smallest group that produces consolidated accounts of which the company is a member is RenaissanceRe Holdings Ltd. ("RRH Ltd"), a company incorporated in Bermuda. Copies of the group financial statements of RRH Ltd. are available from this company's registered office, 125 Old Broad Street, London EC2N 1AR.

The directors of RSML present their report for the year ended 31 December 2022.

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

Principal activity

There have not been any significant changes to the Syndicate's principal activity during the year. The Syndicate's principal activity continued to be the transaction of general insurance and reinsurance business across property, casualty and specialty lines.

The Syndicate capacity (expressed as gross premium written net of acquisition costs) for the 2022 year of account was £722.3m and continued to show growth. The capacity for the 2021 year of account was £711.0m.

Results

During the year ended 31 December 2022, the Syndicate generated an underwriting profit of \$89.1m (2021 - \$21.0m) before deduction of administrative expenses of \$62.8m (2021 - \$59.9m) and addition of investment loss of \$58.4m (2021 - investment loss of \$13.5m). The overall result, after the inclusion of administrative expenses, profits/losses on exchange and investment income, is a loss of \$24.6m (2021 - loss of \$46.4m).

Business Review

Review of the business of the Syndicate

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

	2022	2021	Change
	\$m/%	\$m/%	%
Gross premiums written	1,194.2	1,133.2	5.4%
Loss for the financial year	(24.6)	(46.4)	
Combined ratio	95.1%	106.2%	(11.1)%
Investment return	(5.6)%	(1.4)%	(4.2)%

Note: The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance. The investment return is the total investment return (inclusive of realised and unrealised gains and losses) divided by the average amount of funds available for investment during the year.

Gross premiums written for the year was \$1,194.2m and represented a 5.4% increase on 2021 gross premiums written. The growth in gross premiums is primarily from Specialty lines, partially offset by reductions on Property business.

Outward reinsurance premiums for the year was \$770.9m and represented a 125.9% increase on 2021. The growth in ceded premiums is primarily from the addition of new cessions for the 2022 underwriting year:

- Multi-line quota share with RenaissanceRe Europe AG

Managing agent's report

- Casualty/Specialty quota share with Fontana Reinsurance Limited and Fontana Reinsurance U.S. Limited, a new joint venture managed by the RenaissanceRe Group and
- Specific Casualty Insurance external quota share.

The Syndicate's combined ratio for the year was 95.1% (2021 - 106.2%). The 2022 results benefited from prior accident year releases on 2017-2020 Weather Related Large Loss Events and recognition of favorable attritional experience in certain classes. The 2022 results were impacted by various large Weather Related Large Loss Events during the year, most significantly from Hurricane Ian. The 2021 results also had a significant impact from Weather Related Large Loss Events, primarily Hurricane Ida, Winter Storm Uri and PCS 2176 Wind and Thunderstorm.

Review of financial position

Financial investments as at 31 December 2022 are \$1,070.6m compared to \$908.7m as at the prior year with the increase attributable to the growth in the business.

Reinsurers' share of claims outstanding as at 31 December 2022 are \$1,353.5m compared to \$995.6m as at the prior year. The increase in reinsurers' share of claims outstanding is primarily from recoveries on the RREAG multi-line quota share as well as recoveries relating to the Weather Related Large Loss Events incurred during the year. Part of the credit risk arising on recoverables from reinsurers is mitigated by collateral held in trust for certain balances, as disclosed in the notes 19 to the financial statements.

Debtors arising from insurance and reinsurance operations as at 31 December 2022 is \$536.7m compared to \$480.2m as at the prior year. There have been no collection issues in the year and the increase is attributable to the growth in gross written premiums.

Gross technical provisions have increased to \$2,958.4m from \$2,493.5m. This includes an increase in unearned premiums and claims outstanding, principally as IBNR, attributed to increased gross premiums in the year. In addition, the claims outstanding includes the reserves for the Weather Related Large Loss Events incurred during the financial year.

Principal risks and uncertainties

RSML's risk strategy is based on the integrated management of capital and risk. The risk management tools utilised by RSML allow for the determination of capital to support the risks assumed on an individual basis. The Syndicate's risk tolerance is set by the RSML Board and is reviewed on an ongoing basis as part of the risk management process. RSML has an established Risk Management Function ("RMF") that coordinates the execution of risk management processes across the company by ensuring RSML has an effective and efficient risk management framework which enables risks to be captured, measured and managed appropriately. RSML also has a Risk Committee which oversees the activities of the RMF, ensuring that there is a robust risk management framework in place and monitoring adherence to agreed risk appetite and tolerance levels. The Risk Committee and the RMF are key elements of RSML's governance structure that, as a whole, is designed to provide for clear ownership and accountability for risk throughout the company. Material risk related matters are reported to the Executive Committee and RSML Board, whilst the controls in place to mitigate these risks are monitored for ongoing effectiveness.

The principal risks and uncertainties facing the Syndicate are set out below, including reference to the notes where additional information in relation to these risks are provided in the financial statements:

Regulatory risk [Note 19 (b)]

Regulatory risk is the risk of loss and / or damaging of reputation owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Prudential Regulation Authority ("PRA"), Financial Conduct Authority ("FCA") and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. RSML has a

Managing agent's report

Compliance team that monitors regulatory developments and assesses the impact on RSML policy. Further, those responsible for satisfying regulatory requirements are well-versed in those requirements.

Underwriting risk [Note 19 (a)-(c)]

Underwriting risk is the risk that is assumed into or ceded from the Syndicate as a result of its underwriting activities during the time period of interest, in particular the risk of incurring claims in excess of expectations and the associated reduction in profits and/or erosion of capital. Risk related to previously earned premium, including that on expired underwriting contracts, is considered as part of reserve risk. Underwriting and reserve risks are the most material components of RSML's risk management framework. RSML has articulated the underwriting risk tolerance of the Syndicate as well as associated processes and policies in the Underwriting Risk Policy. Further, annually the Syndicate articulates its business plan, setting out targets for volumes, pricing, line sizes and retentions by class of business. Performance against the business plan is monitored on an ongoing basis.

Reserve risk [Note 19 (c)]

The Syndicate's claims and claim expense reserves reflect its estimates, using actuarial and statistical projections at a given point in time, of the expectations of the ultimate settlement and administration costs of claims incurred. Although the Syndicate uses actuarial and computer models as well as historical reinsurance and insurance industry loss statistics, it also relies heavily on management's experience and judgement to assist in the establishment of appropriate claims and claim expense reserves. Estimates are revised as additional experience and other data become available, as new or improved methodologies are developed, as loss trends and claims inflation impact future payment, or as rules and regulations change.

Reserve risk is the risk that claims and claim expense reserves subsequently prove to be insufficient to cover eventual claims. Deterioration in reserves can originate from frequency of claims being more than expected, severity of claims being higher than expected and difference between timing of claims payments versus expected. Reserve risk relates to all business earned at the valuation date. Risk relating to claims on unearned and future business is considered as part of underwriting risk. Reserve adequacy is monitored through quarterly review of reserves by the RSML Actuarial Function as well as through an annual assessment performed by the Syndicate's Independent Actuary.

Credit risk [Note 19 (d)(1)]

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet part or all of their obligations or failing to meet them in a timely manner, as well as adverse changes in the market value of assets caused by changed perceptions of the creditworthiness of counterparties. For Syndicate 1458, key counterparties with whom we are exposed to credit risk include reinsurers, brokers, insureds, reinsureds, coverholders and investment counterparties. RSML has articulated the credit risk appetite of the Syndicate as well as associated processes and policies in the Credit Risk Policy. Further, the Syndicate has established counterparty credit rating guidelines providing a suggested maximum limit to be exposed to individual reinsurers based on their credit rating. The guidelines also provide some perspective which should facilitate the reinsurance purchasing process and credit risk management and monitoring process. Aged receivable reports are produced on a regular basis and monitored by the Finance Committee. Also, the Syndicate holds collateral which mitigates the credit risk of reinsurers' share of claims outstanding and reinsurance debtors of certain reinsurers. In relation to credit risk on the investment portfolio, the Syndicate manages credit risk by maintaining an investment portfolio which is typically positioned in high quality fixed incomes securities.

Liquidity risk [Note 19 (d)(2)]

Liquidity risk is the risk that the Syndicate, although solvent, might not have sufficient available liquid resources to enable it to meet its obligations as they fall due, or could secure them only at excessive cost. The liquidity objective is to preserve capital and provide adequate liquidity to support the Syndicate's underwriting and day-to-day operations. RSML has articulated the liquidity risk appetite of the Syndicate as well as associated processes and

Managing agent's report

policies in the Liquidity Risk Policy. Also, Syndicate liquidity is formally reviewed quarterly by the Finance Committee, as well as on an ongoing basis by the Finance Director.

Market risk [Note 19 (d)(3)]

Market risk is the risk of financial loss due to movements in market factors. For the Syndicate, this can manifest through investment market movements, including movements in interest rates, inflation, movements in foreign exchange rates, resulting in mismatches between currencies in which assets and liabilities are denominated, and changes in credit ratings or investment prices. RSML has articulated the market risk appetite of the Syndicate as well as associated processes and policies in the Market Risk Policy. In addition, the Finance Committee is responsible for reviewing, among other things, investment performance and currency matching on a quarterly basis.

Operational risk

Operational risk is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. RSML seeks to manage this risk through the use of the three lines of defense model in conjunction with detailed procedures manuals and a structured programme of monitoring and testing of processes and systems.

Climate change [Note 19 (e)]

Natural catastrophes including extreme weather are a material risk that impacts the business of the Syndicate. Climate change is expected to increase the frequency and or severity of future extreme weather events. Some of our principal economic exposures arise from our coverages for natural disasters and catastrophes.

We believe that this potential increase in severe weather, coupled with currently projected demographic trends in catastrophe-exposed regions, contributes to factors that will increase the average economic value of expected losses, increase the number of people exposed per year to natural disasters and in general exacerbate disaster risk, including risks to infrastructure, global supply chains and agricultural production. Accordingly, we expect an increase in both the frequency and magnitude of claims, especially from properties located in coastal areas.

The consideration of the impacts of climate change is integral to our ERM process. We have taken measures to mitigate losses related to climate change through our underwriting process and by continuously monitoring and adjusting our risk management models to reflect the higher level of risk that we think will persist. We have been progressively integrating the consideration of the financial risk from climate change into our governance frameworks, risk management processes, and business strategies over the last several years. We voluntarily report against the Task Force on Climate-Related Financial Disclosures ("TCFD") through our annual ClimateWise submission to provide a detailed insight into our management of climate change risks and opportunities.

