



**RiverStone**  
International

# Syndicate 3500

2022 Annual Report



# **Syndicate 3500**

## **Annual Report**

### **For the year ended 31<sup>st</sup> December 2022**

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<b>Contents</b>	<b>Page</b>
Directors and Administration	3
Managing Agent's Report	4
Independent Auditors' Report to the Member of Syndicate 3500	9
Profit and Loss Account and Statement of Comprehensive Income	13
Balance Sheet	15
Statement of Changes in Members' Balances	16
Statement of Cash Flows	17
Notes to the Financial Statements	18

**Syndicate 3500**  
**Directors and Administration**  
**For the year ended 31<sup>st</sup> December 2022**

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**Managing Agent**

RiverStone Managing Agency Limited  
Park Gate  
161 – 163 Preston Road  
Brighton  
East Sussex  
United Kingdom  
BN1 6AU

**Directors of Managing Agent**

T. A. Riddell – Independent Non-Executive Director  
K. Shah – Independent Non-Executive Chairman  
N. Smith – Independent Non-Executive Director  
T. Ambridge – Non-Executive Director  
M. J. Bannister  
A. R. Creed  
L. R. Tanzer  
C. K. Pritchard  
P. Prebensen  
N. S. Taylor

**Independent Auditors**

Deloitte LLP  
2 New Street Square  
London  
EC4A 3BZ

**Website**

<https://www.rsml.co.uk>

# **Syndicate 3500**

## **Managing Agent's Report**

### **For the year ended 31<sup>st</sup> December 2022**

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The Directors of RiverStone Managing Agency Limited (“RiverStone Managing Agency”) present their report for Syndicate 3500 for the year ended 31<sup>st</sup> December 2022 (“the Financial Year”).

#### **Principal Activity**

Syndicate 3500 was originally formed in 2003 to accept the reinsurance to close of the 2000 and prior years of account of Syndicate 271 and the 2001 and prior years of account of Syndicate 506, respectively.

Effective 1<sup>st</sup> January 2022, Syndicate 3500 entered into the following transactions:

- the reinsurance to close of the 2019 underwriting year of account liabilities of Syndicate 1897. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$13.4 million and \$13.4 million, respectively;
- the reinsurance to close of the 2019 and prior underwriting years of account liabilities of Syndicate 2468. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$399.2 million and \$294.3 million, respectively;
- the loss portfolio transfer reinsurance of the 2020 underwriting year of account liabilities of Syndicate 2468. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$22.6 million and \$22.6 million respectively;
- the reinsurance to close, or split reinsurance to close of the 2019 and prior underwriting years of account liabilities of Syndicate 1980, Syndicate 2014 and Syndicate 2001. These transactions resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$927.1 million and \$721.9 million, respectively; and
- the loss portfolio transfer reinsurance of certain discontinued lines of business originally written in the 2020 underwriting year of Syndicate 2001. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$5.2 million.

During 2022, Syndicate 3500 entered into the following transactions:

- the loss portfolio transfer reinsurance of the 2018 and 2019 underwriting year of account liabilities of Syndicate 1200. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$293.8 million; and
- the loss portfolio transfer reinsurance of certain discontinued lines of Syndicate 1686. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$67.1 million.

RiverStone Managing Agency and its immediate parent company RiverStone Holdings Limited (“RiverStone Holdings”) are wholly owned subsidiaries of RiverStone International Holdings Limited.

RiverStone Managing Agency is the managing agent for Syndicate 3500 and its overall strategic objective in administering the run-off of the portfolios under its management remains the payment of all valid claims in a timely manner within the Lloyd’s structure and to collect as soon as possible amounts due from all reinsurers. Additionally, RiverStone Managing Agency actively pursues opportunities to acquire further run-off portfolios for Syndicate 3500 through reinsurance to close or retroactive reinsurance transactions.

RiverStone Managing Agency delegates most of its day-to-day management functions under an outsource agreement with RiverStone Management Limited (“RiverStone Management”), a fellow subsidiary of

# **Syndicate 3500**

## **Managing Agent's Report**

### **For the year ended 31<sup>st</sup> December 2022**

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RiverStone Holdings. Provision of services under this agreement is monitored by regular reporting to the board of directors of RiverStone Managing Agency ("the Board"), which includes analysis of performance against key performance indicators.

The sole corporate member for Syndicate 3500 is RiverStone Corporate Capital Limited ("RiverStone Corporate Capital"). In addition to capital held at RiverStone Corporate Capital, additional capital support for Syndicate 3500 is currently provided by RiverStone Insurance (UK) Limited, Advent Capital No.3 Limited and by way of a third party letter of credit.

#### **Business Review**

##### ***Results and Performance***

The measures set out below reflect the Syndicate's key performance indicators.

The profit for the 2022 financial year, on an annual accounting basis, is \$58.8 million (2021: profit of \$6.0 million). The balance on the technical account for general business for the year was a profit of \$107.6 million (2021: profit of \$6.2 million). This comprises net earned premiums of \$1,398.3 million, partially offset by net incurred claims of \$1,269.3 million and net operating expenses of \$25.5 million. Net earned premiums and net incurred claims include the reinsurance to close and loss portfolio transfer reinsurance transactions set out above.

The profit for the financial year of \$58.8 million (2021: \$6.0 million) comprises net investment losses of \$59.7 million (2021: gain of \$4.4 million), foreign exchange gains of \$10.8 million (2021: losses of \$4.6 million) and the gain on the technical account for general business.

Member's balances increased to a surplus of \$59.7 million at 31<sup>st</sup> December 2022 (2021: \$37.1 million) due to the 2022 total comprehensive profit less the 2019 underwriting year profit distributed to the member of \$36.2 million

Total outstanding claims, gross of reinsurance, were \$3.0 billion as at 31<sup>st</sup> December 2022 (2021: \$2.6 billion). Total cash, deposits and investments were \$2.4 billion at 31<sup>st</sup> December 2022 (2021: \$1.6 billion). Movements in outstanding claims and cash balances predominantly arise as a result of transactions entered into during 2022 less core claims settlement activity during the Financial Year.

##### ***Principal Risks and Uncertainties***

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to approval by the Board and ongoing review by the Board, executive committees, risk management and internal audit. Compliance with regulatory, legal and ethical standards is a high priority for Syndicate 3500 and RiverStone Managing Agency. The compliance, legal and finance departments of RiverStone Management take on an important oversight role in this regard. The Board is responsible for ensuring that a proper internal control framework exists to manage financial risks and that controls operate effectively; it is assisted in discharging these responsibilities by the RiverStone Holdings UK Risk Committee.

The risks that Syndicate 3500 is exposed to and their impact on economic capital have been assessed. This process is risk based and uses Solvency II based principles to manage capital requirements and to ensure that there is sufficient financial strength and capital adequacy to support the obligations to policyholders, regulators and other stakeholders.

The principal risks faced by Syndicate 3500 arise from fluctuations in the severity of claims compared with expectations, late reporting of claims, inadequate reserving, claims inflation and inadequate reinsurance

# **Syndicate 3500**

## **Managing Agent's Report**

### **For the year ended 31<sup>st</sup> December 2022**

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protection (including the credit worthiness of major reinsurers). Syndicate 3500's assets and liabilities are also exposed to market risk, including the impact of changes to interest rates, equity price fluctuations and adverse changes in exchange rates.

#### ***Strategy and Future Developments***

The Board's strategy for Syndicate 3500 is the efficient and economic management of all existing liabilities. The Board intends to continue to actively pursue run-off acquisition opportunities for Syndicate 3500 through reinsurance to close or retroactive reinsurance transactions.

