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**Report and Accounts 31 December 2023**

318

**Cincinnati Global  
Syndicate 318**

**Cincinnati Global Syndicate 318** has traded at Lloyd's for over forty years. In that time the Syndicate has grown and evolved to meet the changing demands of its clients and is well positioned to take advantage of the opportunities seen in today's increasingly volatile marketplace. Over time, the Syndicate has built up longstanding relationships with, and offered continuity to, its brokers, clients and capital providers alike. The combination of its experienced team of underwriting, claims and support personnel, and the ability to make the best use of increasingly sophisticated statistical techniques in support of its decisions, maximises the offering it presents to each of its counterparties.

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## 2023 calendar year

**£289.8m** (2022: £250.4m)  
gross premiums written

**£66.4m** (2022: £25.8m profit for the year)  
profit for year

**75.9%** (2022: 86.9%)  
Combined ratio including Managing Agency fee and profit commissions

**£12.7m** (2022: (£0.2m))  
annual investment return

**£299m** (2022: £232m)  
2023 capacity

### Note:

- The combined ratio is net claims incurred (inclusive of IBNR) and net operating expenses (excluding profit/loss on exchange) expressed as a percentage of net earned premiums.

## Directors and administration

### MANAGING AGENCY:

#### DIRECTORS AND ADMINISTRATION

Cincinnati Global Underwriting Agency Limited is the Lloyd's Managing Agent for Cincinnati Global Syndicate 318 and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.

#### Directors:

T.C. Cracas           *(non-executive)*  
D.C. Eales  
M.A. Langston  
R.A. Pexton           *(non-executive chairman)*  
G.M. Tuck  
G.A.M. Bonvarlet   *(non-executive)*  
R.B. Scott           *(non-executive)*

#### Company secretary

S. Kaur               *(resigned 29 December 2023)*  
R. Allibone           *(appointed 22 February 2024)*

The registered office of Cincinnati Global Underwriting Agency Limited is One Minster Court, Mincing Lane, London EC3R 7AA. The registered number of Cincinnati Global Underwriting Agency Limited is 4039137.

#### Syndicate

##### Active underwriter

N.M. Chalk

#### Bankers

Citibank, N.A.  
Royal Bank of Canada  
Lloyds Banking Group Plc

#### Investment manager

Amundi (UK) Ltd

#### Actuary

Deloitte LLP

#### Independent auditor

Deloitte LLP  
1 New Street Square  
London, EC4A 3HQ  
United Kingdom

## Introduction

The directors of the Managing Agent present their Managing Agent's report for the year ended 31 December 2023.

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. However, since the Syndicate benefits from a capital base that includes traditional names, as well as corporate members, where possible and appropriate, we have endeavoured to explain the events of the calendar year in the context of the applicable underlying years of account.

Managing Agents are also required to prepare a Managing Agent's report, financial statements and related notes, and supporting disclosure for members participating on the 2021 underwriting year of account, which closed at 31 December 2023. These are incorporated into this document on pages 63 to 90.

## Result for the 2023 Calendar Year

For the year ended 31 December 2023, Syndicate 318 has generated an overall profit of £66.4m compared to a profit of £25.8m in 2022, and a combined ratio of 75.9% (2022: 86.9%).

An analysis of the contribution to the overall result made by the individual underwriting years of account is as follows:

	2021 and Prior Years of Account £000	2022 Year of Account £000	2023 Year of Account £000	2023 Calendar Year Combined £000	2022 Calendar Year Combined £000
Gross Earned Premiums	9,722	107,706	160,343	277,771	228,538
Reinsurer's Share	(3,713)	(7,923)	(37,528)	(49,164)	(40,552)
<b>Net Earned Premiums</b>	6,009	99,783	122,815	228,607	187,986
Gross Claims Paid	(53,743)	(54,879)	(11,687)	(120,309)	(105,810)
Reinsurer's Share	20,056	6,571	324	26,951	13,029
<b>Net Claims Paid</b>	(33,687)	(48,308)	(11,363)	(93,358)	(92,781)
Change in provision for gross claims	66,713	14,984	(42,256)	39,441	(45,004)
Change in provision for reinsurer's share	(25,170)	(12,786)	2,063	(35,893)	36,820
<b>Change in provision for net claims</b>	41,543	2,198	(40,193)	3,548	(8,184)
<b>Net Operating Expenses</b>	(7,004)	(32,616)	(44,086)	(83,706)	(62,384)
<b>Balance on Technical Account</b>	6,861	21,057	27,173	55,091	24,636
Net Investment Income	6,495	4,784	1,447	12,726	209
(Loss) on exchange	(632)	(600)	(208)	(1,440)	932
<b>Profit for the financial year</b>	12,724	25,241	28,412	66,377	25,777
Other comprehensive income – currency translation	(931)	(458)	(672)	(2,061)	(813)
<b>Total comprehensive income</b>	11,793	24,783	27,740	64,316	24,964

## Report of the directors of the managing agent for the year ended 31 December 2023 *continued*

### Principal Activities

The principal activity of Syndicate 318 is the transaction of general insurance and reinsurance business written in the United Kingdom at Lloyd's. The Syndicate has a core Property account which is complimented by speciality lines of business, which provide the Syndicate with the opportunity for growth as well as diversification within the portfolio. The Property account covers worldwide risks with a concentration of insured's domiciled in the US. This account is subdivided into risks accepted under direct and facultative policies, and business written under binding authorities. The Syndicate's speciality lines are Contingency, Credit and Political Risk, Political Violence, Specie, CSUPR, and Consortia.

The CSUPR initiative has been developed with the Managing Agency's ultimate parent company, Cincinnati Financial Corporation "CFC", and allows the Syndicate to introduce business into the Lloyd's Market from CFC's agency network. The Consortia arrangements allow the Syndicate to access lines of business where it doesn't have dedicated underwriting expertise.

### Business review – financial

The business review provides a commentary on the financial and non- financial performance of the Syndicate in 2023. The review discusses the business written and earned, as well as the rating environment. We have also provided an overview of the Syndicate's claims experience, including the performance and adequacy of technical provisions. The effect of non-underwriting transactions including operating expenses, rate of exchange movements, and returns from cash and investments are also detailed. Where

appropriate, we have detailed the contribution to the result of each individual underwriting year.

The Syndicate's key performance indicators are summarised in the table below:

KPI	2023	2022
Gross premiums written	£289.8m	£250.4m
Reinsurance ceded	£49.0m	£41.2m
Profit for the year	£66.4m	£25.8m
Gross loss ratio	29.1%	66.0%
Net loss ratio	39.3%	53.7%
Operating expense ratio	36.6%	33.2%
Combined ratio	75.9%	86.9%
Annual investment return	£12.7m	£0.2m
Syndicate capacity	£299m	£232m

Note:

- Gross loss ratio expresses gross incurred claims (including IBNR) as a percentage of gross earned premiums.
- Net loss ratio expresses net incurred claims (including IBNR) as a percentage of net earned premiums.
- Operating expense ratio expresses net operating expenses as a percentage of net earned premiums.

### Underwriting and reinsurance

The overall rating environment proved to be very positive for the Syndicate in 2023. Property lines in particular benefitted from rate increases that were in excess of the Syndicate Business Forecast expectations. This was the case for risks written on a direct and facultative basis, as well as those written under delegated authorities.

The premium rates for Speciality lines of business were stable but still remained at good levels, and aggregate premiums were broadly in line with expectations. The Syndicate also increased the amount of business underwritten under Consortia arrangements through the expansion into transactional liability and after the event legal expenses lines of business. These were written via binding authorities through specialist managing general agents.

The increase in gross written premiums to £289.8m has been achieved through an increase in rates on Property risks, as well as the ongoing maturity and expansion of Speciality lines. After adjusting for effects of rates of exchange, gross premiums have increased by £39.8m.

The effect of foreign exchange on the change in the amount of premium written in the year, compared the comparative period is shown in the table below. The average rate of exchange for US dollars, used to retranslate the profit and loss account was 1.24 for the year ended 31 December 2023 and the comparative period. Consequently, the decrease in premium income from rate of exchange is solely from the movement in the average rate of Canadian dollars.

	£000s
Gross premiums written 2022	250,390
(Decrease) in premium income from rate of exchange	(380)
Increase in premiums in the year	39,778
Gross premiums written in 2023	289,788

Gross earned premiums for the year are £277.8m, which is higher than £228.5m earned in 2022. This is following a similar pattern to the written income.

The composition of the account is very similar to last year. The most notable changes are from the expansion of the CSUPR business, where the Syndicate accesses the Cincinnati Insurance Company's agency network, and Consortia arrangements.

	2023 %	2022 %
Gross written premiums		
Aviation	–	(0.2)
Property – Direct and Facultative	56.6	59.0
Property – Binding Authority	18.9	22.1
Credit and Political Risk	4.7	4.6
Political Violence	2.7	2.4
Specie	5.1	4.3
Contingency	6.7	6.6
CSUPR	1.9	1.0
Consortia	3.4	0.2
	100%	100%

The reinsurance premiums ceded in the year have increased to £49.0m from £41.2m in 2022. The cost of reinsurance increased on the Syndicate's main programme, following Hurricane Ian. There has also been upwards pressure on reinsurance rates in general. The maturity of Speciality lines has also meant that the level of proportional reinsurance has increased as the Syndicate uses quota share arrangements to reduce exposure.

The reinsurance premiums earned in the year of £49.2m (£40.5m 2022) are marginally below the reinsurance written. The main programme is purchased to cover losses occurring during the year, with earnings patterns weighted towards the windstorm season, hence a large proportion of the programme is earned at 31 December.



## Report of the directors of the managing agent for the year ended 31 December 2023 *continued*

### Technical Result

The calendar year technical result before investment return comprises profits on the open and closing years of account. It has been an exceptional year for the business, with the Syndicate reporting record profits. The Property account has performed extremely well, owing to a combination of strong premiums rating and low levels of claims activity across all loss types. The Syndicate's losses from catastrophe events in the year are also much lower than recent periods. The Syndicate has also seen a significant reduction in its gross exposure to Hurricane Ian, although the net improvement is much smaller as the loss is reserved in excess of the Syndicate's reinsurance retention. The only catastrophe losses of note in the current calendar year were Hurricane Idalia, and Wildfire losses in Hawaii.

The Speciality lines of business also performed relatively well and have contributed to the technical profit in the year.

The Syndicate's exposure to Ukraine has also reduced during the year as policies are no longer on risk, and we have also seen positive development in our loss estimates. The Syndicate does not currently anticipate incurring material losses from the conflict in the Middle East.

### Contribution of 2023 year of account to the calendar year result

The 2023 year of account has contributed a profit for the calendar year, before investment income, and currency exchange of £27.2m. The year has benefitted from a very strong rating environment on the Property account, as well as relatively benign loss experience. The year has

some exposure to Hurricane Idalia and the wildfires losses in Hawaii, but otherwise there has been very few losses of note.

There is a significant surplus Members' balances, which is quite rare at this stage of progression.

Major losses (including IBNR) in the calendar year, affecting the 2023 year of account are summarised in the table below.

Loss	Gross £m	Net £m
Wildfires in Hawaii	5.4	5.4
Hurricane Idalia	2.5	2.5
	7.9	7.9

The Syndicate continues to earn its acquisition costs in line with gross earned premiums, whilst administrative expenses, and Names expenses are earned as they are incurred. Managing agent's profit commission are earned in line with cumulative profits to a year of account, after allowances for the potential impact of deficit clauses within the Agency Agreement.

Net operating expenses are £44.1m, which is an increase from the £33.2m charged to the 2022 underwriting year at the same stage. The increase in premiums has led to higher brokerage, whilst administrative expenses and internal acquisition costs have also risen because of the growth of the underlying business. Profit in the technical account for the 2023 YOA has resulted in a material profit commission expense being accrued.

The investment return for the year is £1.4m, owing to positive yields and growth in the portfolio.

Losses on exchange, and currency retranslation losses in the year stands at an overall loss of £0.9m for the 2023 underwriting year.

Members' balances stand at an overall surplus of £27.7m.

#### Contribution of 2022 year of account to the calendar year result

The 2022 year of account has contributed a profit for the calendar year, before investment income, and currency exchange of £21.1m. The year has benefited from prior year releases as well as generally positive loss experience although there have been several risk losses in the year, and some exposure to catastrophe events.

Major losses (including IBNR) in the calendar year, affecting the 2022 year of account are summarised in the table below:

Loss	Gross £m	Net £m
Wildfires in Hawaii	3.0	3.0
Tropical Cyclone Gabrielle	1.8	1.8
Hurricane Idalia	0.5	0.5
	5.3	5.3

The underwriting year benefitted from a large decrease in gross reserves held for Hurricane Ian, but only a small net improvement.

Net operating expenses are £32.6m, against a comparative figure of £26.9m in calendar year 2022. The ongoing maturity of Speciality lines on the 2022 underwriting year has resulted in higher amounts of brokerage, and the profitability of the book has generated more profit commissions.

There has been solid investment return for the calendar year attributable to the 2022 underwriting year of account of £4.8m.

Losses on exchange, and currency retranslation effects have produced an overall loss of around £1.1m.

Members' balances currently stand at an overall surplus of £22.3m, after standard personal expenses. We are forecasting a profit in the range of 9.7% – 14.7% upon closure of the 2022 year of account.

#### Contribution of 2021 year of account to the calendar year result

The 2021 year of account has contributed a profit for the calendar year, before investment income, and currency exchange of £6.9m. There has been a modest improvement of £1.8m on closed year reserves in the year.

The reserves set on the 2021 pure year of account at the end of last year have proved robust, and we have experienced positive claims development.

Net operating expenses are £7m. Most of this movement is generated from brokerage on binders earned in the year and profit commissions accrued.