Our board of directors and its committees are actively engaged in the oversight of environmental, social and governance initiatives and receive regular updates from management on progress and developments.

We structure our investment portfolio to emphasize the preservation of capital and the availability of liquidity to meet our claims obligations, to be well diversified across market sectors and to generate relatively attractive returns on a risk-adjusted basis over time. To further the sustainability of our investment portfolio, we consider certain environmental, social and governance factors within our investment strategy. In addition to the impacts that environmental incidents have on our business, there has been a proliferation of governmental and regulatory scrutiny related to climate change and greenhouse gases, which will also affect our business.

Managing agent's report

Effects of Inflation [Note 19 (f)]

General economic inflation has increased and there is a risk of inflation remaining elevated for an extended period, which could cause claims and claim expenses to increase, impact the performance of our investment portfolio or have other adverse effects. The actual effects of the current and potential future increase in inflation on the Syndicate's results cannot be accurately known until, among other items, claims are ultimately settled. The onset, duration and severity of an inflationary period cannot be estimated with precision. Our board of directors and its committees consider the anticipated effects of inflation on catastrophe loss models and on the investment portfolio. Estimates of the potential effects of inflation are also considered in pricing and in estimating reserves for unpaid claims and claim expenses.

Future developments

During 2023, the Syndicate will continue to underwrite insurance and reinsurance business, seeking opportunities to grow a diversified portfolio with ongoing focus on bottom line profitability, and to further develop key strategic relations and the brand.

Managing agent's report

Directors

Details of the Directors of RSML (Company Number: 01120384) that served during the year and up to the date of signing of the Syndicate annual accounts are as follows:

P M Billingham
 H R T Brennan
 H A Brown
 S Creedon
 E J Cruttenden
 R A Curtis
 B M Dalton (resigned 9 May 2022)
 C S McMenamin
 E Mishambi (appointed 11 May 2022)
 R J Murphy
 R J Lang (resigned 9 May 2022)
 D D Upadhyaya

Company Secretary

L D Barran

Registered office

18th Floor
 125 Old Broad Street
 London
 EC2N 1AR

Disclosure of information to the auditors

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

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

Reappointment of auditors

PricewaterhouseCoopers LLP has been appointed for the first time as independent auditors for the 2022 report and accounts. PricewaterhouseCoopers LLP have indicated their willingness to continue in office as the Syndicate's auditors. The registered office of PricewaterhouseCoopers LLP is 7 More London Riverside, London, SE1 2RT.

On behalf of the Board

D D Upadhyaya
 Director

27 February 2023

Statement of managing agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the managing agent to prepare Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- Prepare the Syndicate annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

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

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

Independent auditor's report to the member of Syndicate 1458

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, Syndicate1458'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 Syndicate Annual Report and Accounts (the "Annual Report"), which comprise: the statement of financial position as at 31 December 2022; the income statement technical account - general business, the income statement non-technical account - general business, the statement of cash flows and the statement of changes in member's balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 8, 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.

Independent auditor's report to the member of Syndicate 1458

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion on, 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.

Independent auditor's report to the member of Syndicate 1458

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 posting inappropriate journal entries to increase revenue or reduce expenditure or to manipulate member's balances. We also considered management bias in accounting estimates and judgemental areas of the Annual Report such as the valuation of the claims outstanding, estimated premium income and the valuation of Level 3 financial investments. Audit procedures performed by the engagement team included:

- Discussion with management and internal audit, including considerations of known or suspected instances of non-compliance with laws and regulations and fraud;
- Reading key correspondence with regulators in relation to compliance with relevant regulations;
- Reviewing relevant meeting minutes;
- Identifying and testing journal entries, in particular any journal entries posted with unusual account combinations;
- Assessing significant estimates for evidence of management bias, or override by management of the estimates made by internal experts;
- For those classes of business considered higher risk, developing independent point estimates for the valuation of the technical provision for claims outstanding;
- Testing methodologies and assumptions applied by management in the valuation of the technical provision for claims outstanding for other classes of business;
- Developing point estimates at a contract level and performing high value and risk-based targeted substantive testing over premium estimates;
- Obtained an understanding of the incentive arrangements and metrics used to monitor the business performance, in order to assess the likelihood for manipulation of the results; and
- Obtained an understanding of the business rationale of significant transactions that we became aware of that were outside the normal course of business, or otherwise appeared unusual.

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

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

Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's 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.

Independent auditor's report to the member of Syndicate 1458

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.

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

Income statement
Technical account - General business
For the year ended 31 December 2022

		2022	2021
	<i>Notes</i>	\$	\$
Gross premiums written	2	1,194,241,355	1,133,189,377
Outward reinsurance premiums		<u>(770,890,980)</u>	<u>(341,291,141)</u>
Net premiums written		423,350,375	791,898,236
Change in provision for unearned premiums			
- Gross amount		(64,835,676)	(120,478,193)
- Reinsurers' share		<u>182,042,038</u>	<u>(49,332,119)</u>
Change in the net provision for unearned premiums	4	117,206,362	(169,810,312)
Earned premiums, net of reinsurance		540,556,737	622,087,924
Allocated investment return transferred from the non-technical account		(58,438,843)	(13,490,311)
Claims paid			
- Gross amount	3	(580,066,747)	(477,025,652)
- Reinsurers' share	3	<u>318,384,697</u>	<u>122,135,158</u>
Net claims paid		<u>(261,682,050)</u>	<u>(354,890,494)</u>
Change in claims outstanding			
- Gross amount		(424,613,304)	(164,511,864)
- Reinsurers' share		<u>358,955,816</u>	<u>92,076,492</u>
Change in the net provision for claims		<u>(65,657,488)</u>	<u>(72,435,372)</u>
Claims incurred, net of reinsurance	3	(327,339,538)	(427,325,866)
Net operating expenses	6	(186,890,676)	(233,622,751)
Balance on technical account - general business		<u><u>(32,112,320)</u></u>	<u><u>(52,351,004)</u></u>

Income statement
Non-technical account - General Business
For the year ended 31 December 2022

		2022	2021
	<i>Notes</i>	\$	\$
Balance on technical account for general business		(32,112,320)	(52,351,004)
Investment income	10	25,094,103	15,765,952
Losses on the realisation of investments	10	(48,925,725)	(3,736,806)
Unrealised gains on investments	10	8,857,380	545,040
Investment management charges	10	(751,519)	(734,162)
Unrealised losses on investments	10	(42,713,082)	(25,330,335)
Allocated investment return transferred to general business technical account		58,438,843	13,490,311
Exchange gains		7,539,599	5,998,835
Loss for the financial year		<u>(24,572,721)</u>	<u>(46,352,169)</u>

There is no other comprehensive income or expense not already reported in the Income Statement, thus no Statement of Comprehensive Income has been prepared.

Statement of changes in member's balances

For the year ended 31 December 2022

Member's balances
\$

At 1 January 2022	(125,961,036)
Loss for the financial year	(24,572,721)
2019 year of account payment of loss	38,495,790
At 31 December 2022	<u><u>(112,037,967)</u></u>

Member's balances
\$

At 1 January 2021	(75,717,449)
Loss for the financial year	(46,352,169)
2018 year of account payment of profit	(3,891,418)
At 31 December 2021	<u><u>(125,961,036)</u></u>

Statement of financial position

As at 31 December 2022

		2022	2021
	<i>Notes</i>	\$	\$
ASSETS			
Investments			
Financial investments	11	1,070,578,276	908,706,451
Deposits with ceding undertakings		<u>104,315,010</u>	<u>64,574,922</u>
		1,174,893,286	973,281,373
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	288,836,060	106,942,944
Claims outstanding	3	<u>1,353,512,326</u>	<u>995,571,133</u>
		1,642,348,386	1,102,514,077
Debtors			
Debtors arising out of direct insurance operations			
		14,133,909	14,657,358
Debtors arising out of reinsurance operations	12	522,540,337	465,590,585
Other debtors		<u>27,696,064</u>	<u>12,295,288</u>
		564,370,310	492,543,231
Cash and other assets			
Cash at bank and in hand	14	6,168,213	5,711,693
Other assets	13	<u>48,525,410</u>	<u>42,914,562</u>
		54,693,623	48,626,255
Prepayments and accrued income			
Accrued interest		6,688,095	2,492,497
Deferred acquisition costs	5	<u>158,870,028</u>	<u>142,469,559</u>
		165,558,123	144,962,056
Total assets		<u><u>3,601,863,728</u></u>	<u><u>2,761,926,992</u></u>

Statement of financial position (cont'd)

As at 31 December 2022

		2022	2021
	<i>Notes</i>	\$	\$
MEMBER'S BALANCES AND LIABILITIES			
Member's balances			
Profit and loss account		(112,037,967)	(125,961,036)
Total member's balances		(112,037,967)	(125,961,036)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	638,660,212	578,011,024
Claims outstanding	3	2,319,725,361	1,915,469,011
		2,958,385,573	2,493,480,035
Deposits received from reinsurers		4,052,672	3,872,148
Creditors			
Creditors arising out of direct insurance operations		9,820,444	1,623,224
Creditors arising out of reinsurance operations		563,132,811	336,648,814
Amounts owed to credit institutions	15	37,000,018	—
Other creditors	15	49,618,781	24,400,826
		659,572,054	362,672,864
Accruals and deferred income		91,891,396	27,862,981
Total liabilities		3,713,901,695	2,887,888,028
Total member's balances and liabilities		3,601,863,728	2,761,926,992

The financial statements on pages 12 to 49 were approved by the board of directors on 24 February 2023 and were signed on its behalf by:

D D Upadhyaya
Director

27 February 2023

Statement of cash flows

For the year ended 31 December 2022

		2022	2021
	<i>Notes</i>	\$	\$
Loss on ordinary activities		(24,572,721)	(46,352,169)
Movement in general insurance unearned premiums and outstanding claims		465,086,063	278,320,958
Movement in reinsurers' share of unearned premiums and outstanding claims		(539,834,308)	(42,797,531)
Investment return		58,438,846	9,009,717
Movements in other assets/liabilities		226,592,534	(122,810,642)
Currency exchange differences		8,726,448	331,717
Net cash inflow/(outflow) from operating activities		<u>194,436,862</u>	<u>75,702,050</u>
Investing activities			
Investment income received		22,646,279	9,658,645
Purchase of debt and equity instruments		(1,886,089,205)	(766,327,384)
Sales of debt and equity instruments		1,669,283,478	665,520,689
Net cash outflow from investing activities		<u>(194,159,448)</u>	<u>(91,148,050)</u>
Financing activities			
Payment of profit to member's personal reserve funds		38,495,791	(3,891,418)
Net cash (outflow)/inflow from financing activities		<u>38,495,791</u>	<u>(3,891,418)</u>
Net decrease in cash and cash equivalents		38,773,205	(19,337,418)
Foreign exchange on cash and cash equivalents		(5,994,219)	(331,717)
Cash and cash equivalents at 1 January		48,902,503	68,571,638
Cash and cash equivalents at 31 December	14	<u><u>81,681,489</u></u>	<u><u>48,902,503</u></u>

Notes to the financial statements

For the year ended 31 December 2022

1. Accounting policies

1.1 Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards and the Companies Act 2006. The financial statements have been prepared in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

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

1.2 Basis of preparation

The financial statements for the year ended 31 December 2022 were approved for issue by the board of directors on 24 February 2023.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

The directors of the managing agent have prepared the annual accounts on the basis that the Syndicate will continue to write future business. The ability of the Syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. Funds at Lloyd's are explained further in note 17.