Effective 1<sup>st</sup> January 2023, Syndicate 3500 entered into seven reinsurance to close transactions and one split reinsurance to close transaction resulting in the transfer to Syndicate 3500 of gross and net technical provisions of \$2,785 million and \$1,906 million respectively, and one loss portfolio transfer reinsurance for gross and net technical provisions of \$184 million.

#### ***Performance Measurements***

RiverStone Managing Agency has made continued progress throughout 2022 in relation to key elements of its strategy, through both the continued proactive management of the existing liabilities and the acquisition of further run-off portfolios by its managed syndicates.

The Board considers the following metrics in assessing the performance of the Syndicate and is satisfied with the overall ongoing operation of the Syndicate:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Written and earned premiums net of reinsurance	1,398,251	2,129,957
Claims incurred, net of reinsurance	(1,269,252)	(2,119,089)
Net operating expenses	(25,448)	(22,327)
Net investment return	(59,671)	4,431

#### **Reporting Basis**

The Directors of the managing agent, RiverStone Managing Agency, present their report and the audited financial statements for the year ended 31<sup>st</sup> December 2022.

The Directors are responsible for preparing the Directors' report and the financial statements in accordance with applicable law and regulations.

These Syndicate Annual financial statements are prepared using the annual basis of accounting as required by Statutory Instrument 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

# **Syndicate 3500**

## **Managing Agent's Report**

### **For the year ended 31<sup>st</sup> December 2022**

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#### **Directors**

The Directors of RiverStone Managing Agency holding office during the period from 1<sup>st</sup> January 2022 to the date of this report were as follows:

T. A. Riddell – Independent Non-Executive Director  
K. Shah – Independent Non-Executive Chairman  
N. Smith – Independent Non-Executive Director  
T. Ambridge – Non-Executive Director  
M. J. Bannister  
A. R. Creed  
L. R. Tanzer  
C. K. Pritchard  
P. Prebensen  
N. S. Taylor

#### **Annual General Meeting**

The Directors do not propose to hold an annual general meeting for Syndicate 3500. A meeting will be convened should the sole direct corporate member of Syndicate 3500 request one.

#### **Independent Auditors**

Deloitte LLP (“Deloitte”) have indicated their willingness to continue in office.

#### **Investment Policy and Management**

All assets continue to be invested in a manner to maximize return within agreed investment policies established by RiverStone Managing Agency. These investments are managed within the risk constraints and credit guidelines agreed by the Board. The investment policy and performance of funds are reviewed regularly by the Board. Syndicate 3500 has not been involved in the lending of investments to the securities market.

#### **Financial Instruments**

As described in Note 5 to the financial statements, Syndicate 3500 is exposed to financial risk through its financial assets and liabilities, including its reinsurance assets and policyholder liabilities. In particular, a key financial risk is that the proceeds from financial and reinsurance assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity risk and currency risk), credit risk and liquidity risk. Syndicate 3500 manages this risk within its overall risk management framework.

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

The 2008 Regulations require RiverStone Managing Agency to prepare Syndicate Annual Accounts at 31<sup>st</sup> December each year which give a true and fair view of the state of affairs of Syndicate 3500 and of its profit or loss for that year.

In preparing those Syndicate Annual Accounts, RiverStone Managing Agency is required to:

- select suitable accounting policies, and then apply them consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the Syndicate Annual Accounts; and

# **Syndicate 3500**

## **Managing Agent's Report**

### **For the year ended 31<sup>st</sup> December 2022**

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- prepare the Syndicate Annual Accounts on a going concern basis, unless it is inappropriate to do so.

RiverStone Managing Agency confirms that it has complied with the above requirements in preparing the financial statements.

RiverStone Managing Agency is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of Syndicate 3500 and enable it to ensure that the Syndicate Annual Accounts comply with the 2008 Regulations.

It is also responsible for safeguarding the assets of Syndicate 3500 and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

It is also responsible for the maintenance and integrity of the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

In the case of each person who is a director of RiverStone Managing Agency at the date this Managing Agent's Report is approved:

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

Approved by Order of the Board

Park Gate, 161 Preston Road  
Brighton, East Sussex  
United Kingdom, BN1 6AU

**L. R. Tanzer**  
Chief Executive Officer  
24<sup>th</sup> February 2023



# **Syndicate 3500**

## **Independent Auditors' Report to the Member of Syndicate 3500**

### **For the year ended 31<sup>st</sup> December 2022**

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Independent auditor's report to the members of Syndicate 3500

Report on the audit of the syndicate annual financial statements

#### **Opinion**

In our opinion the syndicate annual financial statements of Syndicate 3500 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, 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 profit and loss account;
- the statement of comprehensive income;
- the balance sheet;
- the statement of changes in members' balances;
- the cash flow statement;
- the statement of accounting policies; and
- the related notes 1 to 26.

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.

# **Syndicate 3500**

## **Independent Auditors' Report to the Member of Syndicate 3500**

### **For the year ended 31<sup>st</sup> December 2022**

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#### **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.

# **Syndicate 3500**

## **Independent Auditors' Report to the Member of Syndicate 3500**

### **For the year ended 31<sup>st</sup> December 2022**

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We also enquired of management and internal audit about their own identification and assessment of the risks of irregularities

We obtained an understanding of the legal and regulatory frameworks 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 the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial, valuations and IT specialist 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 in the following area, and our specific procedures performed to address it are described below:

- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks we involved our actuarial specialists to develop independent estimates of the technical provisions and we tested the late journal entries to 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;
- enquiring of management, internal audit and in-house legal counsel 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 correspondence with Lloyd's 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 strategic report and] the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and

# **Syndicate 3500**

## **Independent Auditors' Report to the Member of Syndicate 3500**

### **For the year ended 31<sup>st</sup> December 2022**

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- [the strategic report and] the managing agent's report [has/have] 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 strategic report or] 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.

Adam Ely FCA (Senior statutory auditor)  
For and on behalf of Deloitte LLP  
Statutory Auditor  
London, United Kingdom  
24/02/2023

**Syndicate 3500**  
**Profit and Loss Account and Statement of Comprehensive Income**  
**For the year ended 31<sup>st</sup> December 2022**

	Note	2022 \$'000	2021 \$'000
<b>Technical Account – General Business</b>			
Gross premiums written	6	1,365,092	2,309,082
Outward reinsurance premiums		<u>(673)</u>	<u>(23,176)</u>
<b>Net premiums written</b>		<b>1,364,419</b>	<b>2,285,906</b>
<b>Change in provision for unearned premium</b>			
Gross amount		36,164	(148,404)
Reinsurers' share		<u>(2,332)</u>	<u>(7,545)</u>
<b>Change in net provision for unearned premium</b>		<b>33,832</b>	<b>(155,949)</b>
<b>Earned premiums, net of reinsurance</b>		<u><b>1,398,251</b></u>	<u><b>2,129,957</b></u>
<b>Other income</b>		<b>4,129</b>	<b>17,685</b>
Gross claims paid	7	(1,088,313)	(523,168)
Reinsurers' share	7	<u>267,007</u>	<u>154,776</u>
Net claims paid		<u>(821,306)</u>	<u>(368,392)</u>
Change in the gross provision for claims		(514,031)	(1,876,571)
Reinsurers' share		<u>66,085</u>	<u>125,874</u>
Change in the net provision for claims		<u>(447,946)</u>	<u>(1,750,697)</u>
<b>Claims incurred, net of reinsurance</b>		<b>(1,269,252)</b>	<b>(2,119,089)</b>
Net operating expenses	6,8	<u>(25,448)</u>	<u>(22,327)</u>
<b>Total technical credit, net of reinsurance</b>		<u><b>107,640</b></u>	<u><b>6,226</b></u>
<b>Balance on the technical account for general business</b>		<b>107,640</b>	<b>6,226</b>
<b>Non-Technical Account</b>			
Investment income	10	35,821	7,857
Unrealised gains on investments		-	3,590
Unrealised losses on investments		(87,326)	(6,919)
Realised (losses) gains on investments		(6,809)	1,719
Investment expenses and charges	11	(1,357)	(1,816)
Foreign Exchange gain (loss)	12	<u>10,846</u>	<u>(4,634)</u>
<b>Profit for the financial year</b>		<b>\$ 58,815</b>	<b>\$ 6,023</b>

The results above are all derived from continuing operations.