The investment return for the year is £6.5m for the year.

Losses on exchange, and currency retranslation losses in the year are £1.6m for the 2021 underwriting year.

The 2021 year of account has closed at a profit of £23.2m, and a result to a traditional name of 10% of Capacity.

**Report of the directors of the managing agent  
for the year ended 31 December 2023** *continued*

**Operating Expenses**

	2021 and Prior Years of Account £000	2022 Year of Account £000	2023 Year of Account £000	2023 Calendar Year Combined £000	2022 Calendar Year Combined £000
Acquisition Costs (Brokerage)	(3,408)	(23,452)	(22,720)	(49,580)	(44,358)
Acquisition Costs (Other)	(496)	(3,144)	(7,814)	(11,454)	(8,921)
Administrative Expenses	(152)	(447)	(2,385)	(2,984)	(2,486)
Standard Personal Expenses	–	–	(4,232)	(4,232)	(3,163)
Managing Agents Profit Commission	(2,948)	(5,573)	(6,935)	(15,456)	(3,456)
Net Operating Expenses	(7,004)	(32,616)	(44,086)	(83,706)	(62,384)

As in previous years, acquisition costs (brokerage) represent the largest single expense item in 2023. Other operating expenses under the control of the Managing Agency have increased in the year owing to additional staff and resources required to expand the business, as well as the effects of inflation. The increase in the Syndicate's underwriting capacity and premium income have also led to increases in standard personal expenses.

The Syndicate has accrued profit commission on the 2023, 2022, and 2021 years of account in the calendar year. This is significantly higher than the comparative period owing to the increase in the level of profits.

### Profit and loss on exchange and currency translation differences

The aggregate loss on exchange for the year is £3.5m, compared to a loss of £0.1m in 2022. This has largely arisen from currency translation differences from conversion of the opening balances and calendar year result from average to closing rates of exchange. The loss from retranslating from a US functional currency to a Sterling presentational currency is detailed in currency translation differences. The Syndicate has also realised profits and losses on exchange from transactions in the year, as well as having open currency positions at the year end. The table below provides a breakdown of the profit and loss on exchange during the year.

	2021 and Prior Years of Account £000	2022 Year of Account £000	2023 Year of Account £000	Total £000
Profit and loss on exchange and currency translation				
(Loss) on currency translation of opening balances and calendar year profits	(440)	(540)	(257)	(1,237)
(Loss)/profit on other transactions in the year	(192)	(60)	49	(203)
Other comprehensive income – currency translation	(931)	(458)	(672)	(2,061)
(Loss) on exchange and currency translation	(1,563)	(1,058)	(880)	(3,501)

### Investment Performance

	2023 '000	%	2022 '000	%
Average Amount of Syndicate Funds	£247,999		£196,633	
Investment Return (excluding investment manager's fees)	£12,930	5.2%	£359	0.18%
<b>By Currency:</b>				
Sterling:*	Average Funds	£12,047	£12,725	
	Investment Return	£284	(£207)	(1.62%)
US Dollar:	Average Funds	US\$274,777	US\$206,451	
	Investment Return	US\$14,603	US\$170	0.08%
Canadian Dollar:	Average Funds	Can\$24,122	Can\$28,039	
	Investment Return	Can\$1,119	Can\$448	1.60%

\*Includes investment manager's fees of £204,123 (2022: £150,134).

Average amount of Syndicate Funds converted at average rates of exchange.

## Report of the directors of the managing agent for the year ended 31 December 2023 *continued*

### Investment Policy

The Investment objective is to invest the Premium Trust Funds in a manner calculated to maximise return within agreed restraints and in line with policies approved by the Managing Agency Board. In consideration of this policy, portfolios are predominantly invested in short-term, high quality fixed income securities. The investment manager has been instructed to achieve a return above the agreed benchmark, whilst maintaining agreed levels of liquidity and security. They also have discretion to invest in private sector securities for a limited proportion of the portfolio and within diversity limits for individual credits. Limiting the target duration of the overall portfolio controls the exposure of the investments to adverse interest rate movements. An Investment Committee and formal procedures for monitoring investments exist in line with the guidance from Lloyd's.

### Review of Calendar Year 2023

The performance of fixed income assets in 2023 was strong, with high yields aided by inflation trending towards central bank targets. Without much damage expected to growth prospects this is a goldilocks scenario for bonds. The year saw high volatility in fixed income, with inflation initially being stickier than anticipated in the first half of the year. Central banks adopted a "higher for longer" approach, which was then followed by significant improvements to inflation in the second half. The US yield curve had a flattening bias, with the 2-year moving 18bps lower and finishing the year at 4.25%, but the 10-year completing a round trip and finishing flat at 3.88% - quite a remarkable feat having

reached 5% in October. Credit markets had a strong year, despite challenges in the Financials sector in Q1 due to the US regional bank crisis and the shotgun marriage of Credit Suisse and UBS. US investment grade spreads were 31 tighter over the year, closing at 99bps.

Portfolios were positioned defensively with neutral to slightly shorter durations relative to benchmarks to protect against rising yields and maximise yield as curves were inverted. This defensive position, combined with carry from the high level of yields, drove relative performance in the first half of the year. Durations were extended in Q4 as the outlook on inflation became clearer. Portfolios ended the year neutral, and we anticipate extending further on sell-offs in Q1 2024. Corporate bond activity focused on optimizing carry within each rating and sector bucket, with corporate bond spreads helping to offset lower yields resulting from inverted government bond yield curves.

Portfolios were overweight in financials and autos, with caution around expensive consumer sectors, real estate, and UK residential mortgages. Although credit spreads are now at historically tight levels, yields remain very attractive. The aggregate portfolio returned nearly 5%, the highest investment return for the Syndicate in a decade and by some margin. The LDTF lagged the CRTF and SLTF due to a slightly longer duration and a reasonably high cash balance to meet liquidity needs. The portfolios remain concentrated in high-quality liquid issues.

### Outlook for 2024

Looking ahead to 2024, with high debt levels and the normalisation of central bank balance sheets, should mean that markets will have to absorb a higher supply of bonds. Yields, at their highest levels in multiple years, may attract long-term investors willing to reload the income engine of their portfolios. In an environment of slowing growth and higher yields, our outlook for credit remains positive. We believe that higher-rated companies with healthier fundamentals are more likely to navigate the economic headwinds more effectively. The effects of financial tightening on growth and current high yields mean the long-term scenario of 'bonds are back' remains in place. Even after the strong rally towards the end of the year, we continue to be constructive on the broader asset class. There remain a number of risks with key elections being held across the world including the US and the UK. Geopolitics will undoubtedly provide some surprises with Russia's invasion of the Ukraine entering its second year and events in the middle east continuing to evolve with implications to security and energy prices.

## Report of the directors of the managing agent for the year ended 31 December 2023 *continued*

### Business review – non-financial

In reviewing the performance of the business in the year, we have also assessed non-financial metrics for underwriting, claims, human resources, and Solvency II. We have identified the following criteria as important measures of performance for these areas. These are detailed in the section below.

#### Underwriting non-financial indicators

The Syndicate views the proportion of the business that it leads and renews as important non-financial measurements of its performance. The amount of business that the Syndicate is the lead underwriter on provides a useful measure of market position in relation to its peers. The level of renewal business by the Syndicate is a good indicator of the continuity of the respective book of business, as well as retention of clients. These are detailed for 2023 in the table below:

	Property – Direct and Facultative	Property – Binding Authorities	CPRI	Political violence	Specie	Contin- gency	CSUPR	Consortia
Proportion of business written where the Syndicate is the lead underwriter	61%	38%	26%	5%	29%	54%	100%	0%
Proportion of business written which is a renewal to the Syndicate	83%	98%	0%	61%	68%	54%	72%	6%

The proportions of written business lead and renewed by the Syndicate are consistent with last year.

The Board values experience in its underwriters. The table below details the experience of the Syndicate's senior underwriters in terms of the numbers of years they have worked at the Syndicate and the number of years they have been active in the Lloyd's market.

Name	Position	Years at Syndicate	Years in the Insurance Market
<b>Nick Chalk</b>	<i>Active Underwriter</i>	24	28
<b>Steve Anderson</b>	<i>Head of Delegated Underwriting</i>	15	35
<b>Simon Pope</b>	<i>Head of Property Underwriting – Direct and Facultative</i>	21	23
<b>Francis Hernandez</b>	<i>Head of Contingency</i>	4	36
<b>James Steele-Perkins</b>	<i>Head of Credit &amp; Political Risk</i>	4	26
<b>Ian Seakens</b>	<i>Head of Specie</i>	4	38
<b>Tom Gardner</b>	<i>Head of War, Terrorism and Political Violence</i>	4	11

Note – Years of service have been rounded up to the nearest full year.



### Claims handling non-financial indicators

As part of the evaluation of the Syndicate's claims handling performance, various measurements are monitored on a quarterly basis. Management view responding to claims notifications, adjusting and settling them on a timely basis as key to the Syndicate's servicing of claims. It also places great importance on the accuracy of its case reserving within a prescribed range. The table below illustrates some of the KPIs used by the Board.

Claims Measurement	Average score in 2023	Average score in 2022
Percentage of claims responded to within target response time	87.5%	94.2%
Percentage of claims meeting internal reserving accuracy target	93.8%	99.5%
Percentage of claims meeting adjustment and settlement targets	93.8%	99.3%

Management are satisfied that the Syndicate provides a comprehensive claims service to its policyholders, but will endeavour to improve the performance against KPIs.

### Human resources non-financial indicators

The Board view retention of staff, and vocational training as key to the long term success of the Syndicate. The staff turnover for the Syndicate has been historically low, and the average length of service for employees tends to be longer than market sector average. Cincinnati Global Underwriting Agency Limited (CGUAL) also remains committed to staff training, with a number of employees studying for professional qualifications in disciplines including accountancy, actuarial, insurance and law.

The health, safety, and welfare of our employees, and the people they have contact with, is of paramount importance to us. The People and Culture Working Group has been set up to ensure the continual wellbeing of our employees.

### Principle Risks and Uncertainties

The Syndicate is exposed to a variety of risks when undertaking the activities associated with the running of the business. The Board has policies and procedures in place to identify and manage the risks to the Syndicate. The key risks to the Syndicate are: Insurance risk, Concentration risk, Financial risk, Credit risk, Liquidity risk, Market risk, Interest rate risk, Currency risk, and Operational risk.

Climate change may adversely impact our results of operations and/or our financial position. Global climate change from rising planet temperatures over the last several decades has been linked to a number of factors that contribute to the increased unpredictability, frequency, duration and severity of weather events, including: changing weather patterns, a rise in ocean temperatures and sea level rise. Further increases or persistence in these conditions would lead to higher overall losses, which we may not be able to recoup, particularly in a highly regulated and competitive environment, and higher reinsurance costs. Certain catastrophe models assume an increase in frequency and severity of certain weather or other events, which could result in a disproportionate impact on insurers with certain geographic concentrations of risk. This would also likely increase the risks of writing property



insurance in coastal areas or areas susceptible to wildfires or flooding, particularly in jurisdictions that restrict pricing and underwriting flexibility. The threat of rising seas or other catastrophe losses as a result of global climate change may also cause property values in coastal or such other communities to decrease, reducing the total amount of insurance coverage that is required.

The board will continue to monitor the current crisis in Ukraine and its potential implications for the Syndicate.

Definitions of these risks and further explanation on how they affect the Syndicate are detailed in Note 4 on page 35.

#### **Corporate Governance and Risk Management**

Reporting to the Board are a number of sub-committees each with written terms of reference which consider, monitor and report on aspects of the Managing Agency's business. The Board retains overall responsibility for the Syndicate's business.

The Managing Agency maintains a risk framework for the identification, assessment, management and monitoring of the risks to which it is exposed across all aspects of its day-to-day business operations, and it maintains a risk register based on the output of this framework. The risk framework encompasses all core risk areas in the business. Various controls operate in respect of these risk areas, and their performance and continued suitability are monitored via the Risk Function and are overseen by the relevant sub-committee, or the board and through the use of key risk and control indicators.

#### **Audit and Compliance Committee**

The Audit Committee has the delegated authority of the Board to consider all aspects and matters pertaining to the internal and external audit of the Managing Agency and the managed Syndicate. This includes an assessment of the performance, effectiveness and suitability of these functions. All members of this committee are independent non-executive directors.

#### **Risk Committee**

The Risk Committee has the delegated authority of the Board to consider all aspects and matters pertaining to the identification, assessment, monitoring and mitigation of risk within the Managing Agency and the managed Syndicate. This includes an assessment of the performance, effectiveness and suitability of the risk management function and the risk framework. The Risk Committee is responsible for the consideration of operational risk issues and maintains the Managing Agency's risk register. Environmental, social and governance issues are also reviewed by the Committee.

#### **General Business Committee**

The General Business Committee has the delegated authority of the Board to consider matters defined by the Board or any matters that do not require consideration by the full Board. In general, the committee considers the more day-to-day administrative and operational issues relating to the Managing Agency and the managed Syndicate.

#### **Investment Committee**

The Investment Committee has the delegated authority of the Board to recommend, monitor and oversee the appropriateness of the investment policy, investment guidelines and performance measures for the managed

Syndicate; for assessing the performance, effectiveness and continued suitability of the investment managers; and for ensuring compliance with relevant rules and regulations. The Investment Committee has specific responsibility for the consideration of the market, liquidity and concentration risk relating to the investment of the managed Syndicate's assets.

The Committee also assesses the suitability of the portfolio from a prudent principle, and an environmental, social, and governance perspective.

#### Claims Committee

The Claims Committee has responsibility for reviewing and monitoring all aspects of the managed Syndicate's claims performance and claims service delivery.

#### Reserving Committee

The Reserving Committee assists the Board in reviewing and approving the quarterly reserves of the Syndicate for UK GAAP and Solvency II.