1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The Syndicate's key sources of estimation uncertainty, discussed below, are claims provisions and related recoveries and ultimate premiums.

Notes to the financial statements

For the year ended 31 December 2022

1.4 Significant accounting policies

Financial investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 (as adopted under International Accounting Standards in conformity with the requirements of the Companies Act 2006) - *Financial Instruments* to account for all of its financial instruments.

The Syndicate classifies its financial investments as financial assets at fair value through profit or loss. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as fair value through profit or loss as the Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e., the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

Financial assets at fair value through profit or loss has a sub category namely those designated at fair value through profit or loss at initial recognition. For these investments, the following criteria must be met:

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

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

Deposits with ceding undertakings

Deposits with ceded undertakings are primarily premium deposits retained and loss deposits provided on assumed business. Deposits with ceded undertakings are measured at cost less allowance for impairment as appropriate.

Cash and cash equivalents

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

Fair value of financial assets

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

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

Notes to the financial statements

For the year ended 31 December 2022

See note 11 for details of financial instruments classified by fair value hierarchy.

Offsetting of financial instruments

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

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

Financial liabilities

The Syndicate's financial liabilities include trade and other payables and insurance payables. All financial liabilities are recognised initially at fair value. Subsequent to initial recognition, these are re-measured at fair value at each reporting date.

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.

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

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

Insurance contracts - Product classification

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

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

Gross Premiums

Gross premiums written relate to business incepted during the year, together with any differences between booked premiums for prior years and those previously accrued, and include estimates of premiums due but not yet receivable or notified to the company.

Premiums for excess of loss business are fully recognised at inception. Premiums for proportional and delegated underwriting business are recognised based on the application of a writing pattern to initial estimates of ultimate premiums. In relation to estimation of ultimate premiums, the premium written is initially based on the estimated premium income ('EPI') of each contract. EPI estimates are regularly monitored and reviewed for appropriateness by underwriters and judgements are made to the estimates where it is deemed appropriate. Over time, premiums are adjusted to match the actual reported risk premium. Subsequent differences arising on estimates of ultimate premiums are recorded in the period in which they are determined. Premiums are shown gross of commissions, brokerage and taxes / duties levied on them.

Notes to the financial statements

For the year ended 31 December 2022

Due to the nature of the Lloyd's business and settlement patterns for the underlying business it is also not uncommon for some contracts to take a number of years to finalise and settle, and such remain a receivable on the balance sheet. The amount of estimated future premium that remains in insurance receivables relating to years of account that are more than three years developed is not material.

Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon paid losses and case reserves.

Reinsurance premiums

Outwards reinsurance premiums comprise ceded premiums on contracts in force during the financial year.

The provision for ceded unearned premiums represents the portion of ceded premiums written that relate to unexpired terms of policies in force at the balance sheet date. For quota-share contracts, outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Profit commission

Profit commission is charged by the managing agent at a rate of 5% of the profit on a year of account basis for 2021 and prior underwriting years. This is charged to the Syndicate as it is incurred but does not become payable until after the appropriate year closes, normally at 36 months.

Claims provisions and related recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including claims handling costs and adjustments to claims outstanding from previous years.

The provision for claims and claim expenses includes estimates for unpaid claims and claim expenses on reported losses as well as an estimate of losses incurred but not reported ("IBNR"). The provision is based on individual claims, case reserves and other reserve estimates reported by insureds and ceding companies as well as management estimates of ultimate losses. Inherent in the estimates of ultimate losses are expected trends in claims severity and frequency and other factors which could significantly vary as claims are settled.

The directors of RSML consider that the provision for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate losses may vary materially from the amounts provided in the financial statements. Ultimate loss estimates are reviewed regularly and, as experience develops and new information becomes known, the reserves are adjusted as necessary. Such adjustments, if any, are reflected in the financial statements in the period in which they become known and are accounted for as changes in estimates.

When reserving for attritional losses on our property, casualty and specialty reinsurance and insurance lines of business the Syndicate considers several actuarial techniques such as the expected loss ratio method and the Bornhuetter-Ferguson actuarial method. For classes of business and underwriting years where the Syndicate has limited historical claims experience, attritional losses are generally initially determined based on the expected loss ratio method. Unless the Syndicate has credible claims experience or unfavorable development, it generally selects an ultimate loss based on its initial view of the loss. The selected ultimate losses are determined by multiplying the initial expected loss ratio by the earned premium.

The determination of when reported losses are sufficient and credible to warrant selection of an ultimate loss ratio different from the initial expected loss ratios also require judgement. The Syndicate generally makes adjustment for reported loss experience indicating unfavourable variances from initial expected loss ratios sooner than reported loss experience indicating favourable variances. This is because the reporting of losses in excess of expectations tend to have greater credibility than an absence or lower than expected level of reported losses. Over time, as a

Notes to the financial statements

For the year ended 31 December 2022

greater number of claims are reported and the credibility of reported losses improves, actuarial estimates of IBNR are typically based on the Bornhuetter-Ferguson actuarial method.

The Bornhuetter-Ferguson actuarial method allows for greater weight to be applied to expected results in periods where little or no actual experience is available, and, hence, is less susceptible to the potential pitfall of being excessively swayed by one year or one quarter of actual paid and/or reported loss data. This method uses initial expected loss ratio expectations to the extent that losses are not paid or reported, and it assumes that past experience is not fully representative of the future. As the Syndicate's reserves for claims and claim expenses develop, and actual claims experience becomes available, this method places less weight on expected experience and places more weight on actual experience. This experience, which represents the difference between expected reported claims and actual reported claims is reflected as a change in estimate. The Syndicate re-evaluates its actuarial reserving techniques on a periodic basis.

The utilisation of the Bornhuetter-Ferguson actuarial method requires the Syndicate to estimate an expected ultimate claims and claim expense ratio and select an expected loss reporting pattern. The Syndicate selects its estimates of the expected ultimate claims and claim expense ratios and expected loss reporting patterns by reviewing industry results for similar business and adjusting for the terms of the coverages it offers. The estimated expected claims and claim expense ratio at a given point in time may differ to what would be expected based on the selected loss reporting pattern due to reported losses. The estimate of IBNR is the product of the premium we have earned, the initial expected ultimate claims and claim expense ratio and the percentage of estimated unreported losses.

Reserving for most of the Syndicate's property catastrophe insurance and reinsurance business does not involve the use of traditional actuarial techniques. Rather, claims and claim expense reserves are estimated by management after a catastrophe occurs by completing an in-depth analysis of the individual contracts which may potentially be impacted by the catastrophe event.

Amounts recoverable from reinsurers are estimated in a manner consistent with the claim liability associated with the reinsured policies. These amounts recoverable from reinsurers are recorded net of a bad debt provision for estimated uncollectable recoveries, if applicable.

The Syndicate establishes a provision for unallocated loss adjustment expenses ("ULAE") when the related reserve for claims and claim expenses is established. ULAE are expenses that cannot be associated with a specific claim but are related to claims paid or in the process of settlement, such as internal costs of the claims function, and are included in the reserve for claims and claim expenses. The determination of the ULAE provision is subject to judgment.

Provision for unearned premiums

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

Unearned reinsurance premiums are deferred over the term of the underlying direct insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Reinstatement premiums are earned when written.

Unexpired risks provision

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

Notes to the financial statements

For the year ended 31 December 2022

risks is calculated by reference to years of account. As at 31 December 2022 and 31 December 2021, the Syndicate did not have an unexpired risks provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts.

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

Deferred acquisition costs and reinsurers' share of deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurance assets

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

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

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

Insurance receivables

Insurance receivables are recognised and measured on initial recognition of gross premiums written less acquisition costs and losses payable.

The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. There were no such impairments recognised in 2022 or 2021.

Insurance payables

Insurance payables are recognised and measured on initial recognition of outwards reinsurance premiums written net of reinsurance commissions and profit participation and losses receivable.

Foreign currencies

The Syndicate's functional and presentational currency is US dollars.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the relevant transactional rates of exchange in effect on the date in which the related transaction occurred. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the rate of exchange at the reporting date. Non-monetary assets and liabilities in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not

Notes to the financial statements

For the year ended 31 December 2022

subsequently retranslated. Exchange differences arising from the retranslation to functional currency are recorded in the non-technical account.

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the statement of financial position under the heading 'other debtors'.

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

Pension costs

RSML operates a defined contribution pension scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Collateral

The Syndicate receives and pledges collateral in the form of cash or non-cash assets in respect of reinsurance arrangements in order to reduce the credit risk of these transactions. The amount and type of collateral required where the Syndicate receives collateral depends on an assessment of the credit risk of the counterparty.

All collateral received and held in trust by third parties is not recognised in the statement of consolidated financial position, unless the counterparty defaults on its obligations under the relevant agreement.

All collateral pledged by the Syndicate is retained in the statement of financial position, unless the Syndicate defaults on its obligations under the relevant agreement.

Retroactive reinsurance contracts

FRS 103 does not provide guidance on how to account for retroactive reinsurance contracts and an accounting policy choice therefore exists between balance sheet and reinsurance accounting, subject to the stated policy being consistently applied. The Syndicate's policy in respect of retroactive reinsurance is that: i) gains and losses arising are recognised in the income statement immediately at the date of purchase; and ii) premiums ceded and claims reimbursed are presented on a gross basis. This policy has been applied in respect of the Adverse Development Cover protecting the Casualty classes on the Syndicate for the 2017 and prior underwriting years which came into effect on 1 January 2020.