**Syndicate 3500**  
**Profit and Loss Account and Statement of Comprehensive Income**  
**For the year ended 31<sup>st</sup> December 2022**

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	Note	2022 \$'000	2021 \$'000
Profit for the financial year		58,815	6,023
Currency translation differences		<u>-</u>	<u>-</u>
<b>Total comprehensive income for the year</b>		<b>\$ <u>58,815</u></b>	<b>\$ <u>6,023</u></b>

**Syndicate 3500**  
**Balance Sheet**  
**As at 31<sup>st</sup> December 2022**

	Note	2022 \$'000	2021 \$'000
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	13	<b>2,048,990</b>	<b>1,346,316</b>
<b>Reinsurers' share of technical provisions</b>			
Claims outstanding	7	561,535	557,736
Provision for unearned premium		10,404	13,177
		<b>571,939</b>	<b>570,913</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations	14	127,682	84,918
Debtors arising out of reinsurance operations	15	247,660	644,301
Other debtors	16	13,142	1,776
		<b>388,484</b>	<b>730,995</b>
<b>Other assets</b>			
Cash at bank and in hand		175,257	156,899
Overseas Deposits		127,301	133,189
		<b>302,558</b>	<b>290,088</b>
<b>Prepayments and accrued income</b>			
Accrued interest		12,116	5,868
Deferred Acquisition costs		9,217	10,134
		<b>21,333</b>	<b>16,002</b>
<b>Total assets</b>		<b>\$ 3,333,304</b>	<b>\$ 2,954,314</b>
<b>Capital, Reserves and Liabilities</b>			
<b>Capital and reserves</b>			
Member's balance		59,668	37,079
<b>Technical provisions</b>			
Claims outstanding		2,962,436	2,615,345
Provision for unearned premium		117,635	164,748
		<b>3,080,071</b>	<b>2,780,093</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations	17	56,487	354
Creditors arising out of reinsurance operations	18	129,644	106,781
Other creditors including taxation and social security	19	7,434	30,007
		<b>193,665</b>	<b>137,142</b>
<b>Total capital, reserves and liabilities</b>		<b>\$ 3,333,304</b>	<b>\$ 2,954,314</b>

The financial statements on pages 13 to 39 were approved by the Board of RiverStone Managing Agency Limited on 23<sup>rd</sup> February 2023 and signed on its behalf by the Directors on 24<sup>th</sup> February 2023:

**L. R. Tanzer**  
Chief Executive Officer

**A. R. Creed**  
Chief Financial Officer

**Syndicate 3500**  
**Statement of Changes in Member's Balance**  
**For the year ended 31<sup>st</sup> December 2022**

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	<b>Member's Balance \$'000</b>
<b>Balance at 1<sup>st</sup> January 2022</b>	<b>37,079</b>
Profit for the financial year	<b>58,815</b>
Distribution to member	<u><b>(36,226)</b></u>
<b>Balance at 31<sup>st</sup> December 2022</b>	<b>\$ <u>59,668</u></b>
<b>Balance at 1<sup>st</sup> January 2021</b>	<b>20,510</b>
Profit for the financial year	6,023
Loss call	<u>10,546</u>
<b>Balance at 31<sup>st</sup> December 2021</b>	<b>\$ <u>37,079</u></b>



**Syndicate 3500**  
**Statement of Cash Flows**  
**For the year ended 31<sup>st</sup> December 2022**

	Note	2022 \$'000	2021 \$'000
<b>Reconciliation of profit for the year to net cash inflow from operating activities</b>			
Profit for the financial year		58,815	6,023
Increase in gross technical provisions		626,118	2,023,774
(Decrease) in reinsurers' share of gross technical provisions		(66,498)	(132,248)
Decrease (increase) in debtors		126,285	(690,616)
Increase in creditors		73,671	34,245
Movement in other assets/liabilities		(10,920)	(10,934)
Investment return		59,672	(4,432)
Other including FX and investment transfers		<u>(295,991)</u>	<u>(1,136,366)</u>
<b>Net cash inflow from operating activities</b>		<b>571,152</b>	<b>89,445</b>
Purchase of equity and debt instruments		(2,410,540)	(1,315,161)
Sale of equity and debt instruments		1,873,917	1,311,858
Investment income received		<u>27,391</u>	<u>2,874</u>
<b>Net cash outflow from investing activities</b>		<b>(509,232)</b>	<b>(429)</b>
Distribution (profit) loss		(36,226)	10,546
Net increase in cash and cash equivalents		25,694	99,562
Cash and cash equivalents at beginning of year		156,899	56,891
Foreign exchange on cash and cash equivalents		<u>(7,179)</u>	<u>446</u>
<b>Cash and cash equivalents at end of year</b>		<b>\$ <u>175,414</u></b>	<b>\$ <u>156,899</u></b>
<b>Cash and cash equivalents consist of:</b>			
Cash at bank and in hand	21	175,257	156,899
Short term deposits with credit institutions		<u>157</u>	<u>-</u>
<b>Cash and cash equivalents</b>		<b>\$ <u>175,414</u></b>	<b>\$ <u>156,899</u></b>

# **Syndicate 3500**

## **Notes to the Financial Statements**

### **For the year ended 31<sup>st</sup> December 2022**

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#### **1. General Information**

Syndicate 3500 is engaged in the runoff of the assets and liabilities associated with previously written insurance and reinsurance business in the Lloyd's of London general insurance market. Additionally, Syndicate 3500 seeks to acquire new portfolios of run-off business.

Syndicate 3500 is managed by RiverStone Managing Agency Limited ("the Managing Agent"), whose registered office address is Park Gate, 161-163 Preston Road, Brighton, East Sussex, England, United Kingdom, BN1 6AU.

#### **2. Statement of Compliance**

The financial statements of Syndicate 3500 have been prepared in accordance with Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS103").

#### **3. Summary of Significant Accounting Policies**

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

##### **(a) Basis of Preparation**

The preparation of financial statements in conformity with FRS102 and FRS103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the accounting policies of Syndicate 3500. The areas involving a higher degree of judgement or complexity or areas where assumptions and estimates are significant to the financial statements, are disclosed further below.

These financial statements are prepared on a going concern basis under the historical cost convention.

##### **(b) Going Concern**

Having addressed the principal risks, the directors of the Managing Agent consider it appropriate to adopt the going concern basis of accounting in preparing these financial statements. The ability of Syndicate 3500 to meet its obligations as they fall due is underpinned by the support provided by Lloyd's solvency process and its chain of security for any members who are unable to meet their underwriting liabilities. This chain of security includes Funds at Lloyd's, which are further explained in Note 24.