#### Underwriting Committee

The Underwriting Committee has the delegated authority of the Board to consider, monitor and review all aspects of the underwriting and reinsurance strategy, management and performance of the managed Syndicate. This includes environmental, social, and governance considerations, particularly around policies with exposure to fossil fuels. The Underwriting Committee considers insurance and reinsurance risks.

#### Remuneration Committee

The Remuneration Committee has the delegated authority of the Board to support and assist the Agency in its objective to determine and oversee the appropriateness of the policy and framework which can attract and retain the right talents. As such, the Remuneration Committee oversees the determination of the remuneration, benefits and bonus arrangements of the senior executives and officers of the Managing Agency and the managed Syndicate, for the review and approval of the general level of remuneration and benefits for other staff and for ensuring that remuneration arrangements are consistent with principles of sound risk management and corporate governance.

#### Product Oversight and Governance Committee

The Product Oversight and Governance (POG) committee has the delegated authority of the Board to provide guidance and critical assessment of conduct risk issues thereby ensuring compliance with Lloyd's and the FCA's principles concerning conduct, and to assist the Board in this regard. As such, the POG supports the Board in establishing a positive corporate culture in respect of Conduct Risk which ensures that customers are treated fairly at all times.

#### People and Culture Working Group

The People and Culture Working Group reports directly to the Board. Its goal is to promote the development of our employees, and ensure their continued wellbeing.

## Report of the directors of the managing agent for the year ended 31 December 2023 *continued*

### Future Developments

The Board is committed to continuing to grow and diversify the business in the coming years. The Syndicate has commenced underwriting Construction business in 2024 and has approval from Lloyd's in the Syndicate Business Forecast to underwrite Marine Cargo. The Board will continue to explore opportunities as and when they arise.

### Directors

The directors and officers of the Managing Agent who held office up to the date of the signing of the balance sheet were as follows:

#### *Directors:*

T.C. Cracas	<i>(non-executive)</i>
D.C. Eales	
M.A. Langston	
R.A. Pexton	<i>(non-executive chairman)</i>
G.M. Tuck	
G.A.M. Bonvarlet	<i>(non-executive)</i>
R.B. Scott	<i>(non-executive)</i>

### Company secretary

S. Kaur	<i>(resigned 29 December 2023)</i>
R. Allibone	<i>(appointed 22 February 2024)</i>

### Syndicate annual general meeting

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) CGUAL does not propose holding a Syndicate Annual General Meeting of the members of the Syndicate. Members may object to this proposal within 21 days of the issue of these accounts. Any such objection should be addressed to G. M. Tuck, Chief Finance Officer, at the registered office of Cincinnati Global Underwriting Agency Limited.

### Auditor

Deloitte LLP were appointed on the 31 July 2019.

Pursuant to Section 14(2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and Deloitte LLP will therefore continue in office.

### Statement as to disclosure of information to auditors

The directors of the Managing Agent at the date of this report have individually taken all the necessary steps to make themselves aware, as directors, of any relevant audit information and to establish that the Syndicate auditors are aware of that information. As far as the directors are aware, there is no relevant audit information of which the Syndicate auditors are unaware. The directors are satisfied with the Syndicate's ability to continue being a going concern in the future.

### G. M. Tuck

*Chief Finance Officer*

Cincinnati Global Underwriting Agency Limited  
One Minster Court  
London EC3R 7AA

Approved by the Board of Cincinnati Global Underwriting Agency Limited on 22 February 2024

The directors of the Managing Agent are 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 directors of the managing agent to prepare their Syndicates' annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these financial statements, the directors of the managing agent are 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 annual accounts;
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

**G. M. Tuck**

*Chief Finance Officer* (on behalf of the board)

Cincinnati Global Underwriting Agency Limited  
One Minster Court  
London EC3R 7AA

Approved by the Board of Cincinnati Global Underwriting Agency Limited on 22 February 2024

## Independent auditor's report to the Members of Syndicate 318

### Report on the audit of the syndicate annual financial statements

#### Opinion

In our opinion the syndicate annual financial statements of Syndicate 318 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; 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 financial statements which comprise:

- the statement of profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in members' balances;
- the statement of cash flows; and
- the related notes 1 to 23.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The

Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

#### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

#### Conclusions relating to going concern

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

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

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

### Other information

The other information comprises the information included in the annual report, other than the syndicate annual financial statements and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual financial statements or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

### Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual financial statements, the managing agent is responsible

for assessing the syndicate's ability to continue in operation, disclosing, as applicable, matters related to the syndicate's ability to continue in operation and to use the going concern basis of accounting unless the managing agent intends to cease the syndicate's operations, or has no realistic alternative but to do so.

### Auditor's responsibilities for the audit of the syndicate annual financial statements

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

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

### Extent to which the audit was considered capable of detecting irregularities, including fraud

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



We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial, and IT specialists regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the technical provisions for claims outstanding and the incurred but not reported balance, and our procedures performed to address it are described below:

- obtaining an understanding of and testing the relevant controls related to claim and reserves business processes;
- assessing the appropriateness of

management's methodologies and the reasonableness of assumptions;

- testing of data integrity utilised in the estimation process;
- assessing the reasonableness of the inputs in management's models and claim file documents that support the data and assumptions;
- benchmarking catastrophe events and considering the consistency with recent claims experience and more widely available market data and trends;
- inspecting the application of the methodology within the models to assess whether they are operating as intended; and
- assessing the appropriateness of the disclosures relating to the significant estimation uncertainty over the valuation of the technical provisions.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;

- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business;
- enquiring of management, concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Lloyd's, FCA and the PRA.

#### Report on other legal and regulatory requirements

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

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

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

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified

any material misstatements in the managing agent's report.

#### Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

#### Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Ben Newton ACA (Senior statutory auditor)**  
**For and on behalf of Deloitte LLP**  
**Statutory Auditor**

London, United Kingdom  
 27 February 2024



## Statement of profit or loss and total comprehensive income for the year ended 31 December 2023

### Technical account – general business

	Note	2023 £000	2022 £000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	5	289,788	250,390
Outward reinsurance premiums		(48,989)	(41,241)
Change in the provision for unearned premiums			
Gross amount		(12,017)	(21,851)
Reinsurers' share		(175)	687
	17	228,607	187,985
<b>Allocated investment return transferred from the non-technical account</b>	10	12,726	209
<b>Other technical income, net of reinsurance</b>		–	–
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross amount	5	(120,309)	(105,810)
Reinsurers' share		26,951	13,029
	17	(93,358)	(92,781)
Change in the provision for claims			
Gross amount	5	39,441	(45,004)
Reinsurers' share		(35,893)	36,820
		3,548	(8,184)
		(89,810)	(100,965)
<b>Net operating expenses</b>	7	(83,706)	(62,384)
<b>Balance on the technical account – for general business</b>		67,817	24,845

All items relate only to continuing operations.

The notes on pages 29 to 62 form part of these accounts.

## Non-technical account

	Note	2023 £000	2022 £000
<b>Balance on the general business technical account</b>		67,817	24,845
Investment income	10	7,723	3,196
Realised gains on investments		363	6
Unrealised gains on investments		4,844	—
Realised losses on investments		—	(1,360)
Unrealised losses on investments		—	(1,483)
Investment expenses and charges		(204)	(150)
Allocated investment return transferred to general business technical account	10	(12,726)	(209)
(Loss)/profit on foreign exchange		(1,440)	932
<b>Profit for the financial year</b>		66,377	25,777
Other comprehensive income – currency translation		(2,061)	(813)
<b>Total comprehensive income</b>		64,316	24,964

The notes on pages 29 to 62 form part of these accounts.

## Balance sheet as at 31 December 2023

	Note	2023 £000	2022 £000
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	11	281,801	215,551
Deposits with ceding undertakings		4	80
		281,805	215,631
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	17	8,304	8,880
Claims outstanding		44,186	83,679
		52,490	92,559
<b>Debtors</b>			
Debtors arising out of direct insurance operations	12	68,364	60,959
Debtors arising out of reinsurance operations	13	12,241	12,435
Other debtors		1,225	8,468
		81,830	81,862
<b>Other assets</b>			
Cash at bank and in hand	19	2,934	2,352
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	14	26,482	25,534
Other prepayments and accrued income		2,135	1,453
		28,617	26,987
<b>Total assets</b>		<b>447,676</b>	<b>419,391</b>

The notes on pages 29 to 62 form part of these accounts.

	Note	2023 £000	2022 £000
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Members' balances		72,924	11,245
<b>Technical provisions</b>			
	17		
Provision for unearned premiums		116,816	109,956
Claims outstanding		217,138	268,965
		333,954	378,921
<b>Creditors</b>			
Creditors arising out of direct insurance operations	18	609	1,320
Creditors arising out of reinsurance operations	18	15,113	15,738
Other creditors including taxation and social security	18	6,759	8,711
Accruals and deferred income		18,317	3,456
		40,798	29,225
<b>Total liabilities</b>		<b>447,676</b>	<b>419,391</b>

The financial statements on pages 22 to 62 were approved by the Board of Cincinnati Global Underwriting Agency Limited on 22 February 2024 and were signed on its behalf by

**D. C. Eales**  
Chief Executive Officer

**G. M. Tuck**  
Chief Finance Officer

27 February 2024

The notes on pages 29 to 62 form part of these accounts.

## Statement of changes in members' balances for the year ended 31 December 2023

	2023 £000	2022 £000
Members' balances brought forward at 1 January	11,245	(7,719)
Profit for the year	66,377	25,777
Other comprehensive income – currency translation	(2,061)	(813)
Members' agents fees	(126)	(108)
Payments of (profits) to members' personal reserve fund	(2,511)	(5,892)
<b>Members' balances carried forward at 31 December</b>	<b>72,924</b>	<b>11,245</b>

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

The notes on pages 29 to 62 form part of these accounts.

## Statement of cash flows for the year ended 31 December 2023

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	Note	2023 £000	2022 £000
<b>Cash flows from operating activities</b>			
Profit for the year		66,377	25,777
<b>Adjustments:</b>			
Net Unrealised loss/(gain) on other financial instruments including foreign exchange		10,855	(17,625)
Interest received		(12,726)	(209)
Other comprehensive income – currency translation		(2,061)	(813)
<b>Movements in operating assets and liabilities:</b>			
Decrease/(increase) in reinsurers share of technical provisions		40,069	(44,370)
Increase in deferred acquisition costs		(948)	(6,794)
Increase in debtors, subrogation and salvage and prepayments		(650)	(28,638)
(Decrease)/increase in technical provisions		(44,967)	98,931
(Decrease)/Increase in creditors		(3,288)	6,730
Increase in accruals and deferred income		14,861	2,102
<b>Net cash inflow from operating activities</b>		<b>67,522</b>	<b>35,091</b>
<b>Cash flows from investing activities</b>			
Net interest and dividends receivable	10	12,726	209
Acquisitions of other financial instruments		(213,672)	(174,313)
Proceeds from the sale of other financial instruments		136,643	134,050
<b>Net cash (outflow) from investing activities</b>		<b>(64,303)</b>	<b>(40,054)</b>

The notes on pages 29 to 62 form part of these accounts.

## Statement of cash flows for the year ended 31 December 2023 *continued*

	Note	2023 £000	2022 £000
<b>Cash flow from financing activities:</b>			
Transfer to members in respect of underwriting participations		(2,511)	(5,892)
Members' agents' fees paid on behalf of members		(126)	(108)
<b>Net cash (outflow) from financing activities</b>		<b>(2,637)</b>	<b>(6,000)</b>
<b>Net increase/(decrease) in cash and cash equivalents</b>			
		582	(10,963)
Cash and cash equivalents at 1 January		2,352	13,315
<b>Cash and cash equivalents at 31 December</b>	19	<b>2,934</b>	<b>2,352</b>

The notes on pages 29 to 62 form part of these accounts.

**1****(a) Basis of preparation**

Syndicate 318 ("The Syndicate") comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's Managing Agent is Cincinnati Global Underwriting Agency Limited, Third Floor, One Minster Court, Mincing Lane, London, EC3R 7AA. Cincinnati Global Underwriting Agency Limited is registered in England and Wales.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland ("FRS 102"), and Financial Reporting Standard 103 Insurance Contracts ("FRS 103").

The Syndicate has financial resources available, based on the latest cash flow forecasts, for a period covering at least 12 months from the date of approval of these financial statements, taking into account its ability to call future losses from its capital providers to meet its liabilities as they fall due. As a consequence, taking this into account together with the Syndicate's ability to manage its business risks in the current economic climate, that it remains appropriate for these financial statements to have been prepared on a going concern basis.

**(b) Going concern**

The Board of CGUAL has a reasonable expectation that the Syndicate has adequate resources to continue underwriting for the foreseeable future. The Board are satisfied that with the Syndicate's ability to continue being a going concern in the future.

**2 Critical accounting judgements and key sources of estimation uncertainty**

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

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

**Critical accounting judgements**

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

**Key sources of estimation uncertainty**

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year, are considered to be claims liabilities and unearned premiums. Note 4 gives further sensitivity analysis into the impact of these risks.



## 2 Use of judgments and estimates *continued*

### Estimation of claims

The measurement of the provision for claims outstanding involves estimates and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

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

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

In arriving at the level of claims provisions, a Board approved margin is applied over and above the actuarial best estimate.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

### Estimation of premiums

The measurement of premiums written in the year involves estimates on the amounts of premiums written but not signed to the Syndicate until after the balance sheet date.

The estimation of unearned premiums, includes estimates made on the allocation of premiums between accounting periods based on the profile of the underlying risks associated with the policy, and accordingly how the premium is recognised as earned.