Notes to the financial statements

For the year ended 31 December 2022

2. Segmental analysis

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

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	\$	\$	\$	\$	\$	\$
2022						
<i>Direct insurance</i>						
Fire and other damage to property	508,874,017	498,868,677	(572,081,616)	(139,733,883)	193,635,923	(19,310,899)
Third party liability	396,689,192	343,202,866	(226,440,109)	(118,918,142)	(1,348,296)	(3,503,681)
Marine, Aviation and Transport	25,309,765	19,437,198	(9,633,827)	(6,153,754)	(2,193,818)	1,455,799
Miscellaneous	18,371,516	11,705,674	(4,010,090)	(2,762,107)	(2,700,555)	2,232,922
	949,244,490	873,214,415	(812,165,642)	(267,567,886)	187,393,254	(19,125,859)
<i>Reinsurance</i>	244,996,865	256,191,264	(192,514,409)	(56,913,598)	38,689,126	45,452,383
	<u>1,194,241,355</u>	<u>1,129,405,679</u>	<u>(1,004,680,051)</u>	<u>(324,481,484)</u>	<u>226,082,380</u>	<u>26,326,524</u>

	Gross premiums written	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	\$	\$	\$	\$	\$	\$
2021						
<i>Direct insurance</i>						
Fire and other damage to property	514,500,973	416,469,794	(227,383,452)	(129,319,642)	(92,482,965)	(32,716,265)
Third party liability	306,944,968	276,645,932	(200,422,371)	(91,635,763)	14,647,280	(764,922)
Marine, Aviation and Transport	19,755,850	8,771,964	(6,312,117)	(2,242,562)	579,294	796,579
Miscellaneous	7,346,589	11,020,341	(8,243,873)	(2,375,879)	(1,638,358)	(1,237,769)
	848,548,380	712,908,031	(442,361,813)	(225,573,846)	(78,894,749)	(33,922,377)
<i>Reinsurance</i>	284,640,997	299,803,153	(199,175,703)	(62,136,111)	(43,429,655)	(4,938,316)
	<u>1,133,189,377</u>	<u>1,012,711,184</u>	<u>(641,537,516)</u>	<u>(287,709,957)</u>	<u>(122,324,404)</u>	<u>(38,860,693)</u>

Commissions on direct insurance gross premiums earned during 2022 were \$189.0m (2021 - \$171.3m).

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions including items recorded as reinsurance commissions and profit participation. The reinsurance balance includes reinsurance commission receivable.

All premiums were concluded in the UK.

The geographical analysis of premiums by destination (or by situs of the risk) is as follows:

	2022 \$	2021 \$
UK	18,902,824	11,021,160
EU countries	36,296,841	17,733,680
US and Canada	1,072,875,115	1,048,853,607
Other	66,166,575	55,580,930
	<u>1,194,241,355</u>	<u>1,133,189,377</u>

Notes to the financial statements

For the year ended 31 December 2022

3. Claims outstanding

	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
	\$	\$	\$
At 1 January 2022	1,915,469,011	(995,571,133)	919,897,878
Claims incurred during the year	1,004,680,051	(677,340,513)	327,339,538
Claims paid during the year	(580,066,747)	318,384,697	(261,682,050)
Foreign exchange	(20,356,954)	1,014,623	(19,342,331)
At 31 December 2022	<u>2,319,725,361</u>	<u>(1,353,512,326)</u>	<u>966,213,035</u>

	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
	\$	\$	\$
At 1 January 2021	1,754,687,976	(903,014,794)	851,673,182
Claims incurred during the year	641,537,516	(214,211,650)	427,325,866
Claims paid during the year	(477,025,652)	122,135,158	(354,890,494)
Foreign exchange	(3,730,829)	(479,847)	(4,210,676)
At 31 December 2021	<u>1,915,469,011</u>	<u>(995,571,133)</u>	<u>919,897,878</u>

Change in claims incurred during the year includes positive development on prior accident years of \$63.2m (2021 - \$6.1m). The positive development on prior accident years is primarily from releases on 2017-2020 Weather Related Large Loss Events in Property classes, as well as recognition of favorable attritional experience in certain Property and Casualty classes.

4. Provision for unearned premiums

	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
	\$	\$	\$
At 1 January 2022	578,011,024	(106,942,944)	471,068,080
Premiums written in the year	1,194,241,355	(770,890,980)	423,350,375
Premiums earned in the year	(1,129,405,679)	588,848,942	(540,556,737)
Foreign exchange	(4,186,488)	148,922	(4,037,566)
At 31 December 2022	<u>638,660,212</u>	<u>(288,836,060)</u>	<u>349,824,152</u>

	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
	\$	\$	\$
At 1 January 2021	460,486,284	(156,701,753)	303,784,531
Premiums written in the year	1,133,189,377	(341,291,141)	791,898,236
Premiums earned in the year	(1,012,711,184)	390,623,260	(622,087,924)
Foreign exchange	(2,953,453)	426,690	(2,526,763)
At 31 December 2021	<u>578,011,024</u>	<u>(106,942,944)</u>	<u>471,068,080</u>

Notes to the financial statements

For the year ended 31 December 2022

5. Deferred acquisition costs

	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
	\$	\$	\$
At 1 January 2022	142,469,559	(26,822,544)	115,647,015
Change in deferred acquisition costs	18,027,790	(64,795,210)	(46,767,420)
Foreign exchange	(1,627,321)	51,709	(1,575,612)
At 31 December 2022	<u>158,870,028</u>	<u>(91,566,045)</u>	<u>67,303,983</u>

	<i>Gross</i>	<i>Reinsurers' share</i>	<i>Net</i>
	\$	\$	\$
At 1 January 2021	110,282,449	(37,781,198)	72,501,251
Change in deferred acquisition costs	32,913,989	10,829,124	43,743,113
Foreign exchange	(726,879)	129,530	(597,349)
At 31 December 2021	<u>142,469,559</u>	<u>(26,822,544)</u>	<u>115,647,015</u>

Reinsurers' share of deferred acquisition costs are separately included in accruals and deferred income on the statement of financial position.

6. Net operating expenses

	<i>Technical account - General business</i>	
	2022	2021
	\$	\$
Acquisition costs	279,702,882	260,709,017
Change in deferred acquisition costs	(18,027,790)	(32,913,989)
Administrative expenses	62,806,392	59,907,073
Reinsurance commissions and profit participation	(137,590,808)	(54,079,350)
	<u>186,890,676</u>	<u>233,622,751</u>

Reinsurers' share of change in deferred acquisition costs are separately included in reinsurance commissions and profit participation.

Member's standard personal expenses amounting to \$17.7m (2021 - \$18.3m) are included in administrative expenses. Member's standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent fees and profit commission.

Notes to the financial statements

For the year ended 31 December 2022

7. Staff costs

The following amounts were recharged to the Syndicate in respect of salary costs:

	2022	2021 Restated
	\$	\$
Salaries and related costs	21,582,408	20,582,136
Health and social security costs	1,970,743	2,171,224
Other pension costs	794,993	910,102
	<u>24,348,144</u>	<u>23,663,462</u>

Staff cost is included as part of the administrative expenses in note 6 to the financial statements. During 2022 the group allocation methodology was refined to allow for greater expense analysis of allocated group expenses to the Syndicate. Within administrative expenses, this resulted in a reallocation from 'other expenses' to specific expense line items, including staff costs. The 2021 comparative has been restated to align with the refined allocation methodology. The 2021 restated amounts are an increase of \$8.2m to salary and related costs, \$0.5m to health and social security costs and \$0.2m to other pension costs compared to previous presentation. The restatement did not change the 2021 financial results; the overall impact is a reclass of expense items within administrative expenses.

The average monthly number of employees of RenaissanceRe Services (UK) Limited that worked for the Syndicate during the year were as follows:

	2022	2021
Administration and finance	78	72
Underwriting	43	41
Claims	14	14
	<u>135</u>	<u>127</u>

8. Auditor's remuneration

	2022	2021
	\$	\$
Audit of the Syndicate annual accounts	292,911	330,168
Other services pursuant to Regulations and Lloyd's Byelaws	170,865	169,788
Other assurance fees	24,409	35,768
	<u>488,185</u>	<u>535,724</u>

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

Notes to the financial statements

For the year ended 31 December 2022

9. Emoluments of the directors of RSML and active underwriter role

4 directors (2021 - 4) of RSML received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2022	2021
	\$	\$
Aggregate remuneration in respect of qualifying services	990,205	1,262,943

The following aggregate remuneration pertaining to the active underwriter role was charged to the Syndicate and is included within net operating expenses:

	2022	2021
	\$	\$
Emoluments	369,042	494,589

10. Investment return

	2022	2021
	\$	\$
Income from other financial investments	23,397,799	10,392,807
Gains on the realisation of investments	1,696,304	5,373,145
Investment Income	25,094,103	15,765,952
Losses on the realisation of investments	(48,925,725)	(3,736,806)
Unrealised gains on investments	8,857,380	545,040
Net unrealised losses on investments	(42,713,082)	(25,330,335)
Investment expenses and charges	(751,519)	(734,162)
	(58,438,843)	(13,490,311)

Notes to the financial statements

For the year ended 31 December 2022

Average amount of funds available for investment:	2022	2021
	\$	\$
Sterling	21,981,678	15,897,969
US dollars	935,960,101	864,269,830
Canadian dollars	71,810,792	89,121,970
Euro	4,656,701	3,166,519
Combined in US dollars	<u>1,034,409,272</u>	<u>972,456,288</u>

Gross calendar year investment yield:		
Sterling	2.7 %	0.9 %
US dollars	3.6 %	0.8 %
Canadian dollars	4.2 %	0.5 %
Euro	— %	— %
Combined	3.6 %	0.7 %

"Average amount of funds" is the average of bank balances, overseas deposits and investments held at the end of each quarter during the calendar year. For this purpose, investments are revalued at quarter-end market prices, which include accrued income where appropriate.

11. Financial Investments

	2022		
	Carrying value	Purchase price	Listed
	\$	\$	\$
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	77,350,321	79,232,408	67,655,735
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	993,227,955	1,031,697,122	666,904,613
	<u>1,070,578,276</u>	<u>1,110,929,530</u>	<u>734,560,348</u>
	2021		
	Carrying value	Purchase price	Listed
	\$	\$	\$
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	50,345,147	51,737,235	38,772,283
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	858,361,304	862,292,318	573,974,113
	<u>908,706,451</u>	<u>914,029,553</u>	<u>612,746,396</u>

Included within debt securities and other fixed income securities is collateral pledged on assumed business of \$33.1m (2021 - \$37.2m).