##### **(c) Insurance Contracts**

###### **i) Premiums Written**

Premiums written comprise the reinsurance to close premium and the loss portfolio transfer reinsurance premiums on contracts inception during the financial year. The reinsurance to close premium is grossed up for any reinsurer's share of unearned premium and deferred acquisition costs acquired under any reinsurance to close transaction.

Premiums written also relate to adjustments made in the year to estimates of premiums written in prior years. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, including amounts due to Syndicate 3500 not yet notified.

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

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Premiums are accreted to the income statement on a pro-rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these cases, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided.

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

Acquisition costs, which represent commission and other related expenses, are allocated over the period in which the related premiums are earned.

#### ii) Claims Incurred and Reinsurers' Share

Claims incurred comprise claims and related claims handling expenses paid in the year and changes in provisions for outstanding claims, including provisions for claims incurred but not reported and related expenses, together with any other adjustments to claims from previous years. Where applicable, reductions are made for salvage and other recoveries.

Provisions for outstanding claims and related reinsurance recoveries are established based on estimates of the ultimate net cost of settlement along with actuarial and statistical projections. Claims provisions are determined based upon previous claims experience, knowledge of events and the terms and conditions of the relevant policies and on interpretation of circumstances. Particularly relevant is experience with similar cases and historical claims payment trends. The approach also includes the consideration of the development of loss payment trends, levels of unpaid claims, judicial decisions and economic conditions.

Provisions for unexpired risks are established based on estimates of the cost of all claims and expenses in connection with insurance contracts in force after the end of the financial year where these costs are estimated to be in excess of the related unearned premiums and any premiums receivable on those contracts.

Whilst the board of directors of the Managing Agent ("the Board") believes that the provisions for outstanding claims and related reinsurance recoveries including bad debt provisions are fairly stated, these estimates inevitably contain inherent uncertainties because significant periods of time may elapse between the occurrence of an incurred loss, the reporting of that loss to Syndicate 3500, Syndicate 3500's payment of the loss and the receipt of reinsurance recoveries. These uncertainties are inherent in much of the business previously underwritten and assumed by Syndicate 3500. The estimates made are based upon current facts available to Syndicate 3500 and the prevailing legal environment and are subjected to continual review, with any resulting adjustments reported in current earnings. Anticipated reinsurance recoveries are disclosed separately as assets on the balance sheet.

#### iii) Debtors and creditors arising out of direct and reinsurance operations

Debtors and creditors arising out of direct and reinsurance operations are initially recognised at transaction price or issued amount and are subsequently carried at the recoverable amount. The carrying value is reviewed for impairment at least annually based on historical performance, the terms and conditions of the relevant policies and whenever interpretation of events or circumstances indicate that the carrying amount is greater than the recoverable amount, with the impairment adjustment recorded in the statement of profit and loss. Debtors arising out of direct insurance and reinsurance operations are stated net of specific provisions against doubtful debts.

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

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#### (d) **Syndicate Operating Expenses**

All costs relating to the administration and handling of claims are shown as part of gross claims paid. All other administrative costs of Syndicate 3500, including acquisition costs and any members' expenses, are shown as net operating expenses.

#### (e) **Distribution of Profits and Collection of Losses**

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between Syndicates and their members. Lloyd's continues to require membership of Syndicates to be on an underwriting year of account basis and profits and losses accrue to members according to their membership of a year of account. Normally profits and losses are settled between Syndicate 3500 and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. Syndicate 3500 may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

#### (f) **Translation of Foreign Currencies**

The financial statements are presented in US Dollars and, unless otherwise stated, are rounded to thousands. Items included in Syndicate 3500's financial statements are measured using the currency of the primary economic environment in which it operates. Syndicate 3500's functional currency is US Dollars.

Foreign currency transactions are translated into the functional currency using the average rate of exchange during the year. At each year end foreign currency monetary items are translated using the year end rate of exchange. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation at year-end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the profit and loss account for the year. All exchange differences arising from the translation from functional currency to presentation currency are recognised through the Statement of Comprehensive Income as a separate component of equity.

#### (g) **Tax**

No amount has been provided in these financial statements for tax on trading income. Under Schedule 19 of the Finance Act 1993, managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by Syndicate 3500 during the year have been included in the balance sheet under the heading 'other debtors'.

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

#### (h) **Investment Return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges.

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

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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 year.

#### (i) Other Financial Investments

Syndicate 3500 has chosen to apply the recognition and measurement provisions of IAS 39 (as adopted for use in the EU) and the disclosure requirements of FRS 102 in respect of the financial statements.

Syndicate 3500 classifies all of its investments as financial assets at fair value through profit and loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

A financial asset is classified as fair value through profit and loss at inception if it is acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit-taking, or if so designated by management to minimise any measurement or recognition inconsistency with the associated liabilities. All derivatives are classified as at fair value through profit and loss.

Financial assets designated as at fair value through profit and loss at inception are those that are managed and whose performance is evaluated on a fair value basis. Information about these financial assets is provided internally on a fair value basis to Syndicate 3500's key management personnel. Syndicate 3500's investment strategy is to invest in listed and unlisted equity securities and fixed interest rate debt securities and derivatives designated upon initial recognition at fair value through profit and loss.

The fair values of listed investments are based on current bid prices on the balance sheet date. Unlisted investments for which a market exists are also stated at the current bid price on the balance sheet date or the last trading day before that date.

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit and loss are presented in the Profit and Loss Account within 'Unrealised gains on investments' or 'Unrealised losses on investments' in the year in which they arise.

Syndicate 3500 discloses its investments in accordance with a fair value hierarchy with the following levels:

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

#### (j) Related Party Transactions

Syndicate 3500 discloses transactions with related parties which are not wholly owned within the same group. Where appropriate, transactions of a similar nature are aggregated unless, in the opinion of the directors, separate disclosure is necessary to understand the effect of the transactions on the financial statements.

# **Syndicate 3500**

## **Notes to the Financial Statements**

### **For the year ended 31<sup>st</sup> December 2022**

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#### **4. Critical Accounting Judgements and Estimation Uncertainty**

Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Syndicate 3500 makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimation of the ultimate liability arising from claims made under insurance contracts is Syndicate 3500's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the liability that Syndicate 3500 will ultimately pay for such claims. Some of these claims are not expected to be settled for several years and there is uncertainty as to the amounts at which they will be settled. The level of provision has been set on the basis of the information that is currently available, including potential outstanding loss advices, experience of development of similar claims and case law.

The most significant assumptions made relate to the level of future claims, the level of future claims settlements, the legal interpretation of insurance policies and the level of claims inflation. Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated on the basis of the information currently available to them, the ultimate liability will vary as a result of subsequent information and events and may result in adjustments to the amount provided. The Board remain cognisant of the potential impacts of inflation and have undertaken work to quantify and mitigate its impact on these financial statements. The Board continue to focus on ensuring that our underwriting and pricing adequately addresses inflationary trends and continues to review the key drivers of claim settlement costs and frequency. Reserves continue to be set incorporating the Board's current view of social and economic inflation. Adjustments to the amounts of provision are reflected in the financial statements for the year in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly. Assumptions, sensitivities and claims development triangles are further detailed in note 5. No other material critical judgements have been identified.

#### **5. Management of Insurance and Financial Risk**

##### **Financial Risk Management Objectives**

Syndicate 3500 is exposed to insurance risk through the insurance contracts that it has written and to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular, the key financial risk is that the proceeds from financial assets are not sufficient to fund the obligations arising from insurance policies as they fall due. The most important components of this financial risk are market risk (including interest rate risk, equity price risk and currency risk), credit risk and liquidity risk.