## 3 Accounting policies

The financial statements have been prepared on an annual basis of accounting, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance as follows:

### 3 Accounting policies *continued*

#### (a) Premiums written

Premiums written comprise premiums on contracts which inceptioned during the financial year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified, as well as adjustments made in the year to premiums written in prior accounting periods.

#### (b) Unearned premiums

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate. For certain policies, the earnings of premiums are accelerated or delayed to reflect the seasonality of losses on the underlying exposures.

#### (c) Reinsurance premiums ceded

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

#### (d) Claims Incurred

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

#### (e) Claims provisions and related recoveries

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

The amount included in respect of IBNR is based on statistical techniques and professional expertise judgements applied by the Managing Agency's management and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time, to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs.

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

Accordingly, the most critical assumption in regards to claims provisions is that the past is a reasonable predictor of the likely level of claims development. The estimation of IBNR is considered to be a key area of uncertainty for the Syndicate.

### 3 Accounting policies *continued*

#### (e) Claims provisions and related recoveries *continued*

It is considered that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability will vary as a result of subsequent information and events, and this may result in significant adjustments to the amounts provided. Adjustments to the amount of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

#### (f) Unexpired risks provision

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

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

#### (g) Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new and renewal insurance and reinsurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

#### (h) Foreign currencies

Transactions in foreign currencies are translated into the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. The Syndicate's functional currency is US dollars. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated into the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to insurance operations are included in the non-technical account.

Syndicate assets and liabilities are translated into Sterling at the rates of exchange at the balance sheet date. Differences arising on translation of functional currency amounts into Sterling presentational currency are included in other comprehensive income.

#### (i) Financial assets and liabilities

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

### 3 Accounting policies *continued*

#### (i) Financial assets and liabilities *continued*

##### *Classification*

The accounting classification of financial assets and liabilities determines how they are measured, and changes in those values are presented in the statement of profit or loss. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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

The Syndicate does not hold financial assets or financial liabilities for trading purposes, although derivatives (assets or liabilities) held by the Syndicate are categorised as held for trading.

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

##### *Recognition*

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

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

##### *Measurement*

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

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

##### *Identification and measurement of impairment*

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

### 3 Accounting policies *continued*

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

#### *Off-setting*

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

#### *(j) Investment return*

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year on all the Syndicate's investments is allocated to open years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

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

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

#### *(k) Cash and cash equivalents*

Cash and cash equivalents comprise of cash balances held in current accounts at year end, and are used by the Syndicate in the management of its short term commitments.

#### *(l) 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.

### 3 Accounting policies *continued*

#### (l) Taxation *continued*

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

No provision has been made for any other overseas tax payable by members on underwriting results.

#### (m) Pension costs

The intermediate parent company of the Managing Agent operates a defined contribution pension scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

#### (n) Operating lease rentals

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

#### (o) Net operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of the Syndicate, the amounts in question are apportioned using varying methods depending on the expense type. Expenses which are incurred jointly for the Managing Agent and Syndicate are apportioned depending on the amount of work performed, resources used and the volume of business transacted. Net operating expenses are allocated to the year of account for which they are incurred.

## 4 Risk and capital management

### Introduction and overview

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

### Risk management framework

The Board of Directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. The Risk Committee has delegated oversight of the management of aspects of financial risks to the Investment Committee, which is responsible for developing and monitoring financial risk management policies. The Underwriting Committee monitors the Syndicate's premium income, pricing, and terms and conditions.

The Risk Committee, Underwriting Committee, Reserving Committee, Audit and Compliance Committee and the Investment Committee report regularly to the Board of Directors on their activities.

The risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

#### 4 Risk and capital management *continued*

##### Insurance Risk

##### Management of insurance risk

A key component of the management of underwriting risk for the Syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes underwriting limits on the Syndicate's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well diversified book is maintained with no excessive exposure in any one geographical region.

Contracts can contain a number of features which help to manage the underwriting risk, such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one event, including excess of loss and catastrophe reinsurance. Where an individual exposure is deemed surplus to the Syndicate's appetite, additional facultative reinsurance is also purchased. The Syndicate also purchases quota share and excess of loss reinsurance at selected sub account levels.

The Reserving Committee oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

The Managing Agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. This exercise aims to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed annually by external consulting actuaries.

The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review, the Reserving Committee makes recommendations to the Managing Agent's Board of Directors of the claims provisions to be established.

#### 4 Risk and capital management *continued*

##### Concentration of insurance risk

The Syndicate's exposure to insurance risk is fairly well diversified, although does have a concentration in the US. The following table provides an analysis of the geographical breakdown of its written premiums by class of business.

2023

	Motor £000	Marine, aviation and transport £000	Fire and other damage to property £000	Credit and suretyship £000	Legal expenses £000	Third party liability £000	Total £000
UK	–	29	4,521	5,423	1,668	2,562	14,203
US	477	909	191,018	11,431	–	–	203,835
Other Europe	220	285	5,199	6,241	–	5,174	17,119
Canada	–	20	9,065	322	–	–	9,407
Rest of World	–	867	38,609	5,701	–	47	45,224
Total	697	2,110	248,412	29,118	1,668	7,783	289,788

2022

	Motor £000	Marine, aviation and transport £000	Fire and other damage to property £000	Credit and suretyship £000	Legal expenses £000	Third party liability £000	Total £000
UK	–	–	2,966	5,192	–	–	8,158
Other Europe	–	112	5,538	3,038	–	–	8,688
US	1,164	374	165,278	8,318	–	–	175,134
Canada	–	46	10,158	128	–	–	10,332
Rest of World	–	516	40,603	6,959	–	–	48,078
Total	1,164	1,048	224,543	23,635	–	–	250,390

##### Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising or earning the premiums. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten. For claims liabilities it can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR). A five per cent increase or decrease in the ultimate cost of settling claims arising is considered to be not unreasonable at the reporting date.

For premiums it can arise from market conditions, rates and capacity in the market. A five percent increase or decrease in the ultimate premiums is considered to be not unreasonable at the reporting date.



## Notes to the financial statements for the year ended 31 December 2023 *continued*

### 4 Risk and capital management *continued*

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	2023 5 per cent increase £000	5 per cent decrease £000	2022 5 per cent increase £000	5 per cent decrease £000
Motor	(26)	26	(11)	11
Marine, aviation and transport	(206)	206	(244)	244
Fire and other damage to property	(8,042)	8,042	(8,288)	8,288
Credit & suretyship	(389)	389	(389)	389
Third party liability	(157)	157	(60)	60
Legal expenses	(3)	3	—	—
<b>Total</b>	<b>(8,823)</b>	<b>8,823</b>	<b>(8,992)</b>	<b>8,992</b>

A five percent increase or decrease in Unearned premiums would have the following effect on profit or loss and equity:

	2023 5 per cent increase £000	5 per cent decrease £000	2022 (restated) 5 per cent increase £000	5 per cent decrease £000
Motor (other classes)	(25)	25	(36)	36
Marine, aviation and transport	(24)	24	(41)	41
Fire and other damage to property	(4,221)	4,221	(4,324)	4,324
Credit & suretyship	(816)	816	(659)	659
Third party liability	(256)	256	—	—
Legal expenses	(52)	52	—	—
<b>Total</b>	<b>(5,394)</b>	<b>5,394</b>	<b>(5,060)</b>	<b>5,060</b>

Sensitivity analysis on Unearned Premium for 2022 of £6.99m has been restated to £5.06m owing to a change in methodology.

### Financial risk

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

#### 4 Risk and capital management *continued*

##### Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation.

The Syndicate is exposed to credit risk in respect of the following:

- debt securities and derivative financial instruments;
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- cash and cash equivalents; and
- other debtors and accrued interest.

The nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

##### Management of credit risk

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Syndicate has a policy of investing mainly in higher graded securities. The performance of these investments are reviewed regularly by the investment committee.

The Syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty, and maintains an authorised list of acceptable cash counterparties.

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored by the individual business units as part of their credit control processes.

All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored regularly.

The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of reinsurer default is regularly assessed and managed accordingly.

## Notes to the financial statements for the year ended 31 December 2023 *continued*

### 4 Risk and capital management *continued*

#### Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not hold any collateral as security or purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and other debtors that are neither past due, nor impaired.

2023	AAA £000	AA £000	A £000	BBB £000	>BBB £000	Not rated £000	Total £000
<b>Financial investments</b>							
Debt securities	30,643	91,434	81,502	24,770	—	959	229,308
Shares and other variable yield							
securities and units in unit trusts	21,825	16,805	—	—	—	2,516	41,146
Deposits with credit institutions	4	—	—	—	—	—	4
Deposits with ceded undertakings	3,781	598	581	481	1,055	4,851	11,347
	56,253	108,837	82,083	25,251	1,055	8,326	281,805
Reinsurers' share of technical							
provisions	—	13,080	24,475	—	(14)	6,645	44,186
Direct insurance debtors	—	—	—	—	—	68,364	68,364
Debtors arising out of reinsurance							
operations	—	2,509	7,950	—	33	627	11,119
Other debtors	—	—	—	—	—	1,225	1,225
Cash at bank and in hand	—	—	2,934	—	—	—	2,934
<b>Total</b>	56,253	124,426	117,442	25,251	1,074	85,187	409,633

The debtors arising from reinsurance operations excludes accepted reinsurance debtors of £1.1m.

#### 4 Risk and capital management *continued*

2022	AAA £000	AA £000	A £000	BBB £000	>BBB £000	Not rated £000	Total £000
<b>Financial investments</b>							
Debt securities	79,741	18,541	64,564	8,165	—	—	171,011
Shares and other variable yield securities and units in unit trusts	9,809	20,302	—	—	—	2,407	32,518
Deposits with credit institutions	80	—	—	—	—	—	80
Deposits with ceded undertakings	4,066	915	790	574	2,296	3,381	12,022
	93,696	39,758	65,354	8,739	2,296	5,788	215,631
Reinsurers' share of technical provisions	—	19,031	42,118	—	(2)	22,532	83,679
Direct insurance debtors	—	—	—	—	—	60,959	60,959
Debtors arising out of reinsurance operations	—	4,103	5,675	—	23	1,854	11,655
Other debtors	—	—	—	—	—	8,468	8,468
Cash at bank and in hand	—	—	2,352	—	—	—	2,352
<b>Total</b>	<b>93,696</b>	<b>62,892</b>	<b>115,499</b>	<b>8,739</b>	<b>2,317</b>	<b>99,601</b>	<b>382,744</b>

The debtors arising from reinsurance operations excludes accepted reinsurance debtors of £0.8m.

#### Financial assets that are past due or impaired

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amounts owed to the Syndicate.

An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

2023	Current £000	0-3 months £000	3-6 months £000	6-12 months £000	> 12 months £000	Impaired £000	Total £000
Receivables from direct insurance	41,986	11,185	9,965	4,849	379	—	68,364
Reinsurer's share of claims outstanding	44,186	—	—	—	—	—	44,186
Receivables from reinsurance	11,119	—	—	—	—	—	11,119
Other debtors	1,225	—	—	—	—	—	1,225

The debtors arising from reinsurance operations excludes accepted reinsurance debtors of £1.1m.

2022	Current £000	0-3 months £000	3-6 months £000	6-12 months £000	> 12 months £000	Impaired £000	Total £000
Receivables from direct insurance	50,893	2,028	1,573	3,872	2,590	—	60,956
Reinsurer's share of claims outstanding	83,679	—	—	—	—	—	83,679
Receivables from reinsurance	11,655	—	—	—	—	—	11,655
Other debtors	8,468	—	—	—	—	—	8,468

The debtors arising from reinsurance operations excludes accepted reinsurance debtors of £0.8m.

#### 4 Risk and capital management *continued*

##### Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

##### Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation.

The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised regularly to predict cash outflows from insurance contracts over the short, medium and long term;
- The Syndicate purchases assets with aggregate durations not greater than its estimated insurance contract outflows;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements;
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts; and
- The Syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

#### 4 Risk and capital management *continued*

The maturity analysis presented in the table below shows the remaining contractual maturities for the Syndicate's insurance contracts and financial instruments. For insurance contracts, the contractual maturity date is the estimated date when the gross undiscounted contractually required cash flows will occur. For financial assets and liabilities, it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date.

2023	Undiscounted net cash flows					
	Carrying amount £000	Total cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
<b>Financial investments:</b>						
Shares and other variable yield securities and units in unit trusts	41,146	41,146	41,146	—	—	—
Debt securities	229,308	232,334	122,323	73,060	36,670	281
Deposits with credit institutions	11,347	11,347	11,347	—	—	—
Reinsurers share of technical provisions	52,490	52,490	23,270	23,443	5,017	760
Debtors	81,830	81,830	81,830	—	—	—
Cash at bank and in hand	2,934	2,934	2,934	—	—	—
Deposits with ceded undertakings	4	4	4	—	—	—
<b>Total assets</b>	<b>419,059</b>	<b>422,085</b>	<b>282,854</b>	<b>96,503</b>	<b>41,687</b>	<b>1,041</b>
Technical provisions	333,954	333,954	109,323	169,873	41,834	12,924
Creditors	22,481	22,481	22,481	—	—	—
<b>Total liabilities</b>	<b>356,435</b>	<b>356,435</b>	<b>131,804</b>	<b>169,873</b>	<b>41,834</b>	<b>12,924</b>

## Notes to the financial statements for the year ended 31 December 2023 *continued*

### 4 Risk and capital management *continued*

2022

2022	Undiscounted net cash flows					
	Carrying amount £000	Total cash flows £000	Less than 1 year £000	1-2 years £000	2-5 years £000	More than 5 years £000
<b>Financial investments:</b>						
Shares and other variable yield securities and units in unit trusts	32,518	32,518	32,518	—	—	—
Debt securities	171,011	176,910	100,885	68,265	7,760	—
Deposits with credit institutions	12,022	12,022	12,022	—	—	—
Reinsurers share of technical provisions	92,559	92,559	30,422	47,886	12,276	1,975
Debtors	81,862	81,862	81,862	—	—	—
Cash at bank and in hand	2,352	2,352	2,352	—	—	—
Deposits with ceded undertakings	80	80	80	—	—	—
Total assets	392,404	398,303	260,141	116,151	20,036	1,975
Technical provisions	378,921	378,921	115,536	199,922	48,358	15,105
Creditors	25,769	25,769	25,769	—	—	—
Total liabilities	404,690	404,690	141,305	199,922	48,358	15,105

Total cash flows detailed in the tables above for investments are the sum of all future interest receipts and repayment of principal at maturity of the underlying securities. The carrying amount is the current market value for the securities and includes accrued interest at the balance sheet date.