Notes to the financial statements

For the year ended 31 December 2022

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

	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	\$	\$	\$	\$
<i>31 December 2022</i>				
Shares and other variable yield securities and units in unit trusts	67,655,735	—	9,694,586	77,350,321
Debt securities and other fixed income securities	666,904,612	326,323,342	—	993,227,954
Overseas deposits	6,574,107	41,951,304	—	48,525,411
	<u>741,134,454</u>	<u>368,274,646</u>	<u>9,694,586</u>	<u>1,119,103,686</u>
<i>31 December 2021</i>				
Shares and other variable yield securities and units in unit trusts	38,772,283	—	11,572,864	50,345,147
Debt securities and other fixed income securities	573,974,113	284,387,191	—	858,361,304
Overseas deposits	6,227,724	36,686,838	—	42,914,562
	<u>618,974,120</u>	<u>321,074,029</u>	<u>11,572,864</u>	<u>951,621,013</u>

Level 3 investments comprise the syndicate loans provided to the Lloyd's Central Fund in respect of the 2020 and 2021 underwriting years. These investments are not tradeable and are valued using discounted cash flow models at fair value based on management's analysis of \$9.7m as at 31 December 2022 (2021: \$11.6m). Management's analysis considered the Lloyd's valuation and assessed the likelihood of a full repayment of these loans. Based on this assessment, as at 31 December 2022 the syndicate loans are impaired by \$1.9m (2021: \$1.4m). The syndicate loans have been classified as Level 3 investments as the valuation approach includes significant unobservable inputs.

12. Debtors arising out of reinsurance operations

	<i>2022</i>	<i>2021</i>
	\$	\$
Due from ceding insurers and intermediaries under reinsurance business	479,494,223	445,226,382
Due from reinsurers and intermediaries under reinsurance contracts ceded	43,046,114	20,364,203
	<u>522,540,337</u>	<u>465,590,585</u>

13. Other assets

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

Notes to the financial statements

For the year ended 31 December 2022

14. Cash and cash equivalents

	2022	2021
	\$	\$
Cash at bank and in hand	6,168,213	5,711,693
Short term deposits with financial institutions	67,655,735	38,772,285
Overseas deposits as other assets	7,857,541	4,418,525
	<u>81,681,489</u>	<u>48,902,503</u>

Short term deposits with financial institutions are included within financial investments as shares and other variable yield securities and units in unit trusts. Overseas deposits as other assets are included within Other assets. These are classified as cash and cash equivalents as they are readily convertible or have a maturity of less than 3 months.

15. Amounts owed to credit institutions and Other creditors

	2022	2021
	\$	\$
Amounts owed to credit institutions	<u>37,000,018</u>	<u>—</u>

Amounts owed to credit institutions are amounts owed to the group's cash pooling arrangement. The Syndicate is a participant of a cash pooling arrangement with certain subsidiaries of the group to facilitate liquidity management. Cash pooling is a centralized cash management strategy to concentrate and centralize cash balances across accounts of a group's subsidiaries. Excess cash balances in the pool can be used to meet short term liquidity needs across participants. The Syndicate is a beneficiary to the cash pooling arrangement but not a contributor.

	2022	2021
	\$	\$
Other creditors		
Amounts due within one year		
Amounts due to related parties	17,503,121	8,869,707
Unsettled investment trades	31,501,984	12,040,569
Other payables	—	779,611
	<u>49,005,105</u>	<u>21,689,887</u>
Amounts due after one year		
Amounts due to related parties	613,676	2,710,939
	<u>49,618,781</u>	<u>24,400,826</u>

Notes to the financial statements

For the year ended 31 December 2022

16. Related parties

Fontana Reinsurance Ltd.

Fontana Reinsurance Ltd. ("Fontana") is a managed joint venture and consolidated within the group financial statements of RenaissanceRe Holdings Ltd, the ultimate parent company.

The Syndicate entered into a new quota share agreement with Fontana for Casualty and Specialty lines of business for the 2022 underwriting year. The Syndicate ceded net premiums written of \$32.9m during the year and has an intercompany creditor balance of \$18.3m within creditors arising out of reinsurance operations at the year end.

Fontana Reinsurance U.S. Ltd.

Fontana Reinsurance U.S. Ltd. ("Fontana US") is a managed joint venture and consolidated within the group financial statements of RenaissanceRe Holdings Ltd, the ultimate parent company.

The Syndicate entered into a new quota share agreement with Fontana US for Casualty and Specialty lines of business for the 2022 underwriting year. The Syndicate ceded net premiums written of \$7.0m during the year and has an intercompany creditor balance of \$2.2m within creditors arising out of reinsurance operations at the year end.

RenaissanceRe Corporate Capital (UK) Limited

RenaissanceRe Corporate Capital (UK) Limited ("RCC") is a wholly owned subsidiary of Renaissance Reinsurance Ltd, which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

In the prior year, the Syndicate was charged \$0.2m by RCC for its share of operating expenses incurred.

RenaissanceRe IP UK Limited

RenaissanceRe IP UK Limited ("RIPUK") is a wholly owned subsidiary of RenaissanceRe IP Holdings Ltd, which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

During the year, the Syndicate was charged \$4.0m (2021 - \$3.3m) by RIPUK for its share of global expenses incurred centrally by the group and has an intercompany creditor balance of \$0.6m within other creditors (2021 - \$0.7m) at the year end.

RenaissanceRe Europe AG

RenaissanceRe Europe AG ("RREAG") is a wholly owned subsidiary of RenaissanceRe Specialty Holdings (UK) Limited, which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

The Syndicate has entered into Whole Account Stop Loss arrangements with RREAG for the 2020 to 2022 underwriting years. The Syndicate recorded outward reinsurance premiums of \$15.3m (2021 - \$25.2m) during the year and has an intercompany debtor balance of \$3.1m within debtors arising out of reinsurance operations (2021 - \$4.4m) at the year end.

The Syndicate has entered into Whole Account Quota Share arrangements with RREAG for the 2020 underwriting year. The Syndicate ceded net premiums written of \$0.3m (2021 - \$18.4m) during the year and has an intercompany creditor balance of \$79.4m within creditors arising out of reinsurance operations (2021 - \$79.2m) at the year end.

The Syndicate has entered into a quota share arrangement with RREAG in relation to certain property contracts for prior underwriting years. The Syndicate ceded net premiums written of \$2.4m (2021 - 16.0m) during the year and

Notes to the financial statements

For the year ended 31 December 2022

has an intercompany creditor balance of \$6.2m within debtors arising out of reinsurance operations (2021 - 3.9m creditor balance) at the year end.

The Syndicate entered into a new Multi-line Quota Share arrangement with RREAG for the 2022 underwriting year. The Syndicate ceded net premiums written of \$371.1m during the year and has an intercompany creditor balance of \$233.6m within creditors arising out of reinsurance operations at the year end.

The Syndicate has an intercompany creditor balance due to RREAG of \$0.6m within other creditors (2021 - other debtors balance \$2.8m) at the year end.

Renaissance Reinsurance Ltd

Renaissance Reinsurance Ltd ("RRL") is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

The Syndicate has intercompany balances from RRL relating to group quota share reinsurance contracts whereby settlements to counterparties are transacted by RRL on behalf of the group and subsequently settled internally. In the prior year, the Syndicate had an intercompany debtor balance of \$3.4m within other debtors at the year end.

The Syndicate has entered into Whole Account Stop Loss arrangements with RRL for the 2017 to 2019 underwriting years. In the prior year, the Syndicate recorded outward reinsurance premiums of \$0.2m and had an intercompany debtor balance of \$1.3m within debtors arising out of reinsurance operations at the year end.

The Syndicate has entered into a quota share arrangement with RRL to cover specific contracts on a facultative basis. The Syndicate recorded outward reinsurance premiums of \$0.4m (2021 - \$7.5k) during the year and has an intercompany creditor balance of \$1.9m within creditors arising out of reinsurance operations (2021 - \$1.9m).

The Syndicate has entered into Whole Account Quota Share arrangements with RRL for the 2019 underwriting year. In the prior year, the Syndicate had an intercompany creditor balance of \$78.9m within creditors arising out of reinsurance operations at the year end which was settled during 2022.

RenaissanceRe Services Ltd

RenaissanceRe Services Ltd ("RSL") is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

During the year, the Syndicate was charged \$18.0m (2021 - \$11.3m) by RSL for its share of global expenses incurred centrally by the group at cost. The Syndicate has an intercompany creditor balance to RSL of \$5.8m within other creditors (2021 - \$3.9m) at the year end.

RenaissanceRe Services (UK) Limited

RenaissanceRe Services (UK) Limited ("RSUKL") is a wholly owned subsidiary of RenaissanceRe European Holdings Limited, which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

RSUKL is a UK service company, operating on behalf of the Syndicate, via a service level agreement with RSML. During the year, the Syndicate was charged \$16.1m (2021 - \$20.9m) by RSUKL for its share of operating expenses incurred. The Syndicate has an overall intercompany creditor balance to RSUKL of \$3.8m within other creditors (2021 - \$2.7m) at the year end.

RenaissanceRe Syndicate Management Limited

RSML is a wholly owned subsidiary of RenaissanceRe European Holdings Limited, which is a wholly owned subsidiary of RenaissanceRe Holdings Ltd, the ultimate parent company.

Notes to the financial statements

For the year ended 31 December 2022

Under the terms of the managing agency agreement between RSML and the Syndicate, RSML is entitled to charge the Syndicate a management fee based on the Syndicate capacity and a flat management fee. In 2022, RSML charged management fees of \$5.9m to the Syndicate (2021 - \$6.4m).

During the year, the Syndicate was charged \$3.6m (2021 - charge of \$2.7m) by RSML in respect of profit commission for the 2020 underwriting year. Profit commission is not settled until the year of account closes, normally at 36 months.

The Syndicate has an overall intercompany creditor balance to RSML of \$7.3m within other creditors (2021 - \$4.3m) at the year end.

Tower Hill Companies

Tower Hill Companies is an equity interest of RenaissanceRe Holdings Ltd, the ultimate parent company.

During the year the Syndicate entered into reinsurance arrangements with certain subsidiaries and affiliates of Tower Hill with respect to business produced by the Tower Hill Companies. The Syndicate recorded gross premiums written net of acquisition costs of \$9.3m (2021 - \$14.8m) during the year and has an intercompany debtor balance of \$3.2m within debtors arising out of reinsurance operations (2021 - \$6.5m) at the year end.

Upsilon RFO Re Ltd

Upsilon RFO Re Ltd ("Upsilon") is a managed joint venture and consolidated within the group financial statements of RenaissanceRe Holdings Ltd, the ultimate parent company.

The Syndicate has an intercompany creditor balance of \$1.4m within creditors arising out of reinsurance operations (2021 - \$5.8m intercompany debtor balance within debtors arising out of reinsurance operations) at the year end.