Syndicate 3500 has established an overall risk management policy which focuses on the main risks to which it is exposed, paying particular attention to key risks which impact on the overall operation of the business. A risk register is maintained which is updated at least quarterly. All risks on the register are reviewed with key management personnel and the Board reviews the key risks on a quarterly basis.

##### **(a) Insurance Risk**

The risk under any one insurance contract is the possibility that the insured event occurs and the uncertainty over the amount of the resulting ultimate claim. By the very nature of an insurance contract, this risk is unpredictable at the outset.

The principal risk that Syndicate 3500 faces under its insurance contracts is that the actual claims and benefit payments exceed the carrying amount of the insurance liabilities. This could occur because the

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

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frequency or severity of claims and benefits are greater than estimated. The actual number and amount of claims and benefits arising from insurance contracts will vary from year to year from the level established using statistical techniques.

Experience shows that the larger the portfolio of similar insurance contracts, the smaller the relative variability about the expected outcome will be. In addition, a more diversified portfolio is less likely to be materially affected by a change in any subset of the portfolio. Syndicate 3500 has a diversified portfolio of insurance risks, which predominantly relate to business originally written previously.

Syndicate 3500 mitigates insurance risk through the use of reinsurance, both in the form of third party reinsurance associated with the business originally written and reinsurance with affiliated reinsurers.

#### i) Process for Assessment of Technical Provisions

Syndicate 3500 adopts a consistent process to the calculation of an appropriate provision for the exposures arising from the business it has written. A full reserving analysis is conducted at least annually and the technical provisions recorded on the balance sheet are in line with the Board's view of the best estimate value of the underlying liabilities.

The technical provisions recorded at the reporting date comprise the estimated ultimate cost of settlement of all claims incurred in respect of events up to that date, whether reported or not, together with related claims handling expenses, less amounts already paid. This is estimated based on known facts at the balance sheet date. The provision is revised as part of a regular ongoing process as claims experience develops, certain claims are settled and further claims are reported.

Syndicate 3500 uses assumptions based on a mixture of internal and market data to measure its claims liabilities. This information is used to project the ultimate number and value of claims, by major class of business, using recognised statistical estimation techniques.

Assumptions are reviewed and tested regularly in the light of actual claims development and general market movements and trends.

#### ii) Sources of Uncertainty in the Estimation of Future Claim Payments

The sources of estimation uncertainty in establishing the ultimate liability arising from claims made under insurance contracts is discussed in Note 5.

The estimated cost of claims includes direct expenses to be incurred in settling claims, net of the expected subrogation value and other recoveries. Syndicate 3500 takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

The liability for insurance contracts comprises a provision for claims incurred but not yet reported and a provision for reported claims not yet paid. The estimation of claims incurred but not reported is generally subject to a greater degree of uncertainty than the estimates of claims that have already been notified, for which there is more information available.

#### iii) Key Assumptions and Sensitivities

The assumptions that have the greatest impact on gross and net technical provisions are those that affect the expected level of claims in the liability and professional indemnity classes. The largest sensitivities

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

on these classes are in respect of uncertainties around future numbers and amounts of claims. The reserves for these classes will be paid out over several years.

Syndicate 3500 is judged not to have material insurance exposure to COVID-19 related claims and has experienced limited claims notifications in this regard during 2020 and 2021. The 31<sup>st</sup> December 2022 technical provisions make allowance for potential claims arising in relation to this pandemic based on the detailed knowledge of business written and the expert judgements of actuarial and claims subject matter experts. While the final outcome of any potential claims is subject to uncertainty and is unlikely to be known for some time, the current provisions are deemed sufficient.

#### iv) Claims Development Tables

The following table presents the comparison of actual claims incurred to previous estimates for the last 10 years.

#### Claims Outstanding (Gross)

Underwriting Year	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2021 \$'000	2022 \$'000	Total \$'000
<b>Estimate of cumulative gross claims</b>										
At the end of the first year	613,889	624,175	636,561	832,006	1,100,193	1,020,105	192,868	1,020,668	363,424	<b>6,403,890</b>
- One year later	1,248,356	1,268,920	1,479,836	1,929,767	1,904,573	1,554,736	409,330	922,611		<b>10,718,130</b>
- Two years later	1,260,655	1,422,202	1,620,200	2,157,001	2,125,653	1,630,103	442,634			<b>10,658,447</b>
- Three years later	1,240,064	1,454,037	1,631,161	2,221,108	2,136,580	1,761,919	447,479			<b>10,892,347</b>
- Four years later	1,224,256	1,486,855	1,651,814	2,282,136	2,224,525	1,728,542				<b>10,598,129</b>
- Five years later	1,203,635	1,487,260	1,664,478	2,329,978	2,181,257					<b>8,866,607</b>
- Six years later	1,199,459	1,524,198	1,629,830	2,238,236						<b>6,591,722</b>
- Seven years later	1,183,883	1,490,652	1,558,417							<b>4,232,952</b>
- Eight years later	1,169,214	1,470,761								<b>2,639,975</b>
- Nine years later	1,132,304									<b>1,132,304</b>
Current estimate of cumulative claims	1,132,304	1,470,761	1,558,417	2,238,236	2,181,257	1,728,542	447,479	922,611	363,424	<b>12,043,031</b>
Cumulative payments to date	1,086,079	1,349,406	1,399,075	1,889,539	1,816,446	1,244,067	202,831	168,278	85,609	<b>9,241,331</b>
<b>Liability recognised in the balance sheet</b>	<b>46,225</b>	<b>121,355</b>	<b>159,342</b>	<b>348,697</b>	<b>364,811</b>	<b>484,475</b>	<b>244,648</b>	<b>754,333</b>	<b>277,815</b>	<b>2,801,700</b>
<b>Reserve in respect of prior years</b>										160,736
<b>Total reserve included in the balance sheet</b>										<b>\$ 2,962,436</b>

#### Claims Outstanding (Net)

Underwriting Year	2013 \$'000	2014 \$'000	2015 \$'000	2016 \$'000	2017 \$'000	2018 \$'000	2019 \$'000	2021 \$'000	2022 \$'000	Total \$'000
<b>Estimate of cumulative gross claims</b>										
At the end of the first year	483,787	522,997	543,429	681,505	658,674	684,523	137,878	1,020,668	363,424	<b>5,096,886</b>
- One year later	955,615	1,058,340	1,203,050	1,528,014	1,235,506	1,047,660	287,194	922,611		<b>8,237,990</b>
- Two years later	982,878	1,148,972	1,299,534	1,682,985	1,376,205	1,102,310	300,092			<b>7,892,975</b>
- Three years later	959,294	1,174,123	1,315,372	1,710,399	1,397,677	1,227,621	323,973			<b>8,108,459</b>
- Four years later	948,088	1,164,511	1,321,962	1,744,731	1,516,064	1,187,968				<b>7,883,324</b>
- Five years later	921,156	1,173,987	1,349,206	1,828,107	1,474,638					<b>6,747,094</b>
- Six years later	913,628	1,207,731	1,324,896	1,751,723						<b>5,197,977</b>
- Seven years later	923,605	1,211,647	1,278,075							<b>3,413,327</b>
- Eight years later	933,556	1,191,068								<b>2,124,625</b>
- Nine years later	910,665									<b>910,665</b>
Current estimate of cumulative claims	910,665	1,191,068	1,278,075	1,751,723	1,474,638	1,187,968	323,973	922,611	363,424	<b>9,404,146</b>
Cumulative payments to date	878,847	1,106,442	1,163,525	1,522,454	1,187,052	823,557	142,367	168,278	85,609	<b>7,078,132</b>
<b>Liability recognised in the balance sheet</b>	<b>31,818</b>	<b>84,626</b>	<b>114,550</b>	<b>229,269</b>	<b>287,586</b>	<b>364,411</b>	<b>181,607</b>	<b>754,333</b>	<b>277,815</b>	<b>2,326,014</b>
<b>Reserve in respect of prior years</b>										74,887



# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

Total reserve included in the balance sheet

\$ 2,400,901

#### Insurance Risk Concentrations

The concentration of insurance risk before and after reinsurance by the most material classes of business is summarised below, with reference to the carrying amount of outstanding claims (gross and net of reinsurance) arising from insurance contracts,

	2022		2021 (Restated)	
	Gross \$'000	Net \$'000	Gross \$'000	Net \$'000
Annuities	79,685	79,685	118,867	118,867
Casualty reinsurance	225,931	190,090	179,725	146,685
Credit and suretyship	82,103	50,420	91,025	71,488
Fire and other damage to property	318,698	229,054	296,911	210,943
General liability	1,450,358	1,219,429	1,164,197	914,135
Health insurance	46,292	37,413	36,198	27,212
Income protection	47,977	37,862	57,151	50,578
Legal Expenses	170	155	466	450
Marine, aviation and transport	254,607	201,881	290,718	218,657
Miscellaneous financial loss	9,020	8,919	147	150
Motor vehicle liability	146,099	142,463	158,780	160,241
Other motor	78,419	57,055	34,442	21,731
Property reinsurance	49,192	22,830	71,245	32,012
Worker's compensation	123,591	78,200	76,284	51,519
Claims expense reserve	50,294	45,445	39,189	32,941
<b>Total technical provisions</b>	<b>\$ 2,962,436</b>	<b>\$ 2,400,901</b>	<b>\$ 2,615,345</b>	<b>\$ 2,057,609</b>

#### (b) Market Risk

##### i) Interest Rate Risk

Interest rate risk arises primarily from investments in fixed interest securities. In addition, to the extent that claims inflation is correlated to interest rates, liabilities to policyholders are exposed to interest rate risk. Syndicate 3500 works closely with its investment manager to review the duration of the investment portfolio in relation to the estimated mean duration of the liabilities.

The impact of a 100 basis point increase in interest rates on the value of Syndicate 3500's investments held at 31<sup>st</sup> December 2022 is an approximate \$35,143,000 loss (2021: loss \$20,200,000 to the profit and loss account. Similarly, a 100 basis point decrease in interest rates would give rise to an approximate \$38,233,000 gain (2021: gain \$21,000,000 to the profit and loss account, prior to cessions to RiverStone Insurance (UK) Limited ("RiverStone Insurance (UK)")).

##### ii) Equity Price Risk

Syndicate 3500 is exposed to equity securities price risk as a result of its holdings in equity investments, classified as financial assets at fair value through profit or loss. Exposures to individual companies and to equity shares in aggregate are monitored in order to ensure compliance with the relevant regulatory limits for solvency.

Investments held listed investments only. Listed investments are those that are traded on recognised stock exchanges.

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

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Syndicate 3500 has a defined investment policy which sets limits on its exposure to equities, both in aggregate terms and by counterparty. This policy of diversification is used to manage Syndicate 3500's price risk arising from its investments in equity securities.

Listed equity securities held at 31<sup>st</sup> December 2022 represent 100.0% of total equity investments. If equity market indices had increased/decreased by 5%, with all other variables held constant, and all Syndicate 3500's equity investments moved according to the historical correlation with the index, there would be a gain/loss of £Nil (2021: \$600,000) to the profit and loss account, prior to cessions to RiverStone Insurance (UK).

#### iii) Currency Risk

Syndicate 3500 manages its foreign exchange risk against its functional currency, which is US Dollars. Syndicate 3500 has a proportion of its assets and liabilities denominated in currencies other than US Dollars, the most significant being the Pounds Sterling, Euro, Canadian Dollar and Australian Dollar. Syndicate 3500 seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency, and by the utilisation of forward currency contracts.

At 31<sup>st</sup> December 2022, if Pound Sterling had weakened by 10% more in 2022 against the US Dollar with all other variables held constant, profit for the year would have been \$3.5 million lower (2021: \$4 million higher), mainly as a result of net foreign exchange gains on the translation of US Dollar denominated financial assets, and US Dollar denominated liabilities.

At 31<sup>st</sup> December 2022, if the Euro had weakened by 10% more in 2022 against the US Dollar with all other variables held constant, profit for the year would have been \$700,000 lower (2021: \$4.7 million lower), mainly as a result of net foreign exchange gains on the translation of Euro denominated financial assets, and Euro denominated liabilities.

At 31<sup>st</sup> December 2022, if the Canadian Dollar had weakened by 10% more in 2022 against the US Dollar with all other variables held constant, profit for the year would have been \$400,000 higher (2021: \$50,000 lower), mainly as a result of net foreign exchange gains on the translation of Canadian Dollar denominated financial assets, and Canadian Dollar denominated liabilities.

At 31<sup>st</sup> December 2022, if the Australian Dollar had weakened by 10% more in 2022 against the US Dollar with all other variables held constant, profit for the year would have been \$30,000 lower (2021: \$1.3 million higher), mainly as a result of net foreign exchange gains on the translation of Australian Dollar denominated financial assets, and Australian Dollar denominated liabilities.

#### (c) Credit Risk

Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. Key areas where Syndicate 3500 is exposed to credit risk are:

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance intermediaries;
- amounts due from corporate bond issuers;
- counterparty risk with respect to derivative transactions; and
- cash at bank and in hand.

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

As Syndicate 3500 is in runoff its exposures to other reinsurers and insurance intermediaries are determined by contracts previously written. Syndicate 3500 manages the levels of credit risk from reinsurers and insurance intermediaries by quarterly review of receivable balances by counterparty. Management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. It is Syndicate 3500's policy to provide for reinsurer bad debts in situations where it does not expect to collect the full amount outstanding due to the financial position of the reinsurer or due to disputes over coverage. In certain circumstances, collateral is held in the form of either deposits or letters of credit from reinsurers.

Syndicate 3500 reduces its exposure to credit risk in relation to investments by entering into transactions with counterparties that are reputable and by settling trades through recognised exchanges. Syndicate 3500 maintains strict control limits on the maximum notional amount of derivative positions. The assets bearing credit risk are summarized below, together with an analysis by credit rating (AM Best or equivalent):

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Derivative financial instruments	56	987
Central fund loans	2,822	-
Debt securities	1,506,946	894,260
Deposits with credit institutions	526,945	439,154
Assets arising from reinsurance contracts held	776,562	1,192,785
Premium receivable	32,632	9,252
Cash at bank and in hand	175,257	156,899
Overseas deposits	127,301	133,189
<b>Total assets bearing credit risk</b>	<b>\$ 3,148,521</b>	<b>\$ 2,826,526</b>

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
AAA	306,772	311,349
AA, AA+, AA-	763,330	363,307
A, A-, A+	1,560,437	1,543,873
B++ and below or not rated	517,982	607,997
<b>Total assets bearing credit risk</b>	<b>\$ 3,148,521</b>	<b>\$ 2,826,526</b>

\*Restated, see note 3(f) for further details

Assets arising from reinsurance and insurance contracts held are further analysed as follows:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Performing	736,981	1,184,562
Past due	78,242	18,207
Impaired	-	-
Provision for irrecoverable amounts	(6,029)	(732)
	<b>\$ 809,194</b>	<b>\$ 1,202,037</b>

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

#### (d) Liquidity Risk

The primary liquidity risk is the obligation to pay claims to policy holders as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using a combination of operational cash flow forecasting and actuarial techniques. The Board sets limits on the minimum proportion of maturing funds available to meet such calls and on the minimum level of borrowing facilities that should be in place to cover anticipated liabilities and unexpected levels of demand. The table below analyses the maturity of Syndicate 3500's financial liabilities and outstanding claims. All liabilities are presented on a contractual cash flow basis except for the insurance liabilities, which are presented in their expected cash flows.