Cash can be realised through the sale of the Syndicate's investments in debt securities, the majority of which are actively traded. The disclosure does not take account of premiums received from new business written which can be used to pay claims arising.

#### Market risk

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

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

#### Management of market risks

For each of the major components of market risk, the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of market risk and the exposure of the Syndicate at the reporting date to each major risk is addressed as follows:

#### 4 Risk and capital management *continued*

##### Interest rate risk

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis, except for the overseas deposits.

##### Currency risk

The Syndicate writes business primarily in Sterling, US dollar and Canadian dollar and is therefore exposed to currency risk arising from fluctuations in the exchange rates of Sterling against these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled in order to hedge the currency risk inherent in these contracts. In addition, the Syndicate will from time to time enter into currency forward contracts which materially hedge the long position on US dollars. At 31 December 2023, there were no forward contracts in place (31 December 2022 £Nil).

The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date.

2023	Sterling £000	US dollar £000	Canadian dollar £000	Other £000	Total £000
<b>Financial investments</b>					
Shares and other variable yield					
securities and units in unit trusts	2,516	26,870	11,760	–	41,146
Debt securities and other fixed					
income securities	–	229,308	–	–	229,308
Deposits with credit institutions	–	1,584	1,993	7,770	11,347
Deposits with ceded undertakings	2	2	–	–	4
	2,518	257,764	13,753	7,770	281,805
Reinsurers' share of technical provisions	3,856	48,556	78	–	52,490
Debtors	13,874	64,402	3,554	–	81,830
Other assets	2,934	–	–	–	2,934
Prepayments and accrued income	10,408	17,315	894	–	28,617
<b>Total assets</b>	<b>33,590</b>	<b>388,037</b>	<b>18,279</b>	<b>7,770</b>	<b>447,676</b>
Technical provisions	45,544	275,834	12,576	–	333,954
Creditors	9,768	12,565	148	–	22,481
Accruals and deferred income	18,317	–	–	–	18,317
<b>Total liabilities</b>	<b>73,629</b>	<b>288,399</b>	<b>12,724</b>	<b>–</b>	<b>374,752</b>
<b>Net assets</b>	<b>(40,039)</b>	<b>99,638</b>	<b>5,555</b>	<b>7,770</b>	<b>72,924</b>



## Notes to the financial statements for the year ended 31 December 2023 *continued*

### 4 Risk and capital management *continued*

2022	Sterling £000	US dollar £000	Canadian dollar £000	Other £000	Total £000
Shares and other variable yield securities and units in unit trusts	2,407	14,891	15,220	–	32,518
Debt securities and other fixed income securities	–	171,011	–	–	171,011
Deposits with credit institutions	–	1,707	2,075	8,240	12,022
Deposits with ceded undertakings	76	4	–	–	80
	2,483	187,613	17,295	8,240	215,631
Reinsurers' share of technical provisions	4,947	87,556	56	–	92,559
Debtors	9,513	68,260	4,089	–	81,862
Other assets	2,352	–	–	–	2,352
Prepayments and accrued income	7,316	18,665	1,006	–	26,987
Total assets	26,611	362,094	22,446	8,240	419,391
Technical provisions	40,908	324,142	13,871	–	378,921
Creditors	9,398	16,295	76	–	25,769
Accruals and deferred income	3,456	–	–	–	3,456
Total liabilities	53,762	340,437	13,947	–	408,146
Net assets	(27,151)	21,657	8,499	8,240	11,245

#### Equity price risk

The Syndicate does not hold any equities which are subject to equity price risk.

#### Sensitivity analysis to market risks for financial instruments

An analysis of the Syndicate's sensitivity to interest rate, currency and other price risk is presented in the table overleaf. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

#### 4 Risk and capital management *continued*

	2023 Profit or loss for the year £000	2022 Profit or loss for the year £000
<b>Interest rate risk</b>		
+ 50 basis points shift in yield curves	(1,376)	(1,006)
– 50 basis points shift in yield curves	1,376	1,006
<b>Currency risk</b>		
10 percent increase in GBP/US dollar exchange rate	(9,964)	(2,166)
10 percent decrease in GBP/US dollar exchange rate	9,964	2,166

The impact of the reasonably possible changes in the risk variables on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in profit or loss.

A 10% increase (or decrease) in exchange rates and a 50 basis point increase (or decrease) in yield curves have been selected, on the basis that these are not considered to be unreasonable changes in the risk variables over the following year.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

The sensitivity analysis does not take into consideration that the Syndicate's financial investments are actively managed. Additionally, the sensitivity analysis is based on the Syndicate's financial position at the reporting date and may vary at the time that any actual market movement occurs. As investment markets move past pre-determined trigger points, action would be taken which would alter the Syndicate's position.

Whilst the actual currency movements in the year have been in excess of the thresholds above, we still consider a 10% currency risk variable to be reasonable in a normal year.

#### Capital management

##### Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

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

#### 4 Risk and capital management *continued*

Although, as described below, Lloyd's capital setting processes use capital obligations set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply only at overall and member level respectively, not at Syndicate level. Accordingly, the capital requirement in respect of Syndicate 318 is not disclosed in these financial statements.

##### Lloyd's capital setting process

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

A Syndicate comprises one or more underwriting members of Lloyd's. Each member is liable for its share of underwriting liabilities on the Syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operate on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate's 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 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's and not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2024 was maintained at 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), assets held 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. Syndicate 318 is not a wholly aligned Syndicate, and not permitted to hold funds in Syndicate.

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the balance sheet on page 25, represent resources available to meet members' and Lloyd's capital requirements.

## 5 Analysis of underwriting result

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

2023	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
<b>Direct insurance:</b>						
Motor (other classes)	688	927	(620)	(349)	248	206
Marine aviation and transport	1,310	1,589	74	(784)	(411)	469
Fire and other damage to property	192,865	184,227	(55,472)	(53,617)	(47,836)	27,303
Credit and suretyship	28,510	25,040	(7,191)	(9,095)	(5,492)	3,262
Third party liability	8,308	3,172	(2,058)	(1,510)	(211)	(607)
Legal expenses	1,647	599	(62)	(290)	–	246
	233,328	215,554	(65,329)	(65,645)	(53,701)	30,879
Reinsurance acceptances	56,460	62,217	(15,539)	(18,061)	(4,405)	24,212
<b>Total</b>	<b>289,788</b>	<b>277,771</b>	<b>(80,868)</b>	<b>(83,706)</b>	<b>(58,106)</b>	<b>55,091</b>

  

2022	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
<b>Direct insurance:</b>						
Motor (other classes)	1,164	800	(409)	(369)	39	61
Marine aviation and transport	514	337	(30)	(598)	(230)	(521)
Fire and other damage to property	161,552	152,909	(127,025)	(37,298)	13,969	2,555
Credit and suretyship	23,635	17,675	(8,891)	(14,447)	(4,327)	(9,991)
	186,866	171,720	(136,356)	(52,712)	9,451	(7,896)
Reinsurance acceptances	63,524	56,818	(12,140)	30,220	30,065	104,964
<b>Total</b>	<b>250,390</b>	<b>228,539</b>	<b>(148,495)</b>	<b>(22,492)</b>	<b>39,516</b>	<b>97,068</b>

All premiums were written in the UK. All net assets and profits are derived from UK business.

## Notes to the financial statements for the year ended 31 December 2023 *continued*

### 5 Analysis of underwriting result *continued*

#### Geographical analysis by risk location

	2023 Gross premiums written £000	2022 Gross premiums written £000
UK	14,203	16,798
US	203,835	170,045
Other	71,750	63,547
<b>Total</b>	<b>289,788</b>	<b>250,390</b>

### 6 Claims

Favourable movements of £7.7m, (2022: £14.2m), in the past year's provision for claims outstanding and IBNR, net of expected reinsurance recoveries, are included in claims incurred, net of reinsurance.

### 7 Net operating expenses

	2023 £000	2022 £000
<b>Acquisition costs:</b>		
Brokerage and commissions	51,518	49,415
Other acquisition costs	11,454	8,921
	62,972	58,336
Change in deferred acquisition costs	(1,937)	(5,057)
Administrative expenses	2,983	2,486
Members' standard personal expenses	19,688	6,619
<b>Net operating expenses</b>	<b>83,706</b>	<b>62,384</b>

Administrative expenses include:

	2023 £000	2022 £000
<b>Auditors' remuneration:</b>		
– fees payable to the Syndicate auditor for the audit of the Syndicate annual accounts	221	238
– audit related assurance services	109	90
– fees payable to the Syndicate auditor for the audit of the managing agent	25	25
	355	353

## 8 Key management personnel compensation

The directors of Cincinnati Global Underwriting Agency Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2023 £000	2022 £000
Directors' emoluments	795	815
Pension contributions	30	17
	825	832

The active underwriter received the following aggregate remuneration charged to the Syndicate and is not included within directors' emoluments above. Pension contributions detailed above are in respect of four directors of CGUAL.

	2023 £000	2022 £000
Emoluments	392	375
Pension contributions	—	—
	392	375

## 9 Staff numbers and costs

All staff are employed by the intermediate parent company of the Managing Agency. The following amounts were recharged to the Syndicate in respect of salary costs. Social security costs for 2022 of £1.389m have been restated to £1.040m as they erroneously included other staff related expenses in the comparative period.

	2023 £000	2022 (restated) £000
Wages and salaries	9,593	7,826
Social security costs	1,310	1,040
Other pension costs	761	610
	11,664	9,476

The average number of employees employed by the intermediate parent company of the Managing Agency but working for the Syndicate during the year was as follows:

	2023 No	2022 No
Administration and finance	28	25
Underwriting	28	23
Claims	13	10
	69	58

## Notes to the financial statements for the year ended 31 December 2023 *continued*

### 10 Investment return

The investment return transferred from the non-technical account to the technical account comprises the following:

	2023 £000	2022 £000
Investment income:		
Interest and dividend income	7,723	3,196
Realised gains	363	6
Unrealised gains on investments	4,844	–
Investment expenses and charges:		
Investment management expenses	(204)	(150)
Losses on the realisation of investments	–	(1,360)
Unrealised losses on investments	–	(1,483)
<b>Total investment return</b>	<b>12,726</b>	<b>209</b>

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2023 £000	2022 £000
Financial assets at fair value through profit or loss	12,930	359
Investment management expenses, excluding interest	(204)	(150)
<b>Total investment return</b>	<b>12,726</b>	<b>209</b>

The table below presents the average amounts of funds in the year per currency and analyses by major currency the average investment yields in the year.

	2023 £000	2022 £000
Average amount of Syndicate funds available for investment during the year		
Sterling	12,047	12,725
US dollar	221,594	166,493
Canadian dollar	14,358	17,415
<b>Total funds available for investment, in sterling</b>	<b>247,999</b>	<b>196,633</b>
<b>Total investment return</b>	<b>12,726</b>	<b>209</b>
Annual investment yield		
Sterling	2.35%	(1.62%)
US dollar	5.31%	0.08%
Canadian dollar	4.64%	1.60%
<b>Total annual investment yield, in sterling</b>	<b>5.21%</b>	<b>0.18%</b>

## 11 Financial investments

	Carrying value		Cost	
	2023 £000	2022 £000	2023 £000	2022 £000
Shares and other variable yield securities and units in unit trusts	41,146	32,518	41,146	32,518
Debt securities and other fixed income securities	229,308	171,011	224,985	172,386
<i>Government and supranational securities</i>	95,823	76,879	93,650	76,888
<i>Asset backed securities</i>	—	—	—	—
<i>Mortgage backed instruments</i>	271	535	274	546
<i>Corporate bonds</i>	133,214	93,597	131,061	94,952
Deposits with credit institutions	11,347	12,022	11,347	12,022
<b>Total financial investments</b>	<b>281,801</b>	<b>215,551</b>	<b>227,478</b>	<b>216,926</b>

The amount ascribable to listed investments is £229.3m (2022: £171.0m). All financial assets are measured at fair value through profit or loss.

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2 – Prices based on recent transactions in identical assets (either unadjusted or adjusted)
- Level 3 – Prices determined using a valuation technique. These are loans provided by Syndicate 318 to the Central Fund at Lloyd's in respect of the 2019 and 2020 underwriting years. These are due to be repaid to 2022 and 2023 underwriting years respectively, during 2024 and 2025. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and illiquidity risk of the instruments. The Syndicate loans have been classified as Level 3 investments because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow model. There is no market in which the instruments can be traded.



## Notes to the financial statements for the year ended 31 December 2023 *continued*

### 11 Financial investments *continued*

2023	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	20,067	18,563	2,516	41,146
Debt securities and other fixed income securities	67,018	162,290	–	229,308
Deposits with credit institutions	4,115	7,232	–	11,347
<b>Total</b>	<b>91,200</b>	<b>188,085</b>	<b>2,516</b>	<b>281,801</b>

2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Shares and other variable yield securities and units in unit trusts	6,616	23,495	2,407	32,518
Debt securities and other fixed income securities	48,923	122,088	–	171,011
Deposits with credit institutions	2,929	9,093	–	12,022
<b>Total</b>	<b>58,468</b>	<b>154,676</b>	<b>2,407</b>	<b>215,551</b>

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Shares and other variable securities and units in unit trusts are generally categorised as level 2 in the fair value hierarchy as generally they are actively traded and measured on prices of recent transactions in the same instrument. The syndicate has no exposure to hedge funds.