17. Funds at Lloyd's

Underwriting capacity of a member of Lloyd's must be supported by providing a deposit in the form of cash, securities or letters of credit, which are referred to as Funds at Lloyd's ("FAL"). This amount is determined by Lloyd's and is based on the Syndicate's solvency and capital requirement as calculated through the Syndicate's internal model. In addition, if the FAL are not sufficient to cover all losses, the Lloyd's Central Fund provides an additional level of security for policyholders. Since FAL is not under the management of the managing agent, no amounts have been shown in these annual accounts by way of such capital resource. However, the managing agent is able to make a call on member's FAL to meet liquidity requirements or settle losses.

18. Off-balance sheet items

The Syndicate has not been party to any other arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate, other than FAL (note 17) and Collateral (notes 1 and 19 (d)(1)).

Notes to the financial statements

For the year ended 31 December 2022

19. Risk management

(a) Governance framework

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

The managing agent has established a risk management function with clear terms of reference from the board of directors. This is supported by a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a risk policy framework which sets out the risk appetite, risk management processes and control framework for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

The board of directors delegates approval of the risk management policies to the relevant committee regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure there is a constant understanding of risk which assists the alignment of the underwriting and reinsurance strategy to the Syndicate goals, and they also specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'.

(b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 1458 is not disclosed in these annual accounts.

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as

Notes to the financial statements

For the year ended 31 December 2022

the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied is 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), held within and managed within a Syndicate (Funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates.

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

(c) Insurance risk

Underwriting risk is the risk that is assumed into or ceded from the Syndicate as a result of its underwriting activities during the time period of interest, in particular the risk of incurring claims in excess of expectations and the associated reduction in profits and/or erosion of capital. Risk related to previously earned premium, including that on expired underwriting contracts, is considered as part of reserve risk. Underwriting and reserve risks are the most material components of RSML's risk management framework. RSML has articulated the underwriting risk tolerance of the Syndicate as well as associated processes and policies in the Insurance Risk Policy. Further, annually the Syndicate articulates its business plan, setting out targets for volumes, pricing, line sizes and retentions by class of business. Performance against the business plan is monitored on an ongoing basis.

The Syndicate's claims and claim expense reserves reflect its estimates, using actuarial and statistical projections at a given point in time, of the expectations of the ultimate settlement and administration costs of claims incurred. Although the Syndicate uses actuarial and computer models as well as historical reinsurance and insurance industry loss statistics, it also relies heavily on management's experience and judgement to assist in the establishment of appropriate claims and claim expense reserves. Estimates are revised as additional experience and other data become available, as new or improved methodologies are developed, as loss trends and claims inflation impact future payment, or as rules and regulations change.

Reserve risk is the risk that claims and claim expense reserves subsequently prove to be insufficient to cover eventual claims. Deterioration in reserves can originate from frequency of claims being more than expected, severity of claims being higher than expected and difference between timing of claims payments versus expected. Reserve risk relates to all business earned at the valuation date. Risk relating to claims on unearned and future business is considered as part of underwriting risk. Reserve adequacy is monitored through quarterly review of reserves by the RSML Actuarial Function as well as through an annual assessment performed by the Syndicate's Independent Actuary.

The above risk exposures are mitigated by diversification across a large portfolio of insurance and reinsurance contracts and geographical areas. The variability of risks, including exposure to catastrophic events, is also mitigated by the use of reinsurance arrangements.

Notes to the financial statements

For the year ended 31 December 2022

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows top five claims arising for various realistic disaster scenarios based on the Syndicate's risk exposures during 2022.

<i>Realistic disaster scenarios</i>	<i>Industry loss</i>	<i>Estimated gross claims</i>	<i>Estimated net claims</i>
	<i>\$m</i>	<i>\$m</i>	<i>\$m</i>
Florida Windstorm - Pinellas	134,000	869.6	170.8
Florida Windstorm - Miami-Dade	131,000	1,122.9	184.6
Gulf of Mexico Windstorm - Galveston, Texas	118,100	577.2	113.9
California Earthquake - San Francisco	80,000	937.0	58.6
California Earthquake - Los Angeles	78,000	875.7	40.9

The geographical analysis of claims outstanding by destination (or by situs of risk) is noted below.

	<i>31 December 2022</i>			<i>31 December 2021</i>		
	<i>Gross liabilities</i>	<i>Reinsurance of liabilities</i>	<i>Net liabilities</i>	<i>Gross liabilities</i>	<i>Reinsurance of liabilities</i>	<i>Net liabilities</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
United Kingdom	32,224,032	18,802,088	13,421,944	21,204,524	11,021,136	10,183,388
EU	36,705,068	21,416,684	15,288,384	21,717,774	11,287,900	10,429,874
US and Canada	2,085,336,351	1,216,752,683	868,583,668	1,689,115,435	877,924,515	811,190,920
Other	165,459,910	96,540,871	68,919,039	183,431,278	95,337,582	88,093,696
Total	2,319,725,361	1,353,512,326	966,213,035	1,915,469,011	995,571,133	919,897,878

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

	<i>31 December 2022</i>			<i>31 December 2021</i>		
	<i>Gross liabilities</i>	<i>Reinsurance of liabilities</i>	<i>Net liabilities</i>	<i>Gross liabilities</i>	<i>Reinsurance of liabilities</i>	<i>Net liabilities</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
Direct insurance						
Fire and other damage to property	702,011,934	517,608,308	184,403,626	309,823,957	156,084,289	153,739,668
Third party liability	735,712,410	406,763,968	328,948,442	659,561,617	357,281,509	302,280,108
Marine, Aviation and Transport	19,675,669	7,397,788	12,277,881	12,230,405	5,097,683	7,132,722
Miscellaneous	25,545,039	14,255,460	11,289,579	30,872,276	15,923,193	14,949,083
	1,482,945,052	946,025,524	536,919,528	1,012,488,255	534,386,674	478,101,581
Reinsurance	836,780,309	407,486,802	429,293,507	902,980,756	461,184,459	441,796,297
Total	2,319,725,361	1,353,512,326	966,213,035	1,915,469,011	995,571,133	919,897,878

Results have been allocated to segments based on Lloyd's classes of business which are closely monitored internally.

Notes to the financial statements

For the year ended 31 December 2022

Sensitivities

Catastrophe reinsurance claim liabilities sensitivity analysis

The tables below show the impact on the Syndicate's ultimate claims and claim expenses, profit and member's balances of reasonably likely changes to its estimates of ultimate losses for claims and claim expenses incurred from catastrophic events associated with reinsurance business. The reasonably likely changes are based on a historical analysis of the period-to-period variability of its gross ultimate costs to settle claims from catastrophic events, giving due consideration to changes in its reserving practices over time. The impact on profit and members' balances are disclosed before outward reinsurance.

31 December 2022

	<i>\$ Gross ultimate claims incurred</i>	<i>\$ Impact on gross ultimate claims incurred</i>	<i>% Impact on gross claims outstanding</i>	<i>% Impact on profit</i>	<i>% Impact on member's balances</i>
Higher	1,771,206,207	30,959,636	1.3 %	(126.0)%	(27.6)%
Recorded	1,740,246,571	—	— %	— %	— %
Lower	1,719,261,492	(20,985,079)	(0.9)%	85.4 %	18.7 %

31 December 2021

	<i>\$ Gross ultimate claims incurred</i>	<i>\$ Impact on gross ultimate claims incurred</i>	<i>% Impact on gross claims outstanding</i>	<i>% Impact on profit</i>	<i>% Impact on member's balances</i>
Higher	1,254,843,221	24,455,778	1.3 %	(52.8)%	(19.4)%
Recorded	1,230,387,443	—	— %	— %	— %
Lower	1,212,936,239	(17,451,204)	(0.9)%	37.6 %	13.9 %

Notes to the financial statements

For the year ended 31 December 2022

Attritional claim liabilities sensitivity analysis

31 December 2022

	<i>Estimated loss reporting pattern</i>	<i>\$ Impact on gross claims outstanding</i>	<i>% Impact on gross claims outstanding</i>	<i>% Impact on profit</i>	<i>% Impact on member's balances</i>
Increase expected claims and claim expense ratio by 10%	Slower reporting	265,422,917	11.4 %	(1,080.2)%	(236.9)%
Increase expected claims and claim expense ratio by 10%	Expected reporting	136,983,222	5.9 %	(557.5)%	(122.3)%
Increase expected claims and claim expense ratio by 10%	Faster reporting	40,178,845	1.7 %	(163.5)%	(35.9)%
Expected claims and claim expense ratio	Slower reporting	116,937,868	5.0 %	(475.9)%	(104.4)%
Expected claims and claim expense ratio	Expected reporting	—	— %	— %	— %
Expected claims and claim expense ratio	Faster reporting	(88,122,839)	(3.8)%	358.6 %	78.7 %
Decrease expected claims and claim expense ratio by 10%	Slower reporting	(31,547,181)	(1.4)%	128.4 %	28.2 %
Decrease expected claims and claim expense ratio by 10%	Expected reporting	(136,983,222)	(5.9)%	557.5 %	122.3 %
Decrease expected claims and claim expense ratio by 10%	Faster reporting	(216,424,523)	(9.3)%	880.8 %	193.2 %

31 December 2021

	<i>Estimated loss reporting pattern</i>	<i>\$ Impact on gross claims outstanding</i>	<i>% Impact on gross claims outstanding</i>	<i>% Impact on profit</i>	<i>% Impact on member's balances</i>
Increase expected claims and claim expense ratio by 10%	Slower reporting	183,648,356	9.6 %	(396.2)%	(145.8)%
Increase expected claims and claim expense ratio by 10%	Expected reporting	91,317,669	4.8 %	(197.0)%	(72.5)%
Increase expected claims and claim expense ratio by 10%	Faster reporting	15,702,418	0.8 %	(33.9)%	(12.5)%
Expected claims and claim expense ratio	Slower reporting	83,936,989	4.4 %	(181.1)%	(66.6)%
Expected claims and claim expense ratio	Expected reporting	—	— %	— %	— %
Expected claims and claim expense ratio	Faster reporting	(68,741,137)	(3.6)%	148.3 %	54.6 %
Decrease expected claims and claim expense ratio by 10%	Slower reporting	(15,774,379)	(0.8)%	34.0 %	12.5 %
Decrease expected claims and claim expense ratio by 10%	Expected reporting	(91,317,669)	(4.8)%	197.0 %	72.5 %
Decrease expected claims and claim expense ratio by 10%	Faster reporting	(153,184,692)	(8.0)%	330.5 %	121.6 %

Notes to the financial statements

For the year ended 31 December 2022

The Syndicate believes that ultimate claims and claim expense ratios 10.0 percentage points above or below its estimated assumptions constitute reasonably likely outcomes based on its experience to date and future expectations. In addition, the Syndicate believes that the adjustments it made to speed up or slow down its estimated loss reporting patterns by 6 months are reasonably likely changes.