	No Contractual Maturity Date \$'000	< 6 months or on demand \$'000	Between 6 months and 1 year \$'000	Between 1 year and 2 years \$'000	Between 2 years and 5 years \$'000	> 5 Years \$'000	Carrying Value \$'000
<b>At 31<sup>st</sup> December 2022</b>							
Creditors	-	144,755	7,160	10,539	17,147	14,105	193,706
Claims outstanding	-	378,001	377,999	556,447	905,306	744,683	2,962,436
<b>Financial liabilities and outstanding claims</b>	<b>\$ -</b>	<b>\$ 522,756</b>	<b>\$ 385,159</b>	<b>\$ 566,986</b>	<b>\$ 922,453</b>	<b>\$ 758,788</b>	<b>\$ 3,156,142</b>
<b>At 31<sup>st</sup> December 2021</b>							
Creditors	-	73,288	14,726	17,581	18,927	12,620	137,142
Claims outstanding	-	341,381	341,380	966,005	503,015	463,564	2,615,345
<b>Financial liabilities and outstanding claims</b>	<b>-</b>	<b>\$ 414,669</b>	<b>\$ 356,106</b>	<b>\$ 983,586</b>	<b>\$ 521,942</b>	<b>\$ 476,184</b>	<b>\$ 2,752,487</b>

#### (e) Capital Management

Syndicate 3500 maintains an efficient capital structure comprising only its member's balance, consistent with its risk profile and the regulatory and market requirements of its business. Syndicate 3500's objectives in managing its capital are:

- to match the profile of its assets and liabilities, taking account of the risks inherent in the business
- to satisfy the requirements of its policyholders and regulators
- to retain financial flexibility by maintaining adequate liquidity

Syndicate 3500 is regulated by the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's and is subject to insurance solvency regulations which specify the minimum amount and type of capital that must be held in addition to the insurance liabilities. Syndicate 3500 manages capital in accordance with these rules and performs the necessary tests to ensure continuous and full compliance with such regulations. Syndicate 3500 has complied with all of its capital requirements throughout the year.

The minimum capital required to support Syndicate 3500 is required to be provided by the corporate member, either by assets held in trust by Lloyd's specifically for that member ("Funds at Lloyd's"), held within, and managed within, a syndicate ("Funds in Syndicate") or as the member's share of the members' balances on each syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member balances reported on the Balance Sheet, represent resources available to meet member and Lloyd's capital requirements.

**Syndicate 3500**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2022**

**6. Segmental Analysis**

	<b>Gross premiums written 2022 \$'000</b>	<b>Gross premiums earned 2022 \$'000</b>	<b>Gross claims incurred 2022 \$'000</b>	<b>Gross operating expenses 2022 \$'000</b>	<b>Re- insurance balance 2022 \$'000</b>
<b>Direct Insurance</b>					
Accident and health	58,061	59,975	(83,490)	(1,032)	29,403
Motor	109,127	114,425	(126,841)	(1,934)	38,931
Marine, aviation and transport	146,667	147,955	(150,798)	(2,604)	9,867
Credit and surety	40,020	41,244	(68,601)	(685)	20,252
Fire and other damage to property	303,061	308,490	(379,480)	(5,392)	105,857
Third party liability	563,872	582,248	(641,604)	(10,405)	106,222
	<u>1,220,808</u>	<u>1,254,337</u>	<u>(1,450,814)</u>	<u>(22,052)</u>	<u>310,532</u>
Reinsurance acceptances	<u>144,284</u>	<u>146,919</u>	<u>(151,530)</u>	<u>693</u>	<u>19,555</u>
<b>Total</b>	<b>\$ <u>1,365,092</u></b>	<b>\$ <u>1,401,256</u></b>	<b>\$ <u>(1,602,344)</u></b>	<b>\$ <u>(21,359)</u></b>	<b>\$ <u>330,087</u></b>

	<b>Gross premiums written 2021 \$'000</b>	<b>Gross premiums earned 2021 \$'000</b>	<b>Gross claims incurred 2021 \$'000</b>	<b>Gross operating expenses 2021 \$'000</b>	<b>Re- insurance balance 2021 \$'000</b>
<b>Direct Insurance</b>					
Accident and health	26,767	26,767	(32,481)	(283)	2,662
Motor	1,145	1,145	(1,269)	(311)	444
Marine, aviation and transport	88,766	87,736	(104,289)	(685)	26,498
Credit and surety	29,962	29,054	(17,745)	(138)	4,740
Fire and other damage to property	48,864	48,404	(87,804)	(634)	36,251
Third party liability	502,812	474,468	(593,785)	(3,476)	96,753
	<u>698,316</u>	<u>667,574</u>	<u>(837,373)</u>	<u>(5,527)</u>	<u>167,348</u>
Reinsurance acceptances	<u>1,610,766</u>	<u>1,493,104</u>	<u>(1,562,366)</u>	<u>(6,426)</u>	<u>86,892</u>
<b>Total</b>	<b>\$ <u>2,309,082</u></b>	<b>\$ <u>2,160,678</u></b>	<b>\$ <u>(2,399,739)</u></b>	<b>\$ <u>(11,953)</u></b>	<b>\$ <u>257,240</u></b>

All premiums written were in respect of insurance contracts concluded in the UK.

Effective 1<sup>st</sup> January 2022, Syndicate 3500 entered into the following transactions:

- the reinsurance to close of the 2019 underwriting year of account liabilities of Syndicate 1897. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$13.5 million and \$13.4 million, respectively;
- the reinsurance to close of the 2019 and prior underwriting years of account liabilities of Syndicate 2468. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$400.6 million and \$295.3 million, respectively;
- the loss portfolio transfer reinsurance of the 2020 underwriting year of account liabilities of Syndicate 2468. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$22.7 million and \$19.3 million respectively;

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

- the reinsurance to close, or split reinsurance to close of the 2019 and prior underwriting years of account liabilities of Syndicate 1980, Syndicate 2014 and Syndicate 2001. These transactions resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$930.2 million and \$724.4 million, respectively; and
- the loss portfolio transfer reinsurance of certain discontinued lines of business originally written in the 2020 underwriting year of Syndicate 2001. This transaction resulted in the transfer to Syndicate 3500 of gross and net technical provisions of \$3.8 million.

During 2022, Syndicate 3500 entered into the following transactions:

- the loss portfolio transfer reinsurance of the 2018 and 2019 underwriting year of account liabilities of Syndicate 1200. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$293.8 million; and
- the loss portfolio transfer reinsurance of certain discontinued lines of Syndicate 1686. This transaction results in the transfer to Syndicate 3500 of gross and net technical provisions of \$62 million.