Debt securities and derivative financial assets are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Corporate bonds, including asset backed securities, that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

### 11 Financial investments *continued*

Level 3 comprises Syndicate Loans provided by the Syndicate to the Central Fund at Lloyd's in respect of the 2019 and 2020 underwriting years. These instruments are not tradeable and are valued using discounted cash flow models, designed to appropriately reflect the credit and illiquidity risk of the instruments.

The movement in the fair value of level 3 assets of (£0.1m) is entirely due to the change in the internal valuation of the Syndicate loans, with the movement being recognised through profit and loss. There were no purchases, sales, issues, settlements or transfers into or out of the Syndicate loans during the year.

### 12 Debtors arising out of direct insurance operations

	2023 £000	2022 £000
Amounts due from intermediaries:		
Due within one year	68,364	60,959
	68,364	60,959

### 13 Debtors arising out of reinsurance operations

	2023 £000	2022 £000
Amounts due within one year	12,241	12,435
	12,241	12,435

### 14 Deferred acquisition costs

The table below shows changes in deferred acquisition costs assets from the beginning of the period to the end of the period.

	2023 £000	2022 £000
Balance at 1 January	25,534	18,740
Incurred costs deferred	26,869	24,974
Amortisation	(24,932)	(19,917)
Effect of movements in exchange rates	(989)	1,737
<b>Balance at 31 December</b>	<b>26,482</b>	<b>25,534</b>

## Notes to the financial statements for the year ended 31 December 2023 *continued*

### 15 Profit by year of account development

Year of Account	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 agents fees £000	Profit/(loss) before members' agents fees £000
2018	(43,635)	10,234	18,184				(15,217)
2019		2,852	(17,555)	20,725			6,022
2020			(15,706)	10,886	7,452		2,632
2021				(8,559)	20,004	11,793	23,238
2022					(2,492)	24,783	
2023						27,740	
<b>Calendar year result</b>			(15,077)	23,052	24,964	64,316	

A payment of US\$29.4m to members will be paid in relation to the 2021 year of account (2022: US\$3.0m in relation to the 2020 year of account).

## 16 Claims development

Claims development on cumulative premiums earned is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2023 in all cases.

Pure underwriting year	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
Estimate of ultimate gross claims at end of											
underwriting year	54.5	47.1	69.6	189.5	100.9	42.7	71.1	70.5	96.2	52.9	
one year later	92.9	88.6	153.4	273.6	155.0	116.2	135.1	122.7	135.3		
two years later	84.3	83.7	148.9	275.0	149.2	107.4	137.1	110.9			
three years later	79.4	79.0	147.2	270.7	145.8	106.9	138.4				
four years later	77.9	78.8	147.3	264.9	144.1	106.2					
five years later	76.7	77.1	146.5	264.1	143.4						
six years later	75.8	76.3	147.9	264.2							
seven years later	75.3	75.8	147.8								
eight years later	74.9	75.8									
nine years later	74.6										
Less gross claims paid	72.6	74.6	141.8	258.0	132.9	90.9	112.0	75.8	70.6	11.5	
Gross ultimate claims reserve	2.0	1.2	6.0	6.2	10.5	15.3	26.4	35.1	64.7	41.4	208.8
Gross ultimate claims reserve for 2010 and prior years											8.3
Gross claims reserves											217.1

## Notes to the financial statements for the year ended 31 December 2023 *continued*

### 16 Claims development *continued*

Pure underwriting year	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
Estimate of ultimate net											
claims at end of											
underwriting year	52.3	46.4	68.4	110.3	95.2	41.6	68.5	58.8	68.9	50.6	
one year later	90.9	85.5	136.3	187.5	141.1	110.4	108.4	95.3	114.1		
two years later	82.3	80.4	130.6	185.4	133.7	100.8	107.3	89.3			
three years later	77.4	76.3	128.7	180.0	132.5	99.0	106.2				
four years later	75.5	76.1	128.6	173.4	129.6	99.0					
five years later	74.7	74.8	128.0	172.5	129.0						
six years later	73.8	74.2	129.1	173.0							
seven years later	73.3	73.7	129.0								
eight years later	72.9	73.7									
nine years later	72.7										
Less net claims paid	70.7	72.5	123.0	167.1	120.6	85.2	91.7	64.4	63.9	11.2	
Net ultimate claims reserve	2.0	1.2	6.0	5.9	8.4	13.8	14.5	24.9	50.2	39.4	166.3
Net ultimate claims reserve											
for 2010 and prior years											6.6
Net claims reserves											172.9

## 17 Technical provisions

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	2023 Gross provisions £000	Reinsurance assets £000	Net £000	2022 Gross provisions £000	Reinsurance assets £000	Net £000
<b>Incurred claims outstanding:</b>						
Claims notified	150,108	(39,451)	110,657	122,947	(26,416)	96,531
Claims incurred but not reported	118,857	(44,228)	74,629	77,641	(14,373)	63,268
Balance at 1 January	268,965	(83,679)	185,286	200,588	(40,789)	159,799
Change in prior year provisions	(110,604)	38,485	(72,119)	(79,119)	3,063	(76,056)
Expected cost of current year claims	191,472	(29,544)	161,928	229,934	(52,912)	177,020
Claims paid during the year	(120,309)	26,951	(93,358)	(105,810)	13,029	(92,781)
Effect of movements in exchange rates	(12,386)	3,601	(8,785)	23,372	(6,070)	17,302
Balance at 31 December	217,138	(44,186)	172,952	268,965	(83,679)	185,286
Claims notified	122,606	(23,262)	99,344	150,108	(39,451)	110,657
Claims incurred but not reported	94,532	(20,924)	73,608	118,857	(44,228)	74,629
<b>Balance at 31 December</b>	<b>217,138</b>	<b>(44,186)</b>	<b>172,952</b>	<b>268,965</b>	<b>(83,679)</b>	<b>185,286</b>
<b>Unearned premiums</b>						
Balance at 1 January	109,956	(8,880)	101,076	79,402	(7,400)	72,002
Premiums written during the year	289,788	(48,989)	240,799	250,390	(41,241)	209,149
Premiums earned during the year	(277,771)	49,164	(228,607)	(228,539)	40,554	(187,985)
Effect of movements in exchange rate	(5,157)	401	(4,756)	8,703	(793)	7,910
<b>Balance at 31 December</b>	<b>116,816</b>	<b>(8,304)</b>	<b>108,512</b>	<b>109,956</b>	<b>(8,880)</b>	<b>101,076</b>

## 18 Financial liabilities at amortised cost

	2023 £000	2022 £000
Creditors arising out of direct insurance operations	609	1,320
Creditors arising out of reinsurance operations	15,113	15,738
Other creditors	6,759	8,711
<b>Total financial liabilities at amortised cost</b>	<b>22,481</b>	<b>25,769</b>

Other creditors include £5.2m (2022: £7.4m) due to related undertakings.

## 19 Cash and cash equivalents

	2023 £000	2022 £000
Cash at bank and in hand	2,934	2,352
<b>Total cash and cash equivalents</b>	<b>2,934</b>	<b>2,352</b>

## 20 Related parties

### Cincinnati Global Underwriting Agency Limited – Ultimate holding company

At 31 December 2023, the ultimate parent company of Cincinnati Global Underwriting Agency Limited (“CGUAL”) is Cincinnati Financial Corporation (“CFC”). CFC is incorporated in the United States of America, and acquired the entire issued share capital of Cincinnati Global Underwriting Limited (“CGUL”), and its subsidiaries on 20 February 2019. CGUL is the intermediate holding company of CGUAL, and Cincinnati Global Dedicated No 2 Limited.

Group accounts for CFC are available from the Company Secretary of CGUAL, One Minster Court, London EC3R 7AA, or at <https://cincinnati-financial-corporation.gcs-web.com> selecting investors.

For the 2022, 2023 and 2024 years of account, the CFC participation on Syndicate 318 is as follows as at 31 December 2023:

Year of account	Participation £000	% of capacity
2022	214,357	92.5%
2023	277,461	92.9%
2024	348,136	92.8%

### Cincinnati Financial Corporation (“CFC”)

Amounts recharged to the Syndicate from CFC were £282,779 in the year (2022: £285,707). This is in respect of catastrophe modelling software, internal audit and recording of investments.

## 20 Related parties *continued*

### Cincinnati Global Underwriting Services Limited (formerly Beaufort Underwriting Services Limited)

Cincinnati Global Underwriting Services Limited ("CGUSL") acts solely as a service company for the introduction of contingency risks into Syndicate 318. Prior to 31 December 2009, Cincinnati Global Underwriting Services Limited accepted UK/Eire commercial, homeowners' property and liability and aviation risks to Syndicate 318. CGUSL is an appointed representative of CGUAL under the requirements of the Financial Conduct Authority. During the year, there were no cash transactions between CGUSL and the Syndicate, or any amounts due to or from the Syndicate at 31 December 2023 in respect of CGUSL.

### Cincinnati Global Underwriting Agency Limited

Amounts payable to CGUAL at 31 December 2023 totalled £5,170,915 (2022: £7,369,330). These amounts are included in "Other creditors".

### Managing Agent's Fees

In the calendar year £1,941,803 (2022: £1,506,279) has been paid by the Syndicate to CGUAL. In aggregate, total fees payable to CGUAL in respect of services provided to the Syndicate for the three open years amounted to £4,954,388 (2022: £4,523,822).

### Profit Commissions

Profit commission of £2,948,260 is due in respect of the 2021 year of account (2020: £594,950.83). Profit commission of £5,572,712 has been accrued on the 2022 year of account (2021: £2,861,173). Profit commission of £6,935,077 has been accrued on the 2023 year of account (2022: £Nil). The 2022 year of account will normally close at 31 December 2024 and the 2023 year of account at 31 December 2025.

### Recharge from CGUAL

Expenses totalling £17,352,093 (2022: £14,430,960.98) were recharged to the Syndicate by CGUAL. Where expenses were incurred jointly by the Managing Agent and the Syndicate, they were apportioned as follows:

Salaries and related costs	– according to the time individuals spent on Syndicate matters
Accommodation costs	– according to the number of personnel
Other costs	– as appropriate

The reinsurance premium paid to close the 2021 year of account at 31 December 2023 was agreed by the Board of the Managing Agency on the 5 February 2024. Consequently, the technical provisions at 31 December 2023 have been presented in the balance sheet under the headings "reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account" and "reinsurance to close premiums payable to close the account – gross amount" in accordance with the format prescribed by the Syndicate Accounting Byelaw.



## 20 Related parties *continued*

### Cincinnati Insurance Company

Cincinnati Insurance Company ("CIC") is a fellow subsidiary and related party to Cincinnati Financial Corporation. CIC is an insurance company, and is incorporated in the United States of America. CIC provided claims handling services to the Syndicate in the year, on several delegated authorities in the US. The total fees paid to CIC by Syndicate 318 in the year ended 31 December 2023 amounted to US\$113,982. CIC also provided reinsurance contracts to the Syndicate with premiums ceded totalling £2.0m in the calendar year.

### CSUPR

CGUAL has an agreement with CIC whereby the syndicate underwrites various classes of business on behalf of CIC. In the calendar year 2023 brokerage of US\$1,570,728 was ceded on a written total of US\$6,870,086.

## 21 Post balance sheet events

A total of US\$29.4m will be transferred to members' personal reserve funds on 10 April 2024 in respect of the profit on the 2021 year of account.

## 22 Foreign exchange rates

	2023 Year-end rate	Average rate	2022 Year-end rate	Average rate
US dollar	1.27	1.24	1.20	1.24
Canadian dollar	1.68	1.68	1.63	1.61

## 23 Funds at Lloyd's

In case Syndicate assets prove insufficient to meet members' underwriting liabilities, every member is required to hold additional capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL).

The Syndicate takes into account a variety of risks when calculating its Solvency Capital Requirement to arrive at its capital for the forthcoming year, in accordance with the Solvency II guidelines. This is reviewed and approved by Lloyd's.

The level of required FAL each member has to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten. FAL is not hypothecated to any specific Syndicate participation by a member. Therefore, there are no specific funds available to a Syndicate which can be precisely identified as its capital.

# 2021 Underwriting Year of Account

## Financial highlights

318

### 2021 underwriting account

**£232m**

Syndicate capacity

**£206m**

gross premiums written (including brokerage)

**£23.2m**

profit for closed year (before non-standard personal expenses)

**89.7%**

combined ratio

**11.3%**

profit as a percentage of gross premiums

**10%**

profit as a percentage of capacity

Note:

- The combined ratio is net claims incurred (inclusive of IBNR) and net operating expenses (excluding profit/loss on exchange) expressed as a percentage of net earned premiums.

# 2021 Underwriting Year of Account

## Managing agent's report

The Managing Agent presents its report on the 2021 Year of Account (YoA) of Syndicate 318 closed at 31 December 2023 together with an overview of the 2022 YoA to be closed 31 December 2024 and the 2023 YoA to be closed at 31 December 2025.

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

Detailed underwriting account descriptions as well as future trading prospects are covered in the Report of the directors of the Managing Agent.

### Directors

The following individuals served on the board at various periods up to the point of closure of the 2021 year of account.