The impact on profit and members' balances does not include the impact of any applicable outward reinsurance.

Claims development table

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive calendar year at each reporting date, together with cumulative payments to date. The cumulative claims estimates and cumulative payments are translated at the current year end rate.

Notes to the financial statements

For the year ended 31 December 2022

Gross insurance contract outstanding claims provision as at 31 December 2022:

Underwriting year (u/w year)	Earlier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Estimate of cumulative claims incurred												
At end of u/w year		68,488,411	88,708,512	91,581,992	101,864,767	500,179,101	292,102,405	215,853,835	381,582,615	363,971,828	665,500,681	
12 months later		105,041,074	146,914,731	193,875,019	250,694,593	651,578,650	506,355,376	522,548,349	599,477,864	687,816,619		
24 months later		103,697,271	155,150,107	231,022,271	296,019,972	681,012,085	560,978,933	607,412,048	626,354,516			
36 months later		93,916,865	148,226,803	236,454,575	334,286,566	659,365,447	540,492,603	579,621,311				
48 months later		96,113,677	144,049,605	236,258,157	358,615,541	630,468,791	531,067,960					
60 months later		91,591,685	147,515,870	240,328,613	368,454,142	613,096,663						
72 months later		93,752,480	149,721,727	245,850,625	382,635,294							
84 months later		92,990,884	154,618,989	261,074,701								
96 months later		92,069,926	158,768,142									
108 months later		93,788,427										
Current estimate of cumulative claims incurred	194,271,313	93,788,427	158,768,142	261,074,701	382,635,294	613,096,663	531,067,960	579,621,311	626,354,516	687,816,619	665,500,681	
Cumulative claims paid												
At end of u/w year		(2,538,769)	(14,414,889)	(8,113,974)	(5,072,500)	(63,540,019)	(17,757,985)	(6,539,611)	(16,770,197)	(57,662,081)	(44,012,277)	
12 months later		(16,103,854)	(28,579,222)	(28,468,548)	(46,816,446)	(170,611,952)	(126,139,929)	(104,301,847)	(152,846,676)	(179,890,886)		
24 months later		(28,506,186)	(47,995,395)	(77,149,804)	(104,366,823)	(287,381,602)	(214,243,335)	(209,872,135)	(292,705,241)			
36 months later		(38,362,080)	(69,284,274)	(117,951,388)	(156,852,226)	(379,799,613)	(267,633,562)	(288,907,824)				
48 months later		(47,634,641)	(80,396,849)	(145,435,255)	(212,619,903)	(424,411,408)	(339,464,526)					
60 months later		(58,502,178)	(98,902,046)	(167,398,417)	(242,848,682)	(463,048,918)						
72 months later		(66,125,518)	(111,198,578)	(190,165,933)	(284,227,454)							
84 months later		(73,132,824)	(121,450,896)	(210,989,214)								
96 months later		(78,530,445)	(130,156,753)									
108 months later		(81,706,881)										
Cumulative payments to date	(159,160,292)	(81,706,881)	(130,156,753)	(210,989,214)	(284,227,454)	(463,048,918)	(339,464,526)	(288,907,824)	(292,705,241)	(179,890,886)	(44,012,277)	
Total gross outstanding claims provision per the statement of financial position	35,111,021	12,081,546	28,611,389	50,085,487	98,407,840	150,047,745	191,603,434	290,713,487	333,649,275	507,925,733	621,488,404	2,319,725,361

Notes to the financial statements

For the year ended 31 December 2022

Net insurance contract outstanding claims provision as at 31 December 2022:

Underwriting year (u/w year)	Earlier	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$	\$
Estimate of cumulative claims incurred												
At end of u/w year		68,404,380	80,788,885	76,452,768	76,648,311	159,954,677	146,435,443	138,771,362	153,209,907	268,648,801	193,119,319	
12 months later		103,627,064	130,510,506	152,316,837	186,461,791	273,518,636	285,641,797	318,620,703	255,808,121	438,072,338		
24 months later		102,074,105	135,149,763	180,328,953	218,614,869	320,935,550	327,197,162	367,846,656	287,955,043			
36 months later		93,026,406	128,132,901	178,645,763	245,353,653	283,454,516	334,288,691	305,455,333				
48 months later		93,967,036	123,567,123	173,094,130	221,905,997	274,164,773	332,741,754					
60 months later		89,411,774	127,639,267	163,423,347	224,380,992	258,622,533						
72 months later		90,588,674	115,499,042	165,639,113	224,445,880							
84 months later		83,018,418	115,813,912	170,626,733								
96 months later		82,871,305	115,689,378									
108 months later		82,832,464										
Current estimate of cumulative claims incurred	174,025,086	82,832,464	115,689,378	170,626,733	224,445,880	258,622,533	332,741,754	305,455,333	287,955,043	438,072,338	193,119,319	
Cumulative claims paid												
At end of u/w year		(2,538,769)	(16,103,854)	(28,226,207)	(37,746,110)	(47,018,671)	(57,403,009)	(64,183,946)	(71,108,517)	(75,146,173)	(78,273,054)	
12 months later		(9,511,738)	(23,402,861)	(41,876,006)	(59,568,415)	(69,368,740)	(84,614,442)	(94,862,979)	(102,576,872)	(109,744,026)		
24 months later		(7,766,760)	(26,331,071)	(67,974,910)	(100,056,015)	(119,973,277)	(133,971,131)	(147,100,486)	(161,896,956)			
36 months later		(4,557,008)	(40,328,831)	(85,581,841)	(123,036,893)	(159,698,657)	(181,229,464)	(204,660,936)				
48 months later		(58,956,872)	(61,240,167)	(128,145,436)	(176,203,070)	(171,965,156)	(194,846,865)					
60 months later		(13,469,744)	(81,908,994)	(140,708,121)	(182,915,442)	(213,436,547)						
72 months later		(4,909,190)	(77,843,934)	(171,687,566)	(124,155,687)							
84 months later		(14,402,415)	(122,344,840)	(168,529,015)								
96 months later		(57,574,902)	(164,510,956)									
108 months later		(42,184,006)										
Cumulative payments to date	(155,134,778)	(42,184,006)	(164,510,956)	(168,529,015)	(124,155,687)	(213,436,547)	(194,846,865)	(204,660,936)	(161,896,956)	(109,744,026)	(78,273,054)	
Total net outstanding claims provision per the statement of financial position	18,890,308	40,648,458	-48,821,578	2,097,718	100,290,193	45,185,986	137,894,889	100,794,397	126,058,087	328,328,312	114,846,265	966,213,035

During 2020, an Adverse Development Cover was purchased protecting the Casualty classes on the Syndicate for the 2017 and prior underwriting years.

Notes to the financial statements

For the year ended 31 December 2022

(d) Financial risk

(1) Credit risk

Credit risk is the risk of loss in the value of financial assets due to counterparties failing to meet part or all of their obligations or failing to meet them in a timely manner, as well as adverse changes in the market value of assets caused by changed perceptions of the creditworthiness of counterparties. For Syndicate 1458, key counterparties with whom we are exposed to credit risk include reinsurers, brokers, insureds, reinsureds, coverholders and investment counterparties.

The Syndicate has a graded tolerance for accepting credit risk associated with its outwards reinsurance activities. As part of the underwriting decision to purchase outwards reinsurance, the creditworthiness of the reinsurer is one of the many variables that is considered.

The Syndicate has established counterparty credit rating guidelines which assist in this process by providing a suggested maximum limit to be exposed to individual reinsurers based on their credit rating. The guidelines are mostly aimed at core, strategic reinsurance purchases and are not aimed at more tactical, facultative reinsurance transactions entered into occasionally, on an opportunistic basis.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position.

As at 31 December 2022, the Syndicate holds collateral of \$317.9m (2021 - \$275.5m) which mitigates the credit risk pertaining to \$602.0m (2021 - \$479.0m) of reinsurers' share of claims outstanding and reinsurance debtors of certain reinsurers. Collateral held can be in the form of cash and cash equivalents and debt securities, other fixed income securities and letters of credit.

<i>31 December 2022</i>	<i>Neither past due nor impaired</i>	<i>Past due</i>	<i>Impaired</i>	<i>Total</i>
	\$	\$	\$	\$
Other financial investments				
- Debt securities	993,227,955	—	—	993,227,955
Shares and other variable yield securities	77,350,321	—	—	77,350,321
Overseas deposits as investments	48,525,410	—	—	48,525,410
Deposits with ceding undertakings	104,315,010	—	—	104,315,010
Reinsurers' share of claims outstanding	1,353,512,326	—	—	1,353,512,326
Debtors arising out of direct insurance operations	12,936,996	1,196,913	—	14,133,909
Debtors arising out of reinsurance contracts	515,700,316	6,840,021	—	522,540,337
Other debtors	482,090,247	—	—	482,090,247
Cash at bank and in hand	6,168,213	—	—	6,168,213
	<u>3,593,826,794</u>	<u>8,036,934</u>	<u>—</u>	<u>3,601,863,728</u>

Notes to the financial statements

For the year ended 31 December 2022

31 December 2021	Neither past due nor impaired	Past due	Impaired	Total
	\$	\$	\$	\$
Other financial investments				
- Debt securities	858,361,304	—	—	858,361,304
Shares and other variable yield securities	50,345,147	—	—	50,345,147
Overseas deposits as investments	42,914,562	—	—	42,914,562
Deposits with ceding undertakings	64,574,922	—	—	64,574,922
Reinsurers' share of claims outstanding	995,571,133	—	—	995,571,133
Debtors arising out of direct insurance operations	14,276,476	380,882	—	14,657,358
Debtors arising out of reinsurance contracts	458,636,339	6,954,246	—	465,590,585
Other debtors	264,200,288	—	—	264,200,288
Cash at bank and in hand	5,711,693	—	—	5,711,693
	<u>2,754,591,864</u>	<u>7,335,128</u>	<u>—</u>	<u>2,761,926,992</u>

The tables below provide information regarding the credit risk exposure of the Syndicate by classifying assets which are neither due nor impaired, according to Standard & Poor's and A M Best credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurance contracts ceded, have been excluded from the table as these are not rated or not readily available. The Syndicate manages the risk of default through quality control procedures to ensure the management of credit risk in relation to brokers and other relevant counterparties.