### Directors:

T.C. Cracas	<i>(non-executive)</i>
D.C. Eales	
M.A. Langston	
R.A. Pexton	<i>(non-executive chairman)</i>
G.M. Tuck	
G.A.M. Bonvarlet	<i>(non-executive)</i>
R.B. Scott	<i>(non-executive)</i>
A. Hoffmann	<i>(resigned 31 August 2022)</i>
R.J. Martin	<i>(resigned 27 May 2022)</i>
P.M. Murray	<i>(resigned 31 August 2022)</i>

### Company Secretary:

A. Hoffmann *(resigned 1 January 2022)*  
S. Kaur *(appointed 1 January 2022, resigned 29 December 2023)*  
R. Allibone *(appointed 22 February 2024)*

### 2021 Year of Account

We are very happy to report that the 2021 year of account has closed on a three-year accounting basis with a profit after personal expenses of £23.2m, which equates to 10% expressed as a percentage of capacity for a traditional name. The results on an annual accounting basis are shown in the main body of the report and accounts; this commentary is applicable to the closing and open years on a conventional year of account basis only.

The Syndicate's capacity for the 2021 year of account was £231.7m, which was a small decrease as some third-party names dropped their capacity. The Syndicate's largest line of business continued to be International and US Property, but the year has benefitted from maturity in the Speciality lines comprising Credit and Political Risk, Political Violence, and Specie which the Syndicate commenced underwriting in 2020. During 2021, the Syndicate also began underwriting a Contingency book of business to complement its diversification strategy.

The rating environment was generally good in the year, and Property risks in particular continued to see significant improvements in terms and conditions.

Premiums including brokerage at closing rates of exchange are £206m. On a pure year basis, gross premiums as adjusted for rates of exchange, increased by around 15% from the previous underwriting year. Whilst reinsurance premiums for the year stood at £40.2m.

The breakdown of premiums split by lines of business appears in the table below:

	2021 YoA %
Gross written premiums	
Property – Direct and Facultative	
	60.1%
Property – Binding	
Authorities	23.7%
Credit and Political Risk	3.7%
Political Violence	2.0%
Specie	5.4%
Contingency	5.1%
	100%

The 2021 YoA has incurred a relatively meaningful amount of losses arising from Catastrophe events, most notably from Hurricane Ida and Hurricane Ian. Fortunately, the premium base proved sufficient to absorb these losses, and still achieve a strong technical result. The Syndicate's performance was also helped by favourable large and attritional loss experience. Overall, pure year gross losses incurred of £112.3m were reduced to £90.9m on a net basis after the benefits of reinsurance. The major losses of note to the 2021 year of account are listed below:

Loss	Gross £m	Net £m
Hurricane Ida	23.4	14.0
Hurricane Ian	14.0	8.0
Pacific Northwest		
Floods	1.5	1.5
US Tornado	1.0	1.0
Earthquakes in the		
Middle East	0.8	0.8
Russia's Invasion of		
Ukraine	0.8	0.8
	41.5	26.1

#### Prior year surplus

The reserves established at last year end in respect of 2020 year of account and prior years have developed favourably during 2023. This has resulted in a release of £1.8m which has improved the overall result.

#### 2022 Year of Account

The Syndicate capacity for the 2022 year of account is £231.7m. The current estimate of gross premium income for the year is £248.7m. The 2022 YoA has benefitted from a positive rating environment, as well as growth of Speciality lines of business. Despite significant exposure to Hurricane Ian, we currently anticipate a solid result for the 2022 YoA.

Members' balances currently stand at an overall surplus of £22.3m, after standard personal expenses. We are forecasting a profit in the range of 9.7% – 14.7% upon closure of the 2022 year of account.

# 2021 Underwriting Year of Account

## Managing agent's report *continued*

### 2023 Year of Account

The Syndicate's capacity increased for year of account to £298.7m. The current estimate of gross premium income for the year is £303.8m. The increase in expected premiums has arisen from improved rating in the Property market for direct and facultative risks, expansion of our Consortia class, as well as maturity of our Speciality lines of business. The loss experience to date has been extremely low compared to historic years of account at the same stage of progression.

Members' balances stand at an overall surplus of £27.7m.

### Statement as to disclosure of information to auditors

The Directors who held office at the date of approval of this Managing Agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

**G. M. Tuck**

*Chief Finance Officer*

Cincinnati Global Underwriting Agency Limited  
Third Floor  
One Minster Court  
London EC3R 7AA

26 February 2024

The directors of the managing agent are responsible for preparing the Syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the Syndicate affected is used;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;

- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the directors of the managing agent do not believe that it is appropriate to prepare the underwriting year accounts on a going concern basis.

The directors of the managing agent are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the underwriting year accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

On behalf of the board

**G. M. Tuck**  
*Chief Finance Officer*

22 February 2024

# 2021 Underwriting Year of Account

## Independent auditor's report to the Members of Syndicate 318 – 2021 closed year of account

Report on the audit of the syndicate underwriting year accounts for the 2021 closed year of account for the three years ended 31 December 2023

### Opinion

In our opinion the syndicate underwriting year accounts of Syndicate 318 (the 'syndicate'):

- give a true and fair view of the profit/loss for the 2021 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the syndicate underwriting year accounts which comprise:

- the profit and loss account;
- the balance sheet;
- the statement of changes in members' balances;
- the statement of cash flows; and
- the related notes 1 to 16.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and

Republic of Ireland", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate underwriting year accounts section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate underwriting year accounts in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Other information

The other information comprises the information included in the report and accounts ("annual report"), other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate underwriting year accounts does not cover the other information and we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts or our knowledge obtained in the course of the audit, or otherwise appears to be materially

misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

#### Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), and for being satisfied that they give a true and fair view of the result, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

#### Auditor's responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in

accordance with ISAs (UK) will always detect a material misstatement when it exists.

Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate underwriting year accounts.

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

#### Extent to which the audit was considered capable of detecting irregularities, including fraud

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

We considered the nature of the syndicate and its control environment, and reviewed the syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory framework that the syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's



# 2021 Underwriting Year of Account

## Independent auditor's report to the Members of Syndicate 318 – 2021 closed year of account *continued*

Syndicate and Aggregate Accounts)  
Regulations 2008 and the Lloyd's Syndicate  
Accounting Byelaw (no. 8 of 2005); and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial and IT, regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the underwriting year accounts.

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following area, and our procedures performed to address it included the below:

- Obtaining an understanding of and testing the relevant controls related to claim and reserves business processes;
- Assessing the appropriateness of management's methodologies and the reasonableness of assumptions;
- Testing of data integrity utilised in the estimation process;
- Assessing the reasonableness of the inputs in management's models and claim file documents that support the data and assumptions;
- Benchmarking catastrophe events and considering the consistency with recent claims experience and more widely available market data and trends;

- Inspecting the application of the methodology within the models to assess whether they are operating as intended; and

- Assessing the appropriateness of the disclosures relating to the significant estimation uncertainty over the valuation of the technical provisions.

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- in addressing the risk of fraud through management override of controls, testing the appropriateness of journal entries and other adjustments; assessing whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluating the business rationale of any

significant transactions that are unusual or outside the normal course of business;

- enquiring of management, concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance, reviewing internal audit reports and reviewing correspondence with Lloyd's, FCA and the PRA.

#### Report on other legal and regulatory requirements

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

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

- the information given in the managing agent's report for the financial year for which the syndicate underwriting year accounts are prepared is consistent with the syndicate underwriting year accounts; and
- the managing agent's report has been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

##### Matters on which we are required to report by exception

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Lloyd's Syndicate Accounting Byelaw (no.8 of 2005) we are required to report in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept adequate or proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records or
- we have not received all the information and explanations we require for our audit; or
- the syndicate underwriting year accounts are not in compliance with the requirements of paragraph 5 of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have nothing to report in respect of these matters.

##### Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 6 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

**Ben Newton ACA (Senior statutory auditor)**  
**For and on behalf of Deloitte LLP**  
**Statutory Auditor**  
 London, United Kingdom  
 27 February 2024

# 2021 Underwriting Year of Account

## Statement of profit or loss: Technical account – general business for the 2021 closed year of account for the three years ended 31 December 2023

### Technical account – general business

	Note	£000	£000
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	4	206,047	
Outward reinsurance premiums		(40,238)	
			165,809
<b>Reinsurance to close premiums received, net of reinsurance</b>	4/15		72,154
<b>Allocated investment return transferred from the non-technical account</b>			6,486
<b>Other technical income, net of reinsurance</b>			–
<b>Claims incurred, net of reinsurance</b>			
Claims paid			
Gross amount		(99,690)	
Reinsurers' share		23,859	
		(75,831)	
Reinsurance to close premium payable, net of reinsurance	5	(85,048)	
			(160,879)
<b>Net operating expenses</b>	7		(60,045)
<b>Balance on the technical account – for general business</b>			23,525

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

The notes on pages 78 to 90 form part of these accounts.

## Non-technical account

	£000
<b>Balance on the general business technical account</b>	23,525
Income from investments	5,364
Realised gains on investments	221
Unrealised gains on investments	2,355
Realised losses on investments	(635)
Unrealised losses on investments	(681)
Investment expenses and charges	(138)
Allocated investment return transferred to general business technical account	(6,486)
Loss on exchange	(287)
<b>Profit for the closed year of account</b>	23,238

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts.

Total comprehensive income for the year is £23,237,740.

The notes on pages 78 to 90 form part of these accounts.

# 2021 Underwriting Year of Account

## Balance sheet as at 31 December 2023

	Note	£000	£000
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	8/16	104,981	
Deposits with ceded undertakings	8/16	3	
			104,984
<b>Debtors</b>			
Debtors arising out of direct insurance operations	9	1,753	
Debtors arising out of reinsurance operations	10	8,487	
Other debtors		152	
			10,392
<b>Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account</b>			
	5		27,684
<b>Other assets</b>			
Cash at bank and in hand	16		2,934
Prepayments and accrued income			262
<b>Total assets</b>			<b>146,256</b>

The notes on pages 78 to 90 form part of these accounts.

	Note	£000	£000
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Amounts due to members			23,127
<b>Reinsurance to close premiums payable to close the account – gross amount</b>	5		112,732
<b>Creditors</b>			
Creditors arising out of direct insurance operations	11	224	
Creditors arising out of reinsurance operations	12	3,751	
Other creditors including taxation and social security		613	
			4,588
Accruals and deferred income			5,809
<b>Total liabilities</b>			146,256

The financial statements on pages 72 to 90 were approved by the Board of Cincinnati Global Underwriting Agency Limited on 22 February 2024 and were signed on its behalf by

**D. C. Eales**  
*Chief Executive Officer*

**G. M. Tuck**  
*Chief Finance Officer*

27 February 2024

The notes on pages 78 to 90 form part of these accounts.

# 2021 Underwriting Year of Account

## Statement of members' balances for the 36 months ended 31 December 2023

	£000
Members' balances brought forward at 1 January	—
Profit for closed year of account	23,238
Open year cash calls made	—
Members' agents fees	(111)
Members' balances carried forward at 31 December 2023	23,127

The notes on pages 78 to 90 form part of these accounts.

## Statement of cash flows for the 36 months ended 31 December 2023

318

	Note	£000
<b>Closed year cash flow</b>		
<b>Cash flows from operating activities</b>		
Profit for the year		23,238
Unrealised losses on investments		(1,674)
Net realised foreign exchange gains		3,793
Non cash consideration received as part of RITC received	15	(75,819)
RITC premium payable net of reinsurance	5	85,048
Increase in debtors, subrogation and salvage and prepayments		1,845
Increase in creditors		6,934
<b>Net cash inflow from operating activities</b>		<b>43,365</b>
<b>Cash flows from investing activities:</b>		
Acquisitions of other financial instruments		(150,411)
Proceeds from sale of other financial instruments		110,091
<b>Net cash outflow from investing activities</b>		<b>(40,320)</b>
<b>Cash flow from financing activities:</b>		
Members' agents' fees paid on behalf of members		(111)
<b>Net cash outflow from financing activities</b>		<b>(111)</b>
<b>Net increase in cash and cash equivalents</b>		<b>2,934</b>
Cash and cash equivalents at 1 January		–
<b>Cash and cash equivalents at 31 December</b>	16	<b>2,934</b>

The notes on pages 78 to 90 form part of these accounts.



# 2021 Underwriting Year of Account

## Notes to the accounts for the 36 months ended 31 December 2023

### 1

#### (a) Basis of preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (“Lloyd’s Syndicates and Aggregate Accounts”) Regulations 2008 (“the Lloyd’s Regulations”) the Syndicate Accounting Byelaw, and Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland (“FRS 102”), and Financial Reporting Standard 103 Insurance Contracts (“FRS 103”).

Whilst the directors of the managing agent have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2021 year of account, which closed on 31 December 2023. The accumulated profit of the 2021 year of account will be distributed shortly after publication of these accounts. Therefore the 2021 year of account is not continuing to trade and, accordingly the directors have not adopted the going concern basis in the preparation of these accounts. This has no effect on the amounts reported in the accounts as the 2021 year of account will be closed by payment of a reinsurance to close premium, as outlined in note 5 below, which is consistent with the normal course of business for a Lloyd’s Syndicate and with the approach we have applied to earlier underwriting years.

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate’s accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively. Refer to note 2 in the annual accounts for the treatment of estimates.

As each Syndicate year of account is a separate annual venture, there are no comparative figures.

#### (b) Going concern

The Board of CGUAL has a reasonable expectation that the Syndicate has adequate resources to continue underwriting for the foreseeable future, and with the Syndicate’s ability to continue being a going concern in the future.

### 2 Accounting policies

#### (a) Underwriting transactions

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

## 2 Accounting policies *continued*

### (b) Reinsurance to close premium received

The reinsurance to close premium received was closed into the 2021 year of account at 31 December 2022.

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

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

The amount included in respect of IBNR is based on statistical techniques and underwriting judgements applied by the Managing Agent's management and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting years, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs.

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

Accordingly, the most critical assumption as regards claims provisions is that the past is a reasonable predictor of the likely level of claims development.

It is considered that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available. However, ultimate liability will vary as a result of subsequent information and events, and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

# 2021 Underwriting Year of Account

## Notes to the accounts for the 36 months ended 31 December 2023 *continued*

### 2 Accounting policies *continued*

#### (c) Premiums written and earned

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified to the Syndicate year of account.

Written premium is earned according to the risk profile of the policy.

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

#### (d) Claims paid

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

#### (e) Reinsurance to close premium payable

The reinsurance to close premium paid was closed into the 2022 year of account at 31 December 2023.

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

The provision for claims comprises amounts set aside for claims notified and claims IBNR.

## 2 Accounting policies *continued*

### (e) Reinsurance to close premium payable *continued*

The amount included in respect of IBNR is based on statistical techniques and underwriting estimates applied by the Managing Agent's management and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting years, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs.

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### (f) Acquisition costs

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

### (g) Financial assets and liabilities

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

# 2021 Underwriting Year of Account

## Notes to the accounts for the 36 months ended 31 December 2023 *continued*

### 2 Accounting policies *continued*

#### (g) Financial assets and liabilities *continued*

##### *Classification*

The accounting classification of financial assets and liabilities determines how they are measured and changes in those values are presented in the statement of profit or loss and other comprehensive Income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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

The Syndicate does not hold financial assets or financial liabilities for trading purposes, although derivatives (assets or liabilities) held by the Syndicate are categorised as held for trading.

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

##### *Recognition*

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

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

##### *Measurement*

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

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

## 2 Accounting policies *continued*

### *Identification and measurement of impairment*

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

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

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

### *Off-setting*

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

### *(h) Investment return*

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year on all the Syndicate's investments is allocated to open years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their

# 2021 Underwriting Year of Account

## Notes to the accounts for the 36 months ended 31 December 2023 *continued*

### 2 Accounting policies *continued*

#### (h) Investment return *continued*

purchase price or, if they have been previously valued, their valuation at the end of the previous calendar year, together with the reversal of unrealised gains and losses recognised in earlier calendar years in respect of investment disposals in the current period.

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

#### (i) Net operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent in relation to the administration of the Syndicate, the amounts in question are apportioned using varying methods depending on the expense type. Expenses which are incurred jointly for the Managing Agent and Syndicate are apportioned depending on the amount of work performed, resources used and the volume of business transacted. Net operating expenses are allocated to the year of account for which they are incurred.

The parent company of the Managing Agent operates a defined contribution pension scheme. It recharges salaries and related costs to the Syndicate which includes an element for pension costs. These pension costs are recognised in full in the period to which the recharge relates.

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

#### (j) Cash and cash equivalents

Cash and cash equivalents comprise of cash balances held in the current accounts at the year end, and are used by the Syndicate in the management of its short term commitments.

#### (k) Taxation

Under Schedule 19 of the Finance Act 1993, Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members or their Members' Agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their tax liabilities with HM Revenue & Customs.

## 2 Accounting policies *continued*

### (k) Taxation *continued*

No provision has been made for any United States Federal Income Tax or any overseas tax payable on the underwriting results or investment earnings.

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

### (l) Basis of currency translation

Transactions in US dollars and Canadian dollars are translated at the rate of exchange at the balance sheet date. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

Assets and liabilities are re-translated into Sterling at the rate of exchange at the balance sheet date.

Differences arising on the re-translation of foreign currency amounts are included in the non-technical account.

## 3 Risk and capital management

The board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk and capital management. An overview of the Managing Agent's risk management structure is detailed on page 14, and more detailed definitions of the key risks and further explanation on how they affect the Syndicate are detailed in notes on page 35.

Effective from 1 January 2023, the RITC process means that the Insurance, Financial, Credit, Liquidity, Market and Capital risks are transferred to the accepting 2022 Year of Account of the Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102.

Full disclosures relating to these risks are provided in the main Annual Accounts of the Syndicate.



# 2021 Underwriting Year of Account

## Notes to the accounts for the 36 months ended 31 December 2023 *continued*

### 4 Analysis of underwriting result

	Gross premiums written and earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
<b>Direct insurance:</b>					
Marine aviation and transport	1,245	(320)	(442)	(314)	169
Fire and other damage to property	136,434	(78,387)	(40,100)	(4,324)	13,623
Motor (other classes)	957	(415)	(340)	233	435
Credit and suretyship	7,015	–	(2,166)	(1,324)	3,525
Miscellaneous financial loss	10,091	(1,636)	(3,485)	(3,220)	1,750
Third party liability	64	–	(19)	(20)	25
<b>Reinsurance acceptances</b>	151,597	(131,665)	(13,492)	(8,928)	(2,488)
<b>Total</b>	307,403	(212,423)	(60,044)	(17,897)	17,039

All premiums were written in the UK. All net assets and profit are derived from UK business.

Total gross premium written and earned arise from gross premiums written on the underwriting year of account, and the reinsurance to close premium accepted from the 2020 and prior years of account. The gross premiums written include £101,356,092 of reinsurance acceptances from the 2020 and prior years reinsurance to close premium. Reinsurance balances include £29,201,719 of reinsurance recoverable from the 2020 and prior years reinsurance to close premium.

### Geographical analysis by destination

	Gross premiums written £000
UK	115,089
US	137,738
Other	54,576
<b>Total</b>	307,403

### 5 Reinsurance to close premium payable net of reinsurance

	Reported £000	IBNR £000	Total £000
Gross outstandings	69,688	43,044	112,732
Reinsurance recoveries anticipated	(18,178)	(9,506)	(27,684)
<b>Net</b>	51,510	33,538	85,048

## 6 Analysis of result by year of account

	2020 & prior years of account £000	2021 pure year of account £000	Total £000
Technical account balance before allocated investment return and net operating expenses	1,809	75,275	77,084
Brokerage and commission on gross premium	–	(39,819)	(39,819)
Acquisition costs – other	–	(8,988)	(8,988)
	1,809	26,468	28,277

## 7 Net operating expenses

	£000
Acquisition costs – brokerage	39,819
Acquisition costs – other	8,988
Administrative expenses	11,238
	60,045

The closed year profit is stated after charging:

	£000
Auditor remuneration	
Audit – Deloitte LLP	180
Audit related assurance services – Deloitte LLP	89
Fees payable to the Syndicate auditor for the audit of the managing agent	20
	289

## 8 Financial investments

	Market value £000	Cost £000
Holdings in collective investment schemes	23,172	23,172
Debt securities and other fixed income securities	75,917	74,486
Overseas deposits as investments	5,892	5,892
Deposits with ceded undertakings	3	3
Total investments	104,984	103,553

# 2021 Underwriting Year of Account

## Notes to the accounts for the 36 months ended 31 December 2023 *continued*

### 9 Debtors arising out of direct insurance operations

	£000
Due within one year	1,753
	1,753

### 10 Debtors arising out of reinsurance operations

	£000
Due within one year	8,487
	8,487

### 11 Creditors arising out of direct insurance operations

	£000
Due within one year	224
	224

### 12 Creditors arising out of reinsurance operations

	£000
Due within one year	3,751
	3,751

### 13 Post balance sheet events

The reinsurance premium paid to close the 2021 year of account at 31 December 2023 was agreed by the Board of the Managing Agency on the 5 February 2024. Consequently the technical provisions at 31 December 2023 have been presented in the balance sheet under the headings “reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account” and “reinsurance to close premium payable to close the account – gross amount” in accordance with the format prescribed by the Syndicate Accounting Byelaw.

A total of \$29.4m will be transferred to members’ personal reserve funds on 10 April 2024 in respect of the 2021 year of account.

## 14 Related parties

### Cincinnati Global Underwriting Agency Limited – Ultimate holding company

At 31 December 2023, the ultimate parent company of Cincinnati Global Underwriting Agency Limited (“CGUAL”) is Cincinnati Financial Corporation (“CFC”). CFC is incorporated in the United States of America, and acquired the entire issued share capital of Cincinnati Global Underwriting Limited (“CGUL”), and its subsidiaries on 20 February 2019. CGUL is the intermediate holding company of CGUAL, and Cincinnati Global Dedicated No 2 Limited.

Group accounts for CFC are available from the Company Secretary of CGUAL, One Minster Court, London EC3R 7AA, or at <https://cincinnati-financial-corporation.gcs-web.com> selecting investors.

For the 2022, 2023 and 2024 years of account, the CFC participation on Syndicate 318 is as follows:

Year of account	Participation £000	% of capacity
2022	214,357	92.5
2023	277,461	92.9
2024	348,136	92.8

### Cincinnati Global Underwriting Services Limited (formerly Beaufort Underwriting Services Limited)

Cincinnati Global Underwriting Services Limited (“CGUSL”) acted solely as a service company for the introduction of UK/Eire commercial, homeowners’ property and liability and aviation risks to Syndicate 318. CGUSL is an appointed representative of CGUAL. During the year, there were no cash transactions between CGUSL and the Syndicate, or any amounts due to or from the Syndicate at 31 December 2023 in respect of CGUSL.

The Syndicate ceased accepting new or renewal business via CGUSL on 31 December 2009.

### Cincinnati Global Underwriting Agency Limited

Total fees payable to CGUAL in respect of services provided to the Syndicate and chargeable to the 2021 year of account amounted to £1,506,306.

Profit commission of £5,809,434 has been accrued in respect of the 2021 year of account.

Expenses totalling £13,430,959 were recharged to the Syndicate in 2021 year of account by CGUAL.

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

Salaries and related costs	– according to time of each individual spent on Syndicate matters
Accommodation costs	– according to number of personnel
Other costs	– as appropriate

## Notes to the accounts for the 36 months ended 31 December 2023 *continued*

### 15 Consideration for RITC received

	£000
Non cash consideration received for the net RITC comprises:	
Portfolio investments	66,783
Debtors	12,499
Creditors	(3,463)
<b>Non cash consideration received</b>	<b>75,819</b>
Cash	2,352
Total cash and non cash consideration for RITC received	78,171
Amounts payable to members' on closure of the 2020 year of account	(2,511)
<b>Reinsurance to close premium received, net of reinsurance received at 1 January 2023</b>	<b>75,660</b>
Loss on foreign exchange	(3,506)
<b>Reinsurance to close premium received, net of reinsurance</b>	<b>72,154</b>

### 16 Movement in opening and closing portfolio investments net of financing

	At 1 January 2021 £000	Received within RITC premium £000	Cash flow £000	Change in fair value and foreign exchange £000	At 31 December 2023 £000
Cash	–	2,352	582	–	2,934
Portfolio investments	–	66,784	40,320	(2,120)	104,984
<b>Total portfolio investments</b>	<b>–</b>	<b>69,136</b>	<b>40,902</b>	<b>(2,120)</b>	<b>107,918</b>

## Seven year summary of results for a traditional Name (unaudited)

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An unaudited seven year summary prepared from the results of the Syndicate for a traditional Name with a £10,000 share is shown below.

This has not been prepared in accordance with UK financial reporting standards, or the accounting policies disclosed. Gross premiums, and net operating expenses are stated net of brokerage, and overrider commissions receivable.

Personal expenses have been stated at the amount which would be incurred pro rata by individual members writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes has been excluded.

	2015	2016	2017	2018	2019	2020	2021
Syndicate allocated capacity	£234.85m	£235.04	£234.77	£234.14	£233.55	£232.50	<b>£231.74</b>
Capacity utilised	53.0%	52.5%	54.0%	59.0%	53.4%	66.4%	<b>71.7%</b>

### Results for an illustrative share of £10,000

	£	£	£	£	£	£	£
Gross premiums (net of brokerage)	5,298	5,253	5,401	5,901	5,342	6,640	<b>7,173</b>
Net premiums	4,463	4,298	4,258	4,659	4,301	5,353	<b>5,437</b>
Reinsurance to close from an earlier account	2,315	2,286	2,731	3,465	3,131	3,490	<b>3,114</b>
Net claims	(2,924)	(4,489)	(6,573)	(5,314)	(3,526)	(4,877)	<b>(3,272)</b>
Reinsurance to close	(2,188)	(2,804)	(3,552)	(3,087)	(3,145)	(3,254)	<b>(3,670)</b>
Profit/(loss) on exchange	19	23	(12)	1	2	(19)	<b>(12)</b>
Net operating expenses	(330)	(319)	(330)	(372)	(394)	(442)	<b>(487)</b>
Balance on technical account	1,355	(1,005)	(3,488)	(648)	369	251	<b>1,110</b>
Investment income and gains less losses, less expenses and charges	93	83	104	120	61	13	<b>280</b>
Profit/(loss) before personal expenses	1,448	(922)	(3,374)	(528)	430	264	<b>1,390</b>
Illustrative personal expenses for a traditional Name							
Managing agent's salary	(65)	(65)	(65)	(65)	(65)	(65)	<b>(65)</b>
Central Fund contributions	(24)	(22)	(25)	(28)	(24)	(31)	<b>(36)</b>
Profit commissions	(267)	–	–	–	(58)	(26)	<b>(251)</b>
Lloyd's subscription	(24)	(28)	(28)	(29)	(25)	(30)	<b>(34)</b>
	(380)	(115)	(118)	(122)	(172)	(152)	<b>(386)</b>
Profit/(loss) after illustrative profit commission and illustrative personal expenses	1,068	(1,037)	(3,492)	(650)	258	112	<b>1,004</b>

For the 2021 year of account, an illustrative share of £10,000 represents 0.00430% of allocated capacity. 2021 year of account had 277 members.



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Cincinnati Global Underwriting Agency Limited is the Lloyd's Managing Agent for Cincinnati Global Syndicate 318 and is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority.



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