31 December 2022	AAA	AA	A	BBB	BBB or less	Not readily available/not rated	Total
	\$	\$	\$	\$	\$	\$	\$
Shares and other variable yield securities and unit trusts	8,911,946	28,648,476	—	39,789,899	—	—	77,350,321
Other financial investments							
- Debt securities	44,890,788	757,047,964	149,308,873	33,565,522	—	8,414,808	993,227,955
Overseas deposits as investments	24,196,500	4,650,571	4,852,317	6,912,812	—	7,913,210	48,525,410
Deposits with ceding undertakings	—	—	11,981,915	—	—	92,333,095	104,315,010
Reinsurers' share of claims outstanding	—	108,613,077	1,006,470,340	359,676	—	238,069,233	1,353,512,326
Debtors arising out of reinsurance contracts ceded	—	413,073	40,776,490	—	—	1,856,551	43,046,114
Cash at bank and in hand	—	—	3,147,287	3,020,926	—	—	6,168,213
	<u>77,999,234</u>	<u>899,373,161</u>	<u>1,216,537,222</u>	<u>83,648,835</u>	<u>—</u>	<u>348,586,897</u>	<u>2,626,145,349</u>

Included in investments rated AA above are certain assets that are rated AA+ that have been included within this rating categorisation in line with the classification applied by the investment managers.

Notes to the financial statements

For the year ended 31 December 2022

31 December 2021	AAA	AA	A	BBB	BBB or less	Not readily available/not rated	Total
	\$	\$	\$	\$	\$	\$	\$
Shares and other variable yield securities and unit trusts	15,878,430	—	34,466,717	—	—	—	50,345,147
Other financial investments							
- Debt securities	62,451,953	627,447,612	130,697,513	37,764,226	—	—	858,361,304
Overseas deposits as investments	19,961,337	10,449,359	4,278,776	4,878,478	—	3,346,612	42,914,562
Deposits with ceding undertakings	—	—	35,744,816	—	—	28,830,106	64,574,922
Reinsurers' share of claims outstanding	—	18,808,353	734,026,334	418,986	—	242,317,460	995,571,133
Debtors arising out of reinsurance contracts ceded	—	84,989	16,223,312	—	—	4,055,902	20,364,203
Cash at bank and in hand	—	—	3,673,496	2,038,197	—	—	5,711,693
	<u>98,291,720</u>	<u>656,790,313</u>	<u>959,110,964</u>	<u>45,099,887</u>	<u>—</u>	<u>278,550,080</u>	<u>2,037,842,964</u>

(2) Liquidity risk

Liquidity risk is the risk that the Syndicate, although solvent, might not have sufficient available liquid resources to enable it to meet its obligations as they fall due, or could secure them only at excessive cost. The liquidity objective is to preserve capital and provide adequate liquidity to support the Syndicate's underwriting and day-to-day operations.

The Syndicate has no tolerance to be operationally illiquid for any time period. Operational illiquidity does not include illiquidity after large loss events, which is addressed below.

To ensure the liquidity requirements of the Syndicate are satisfied, the investment portfolio will be positioned in very high quality fixed income securities, which will allow a strong platform for the Syndicate to assume insurance related exposure. The Syndicate's philosophy of generating strong risk adjusted returns in the investment portfolio will be balanced by liquidity, credit quality, market volatility as well as other considerations to accommodate present and future insurance underwriting.

The investment portfolio is subject to a set of tight guidelines, as set out in the Syndicate's Investment Management Agreements, with a largely high quality and short term focus thereby providing sufficient liquidity for prompt payment of claims and short term obligations.

The Syndicate is a participant of a cash pooling arrangement with certain subsidiaries of the group to facilitate liquidity management. Cash pooling is a centralized cash management strategy to concentrate and centralize cash balances across accounts of a group's subsidiaries. Excess cash balances in the pool can be used to meet short term liquidity needs across participants. The Syndicate is a beneficiary to the cash pooling arrangement but not a contributor.

Notes to the financial statements

For the year ended 31 December 2022

Maturity profiles

The tables below summarises the maturity profile of the Syndicate's creditors balances based on remaining undiscounted contractual obligations and claims outstanding based on the estimated timing of claim payments resulting from recognised insurance liabilities.

	<i>Carrying amount</i>	<i>Up to a year</i>	<i>1-3 years</i>	<i>3-5 years</i>	<i>> 5 years</i>	<i>Total</i>
	\$	\$	\$	\$	\$	\$
<i>31 December 2022</i>						
Claims outstanding	2,319,725,362	852,863,251	851,909,104	320,164,897	294,788,109	2,319,725,361
Deposits received from reinsurers	4,052,672	1,489,993	1,488,326	559,344	515,009	4,052,672
Creditors	659,572,054	425,384,197	234,187,857	—	—	659,572,054
<i>31 December 2021</i>						
Claims outstanding	1,915,469,011	595,841,675	678,422,310	333,223,990	307,981,036	1,915,469,011
Deposits received from reinsurers	3,872,148	1,204,502	1,371,440	673,618	622,588	3,872,148
Creditors	362,672,864	280,013,301	82,659,563	—	—	362,672,864

(3) Market risk

Market risk is the risk of financial loss due to movements in market factors. For the Syndicate, this can manifest through investment market movements, including movements in interest rates, inflation, movements in foreign exchange rates, resulting in mismatches between currencies in which assets and liabilities are denominated, and changes in credit ratings or investment prices.

Currently, the Syndicate holds a mix of cash and cash equivalents (including collective investment schemes), fixed and variable income investments (the "investment portfolio"). The investment policy of the Syndicate is to manage and maintain an investment portfolio which will be positioned in high quality fixed income securities, which will allow a strong platform for the Syndicate to assume underwriting risk. The Syndicate's philosophy of generating strong risk adjusted returns in the investment portfolio will be balanced by liquidity, credit quality, market volatility as well as other considerations to accommodate present and future underwriting. The investment portfolio must also comply with FCA and US Situs fund asset admissibility criteria.

In terms of its investment portfolio, the Syndicate has a tolerance for holding only investment grade fixed income securities and cash. The Syndicate has no tolerance to invest in securities with a rating less than A3 (Moody's), A- (S&P) or A- (Fitch). If two ratings are provided, the lower of the two ratings will apply.

Our investment portfolio also includes securities with a longer duration, which may be more susceptible to risks such as inflation.

Notes to the financial statements

For the year ended 31 December 2022

Market risk comprises two types of risk:

(3)(a) Currency risk

Currency risk is the risk that the fair value of future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

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

<i>Converted \$</i>	<i>GBP</i>	<i>USD</i>	<i>EUR</i>	<i>CAD</i>	<i>Total</i>
<i>31 December 2022</i>					
Total assets	88,070,198	3,434,102,550	22,482,047	57,208,933	3,601,863,728
Total liabilities	(201,326,586)	(3,415,391,625)	(57,575,847)	(39,607,637)	(3,713,901,695)
Net assets	<u>(113,256,388)</u>	<u>18,710,925</u>	<u>(35,093,800)</u>	<u>17,601,296</u>	<u>(112,037,967)</u>
<i>31 December 2021</i>					
Total assets	74,280,026	2,580,199,511	19,614,905	87,832,550	2,761,926,992
Total liabilities	(168,585,879)	(2,602,998,877)	(67,556,276)	(48,746,996)	(2,887,888,028)
Net assets	<u>(94,305,853)</u>	<u>(22,799,366)</u>	<u>(47,941,371)</u>	<u>39,085,554</u>	<u>(125,961,036)</u>

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit and member's balances of a percentage change in the relative strength of US dollar against other currencies. The analysis is based on the information as at 31 December.

	<i>Impact on profit</i>		<i>Impact on member's balances</i>	
	<i>2022</i>	<i>2021</i>	<i>2022</i>	<i>2021</i>
	<i>\$</i>	<i>\$</i>	<i>\$</i>	<i>\$</i>
US dollar weakens				
10% against other currencies	<u>(13,778,375)</u>	<u>(11,767,757)</u>	<u>(13,778,375)</u>	<u>(11,767,757)</u>
US dollar strengthens				
10% against other currencies	<u>13,778,375</u>	<u>11,767,757</u>	<u>13,778,375</u>	<u>11,767,757</u>

(3)(b) Interest rate risk

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and member's balances of the effects of changes in interest rates on fixed rate financial assets.

The analysis assesses the impact on profit or loss for the year and on the member's balances that would arise from a 50 basis point change and a 100 basis point change in interest rates at the reporting date on fixed rate financial assets at the period end.

Notes to the financial statements

For the year ended 31 December 2022

The correlations of the risk factors to which the fixed rate financial assets are exposed will have a significant effect in determining the ultimate contribution of interest rate risk to total market risk, but to demonstrate the standalone impact of interest rate risk, rate factors were altered on an individual basis. It should be noted that the price movements considered are linear approximations calculated using interest rate duration.

<i>Changes in variables</i>	<i>Impact on profit</i>	<i>Impact on member's balances</i>
	\$	\$
31 December 2022		
+100 basis points	(31,083,155)	(31,083,155)
+50 basis points	(15,543,357)	(15,543,357)
-50 basis points	15,546,916	15,546,916
-100 basis points	31,097,390	31,097,390
31 December 2021		
+100 basis points	(29,594,221)	(29,594,221)
+50 basis points	(15,407,876)	(15,407,876)
-50 basis points	15,439,565	15,439,565
-100 basis points	29,636,778	29,636,778

(e) Climate risk

Natural catastrophes including extreme weather are a material risk that impacts the business of the Syndicate. Climate change is expected to increase the frequency and or severity of future extreme weather events. Some of our principal economic exposures arise from our coverages for natural disasters and catastrophes.

We believe that this potential increase in severe weather, coupled with currently projected demographic trends in catastrophe-exposed regions, contributes to factors that will increase the average economic value of expected losses, increase the number of people exposed per year to natural disasters and in general exacerbate disaster risk, including risks to infrastructure, global supply chains and agricultural production. Accordingly, we expect an increase in both the frequency and magnitude of claims, especially from properties located in coastal areas.

The consideration of the impacts of climate change is integral to our ERM process. We have taken measures to mitigate losses related to climate change through our underwriting process and by continuously monitoring and adjusting our risk management models to reflect the higher level of risk that we think will persist. We have been progressively integrating the consideration of the financial risk from climate change into our governance frameworks, risk management processes, and business strategies over the last several years.

Our board of directors and its committees are actively engaged in the oversight of environmental, social and governance initiatives and receive regular updates from management on progress and developments.

(f) Risk due to inflation

General economic inflation has increased and there is a risk of inflation remaining elevated for an extended period, which could cause claims and claim expenses to increase, impact the performance of our investment portfolio or have other adverse effects. The actual effects of the current and potential future increase in inflation on the Syndicate's results cannot be accurately known until, among other items, claims are ultimately settled. The onset, duration and severity of an inflationary period cannot be estimated with precision. Our board of directors and its committees consider the anticipated effects of inflation on catastrophe loss models and on the investment portfolio. Estimates of the potential effects of inflation are also considered in pricing and in estimating reserves for unpaid claims and claim expenses.