#### 7. Technical Provisions – Claims Outstanding

The change in the provisions for claims outstanding are as follows:

	2022			2021		
	Gross \$'000	Reinsurers' Share \$'000	Net \$'000	Gross \$'000	Reinsurers' Share \$'000	Net \$'000
Claims outstanding at 1 <sup>st</sup> January	2,615,345	557,736	2,057,609	774,037	438,133	335,904
Reinsurance of new liabilities	1,728,476	310,110	1,418,366	2,425,117	300,794	2,124,323
New ceded reinsurance entered into	-	-	-	-	12,055	(12,055)
Change in estimates of technical provision provisions, including foreign exchange	(293,072)	(39,304)	(253,768)	(60,641)	(38,470)	(22,171)
Paid claims	(1,088,313)	(267,007)	(821,306)	(523,168)	(154,776)	(368,392)
<b>Claims outstanding at 31<sup>st</sup> December</b>	<b>\$ 2,962,436</b>	<b>\$ 561,535</b>	<b>\$ 2,400,901</b>	<b>\$ 2,615,345</b>	<b>\$ 557,736</b>	<b>\$ 2,057,609</b>

Included within reinsurers' share of technical provisions – claims outstanding are amounts recoverable from related companies of \$171,513,000 (2021: \$242,091,000)

	2022			2021		
	Gross \$'000	Reinsurers' Share \$'000	Net \$'000	Gross \$'000	Reinsurers' Share \$'000	Net \$'000
Unearned Premium at 1 <sup>st</sup> January	164,748	13,177	151,571	21,000	6,658	14,342
Reinsurance of new liabilities	-	-	-	149,975	8,395	141,580
New ceded reinsurance entered into	-	-	-	-	-	-
Earned Premiums	(36,164)	(2,332)	(33,832)	(5,890)	(1,776)	(4,114)
Foreign Exchange	(10,949)	(441)	(10,508)	(337)	(100)	(237)
<b>Unearned Premium at 31<sup>st</sup>December</b>	<b>\$ 117,635</b>	<b>\$ 10,404</b>	<b>\$ 107,231</b>	<b>\$ 164,748</b>	<b>\$ 13,177</b>	<b>\$ 151,571</b>

The initial recognition of reinsurer's share of unearned premium associated with the reinsurance of new liabilities is recognised in the profit and loss account as a gross up to gross premiums written.

**Syndicate 3500**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2022**

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**8. Net Operating Expenses**

Syndicate operating expenses included within net operating expenses comprise:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Administrative expenses	22,856	22,363
Gross profit commission payable	1,640	1,059
Deferred acquisition costs	4,388	6,216
Less: recovered under reinsurance protection agreements	<u>(3,396)</u>	<u>(7,311)</u>
	<b>\$ 25,488</b>	<b>\$ 22,327</b>

The management and administration of RiverStone Managing Agency is carried out by RiverStone Management Limited (“RiverStone Management”), a fellow subsidiary, which also provides these services to other group companies. RiverStone Management recharges these costs to RiverStone Managing Agency, which in turn recharges them to Syndicate 3500. Certain costs are recovered by Syndicate 3500 under the reinsurance protection agreements it has entered into with affiliated reinsurers.

Operating costs charged to Syndicate 3500 by RiverStone Managing Agency during the year were \$39,246,000 (2021: \$29,318,000).

The Directors, Run-off Manager and other key management personnel of Syndicate 3500 receive no emoluments from RiverStone Managing Agency. The contracts of employment of the U.K. executive Directors and employees are with RiverStone Management which makes charges for the services described above. Emoluments paid by RiverStone Management to the key management personnel of Syndicate 3500 in respect of their services in relation to Syndicate 3500 are summarised below. These amounts represent emoluments based on an apportionment of time.

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Total emoluments: Directors, run off manager and key management personnel	\$ <u>2,081</u>	\$ <u>2,233</u>
Run-off Manager	\$ <u>345</u>	\$ <u>393</u>

Further information in respect of the directors of RiverStone Managing Agency is provided in that company’s financial statements.

**9. Auditors’ Remuneration**

Fees payable for the audit of the annual accounts of RiverStone Managing Agency are \$16,143 (2021: \$16,423). Fees payable for audit-related assurance services provided to the managing agent are \$nil (2021: nil). There were no other fees payable for the provision of other non-audit services.

**Syndicate 3500**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2022**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Audit of these financial statements	269	248
Audit related assurance services	132	134
Non-audit related actuarial and valuation services	<u>487</u>	<u>461</u>
	<b>\$ <u>888</u></b>	<b>\$ <u>843</u></b>
<b>10. Investment Income</b>		
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Income from financial assets at fair value through profit and loss	<b>\$ <u>35,821</u></b>	<b>\$ <u>7,857</u></b>
<b>11. Investment Expenses and Charges</b>		
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Investment expenses	<b>\$ <u>(1,357)</u></b>	<b>\$ <u>(1,816)</u></b>
<b>12. Gain (loss) for the year</b>		
	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
The profit (loss) for the year is stated after charging:		
Foreign exchange gain (loss)	<b>\$ <u>10,846</u></b>	<b>\$ <u>(4,634)</u></b>



**Syndicate 3500**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2022**

**13. Other Financial Investments**

**(a) Other Financial Investments by Category**

	<b>Market Value 2022 \$'000</b>	<b>Market Value 2021 \$'000</b>	<b>Historic Cost 2022 \$'000</b>	<b>Historic Cost 2021 \$'000</b>
<b>Financial Assets – at fair value through profit and loss</b>				
Shares and other variable-yield securities and units in unit trusts - designated at fair value through profit and loss on initial recognition	15,043	11,915	10,072	7,781
Debt securities and other fixed interest securities designated at fair value through profit and loss on initial recognition	1,506,946	894,260	1,587,243	899,003
Derivative financial instruments - at fair value through profit and loss, held for trading	56	987	-	-
Deposits with credit institutions	<u>526,945</u>	<u>439,154</u>	<u>526,945</u>	<u>439,154</u>
	<b>\$ 2,048,990</b>	<b>\$ 1,346,316</b>	<b>\$ 2,124,316</b>	<b>\$ 1,345,938</b>

**Financial Liabilities**

Derivative financial instruments - at fair value through profit and loss, held for trading	<u>\$ 2,157</u>	<u>\$ 2,457</u>	<u>\$ -</u>	<u>\$ -</u>
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**(b) Listed Investments**

Included in carrying values of financial assets above are amounts in respect of listed investments as follows:

	<b>2022 \$'000</b>	<b>2021 \$'000</b>
<b>At fair value through profit and loss</b>		
Shares and other variable yield securities and units in unit trusts	12,221	11,915
Debt securities and other fixed interest securities	<u>1,479,769</u>	<u>807,298</u>
<b>Total listed investments</b>	<b>\$ 1,491,990</b>	<b>\$ 819,213</b>

**Derivative Financial Instruments at Fair Value through Profit and Loss**

	<b>Market Value 2022 \$'000</b>	<b>Market Value 2021 \$'000</b>
<b>Derivative financial instruments assets</b>		
Foreign currency forward contracts	<u>\$ 56</u>	<u>\$ 987</u>

**Syndicate 3500**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2022**

**Derivative financial instruments liabilities**

Foreign currency forward contracts \$ 2,157    \$ 2,457

The functional currency of Syndicate 3500 is US Dollars and consequently it is exposed to foreign exchange movements in currencies other than US Dollars. Syndicate 3500 has foreign currency forward contracts in place to provide protection against the impact of potential adverse fluctuations in exchange rates on Syndicate 3500's net asset positions.

The foreign currency forward contracts are measured at fair value, which is determined using valuation techniques that utilise observable inputs. The key inputs used in valuing the derivatives are forward exchange rates.

	Market Value		Contract/Notional Amount	
	2022	2021	2022	2021
	\$'000	\$'000	\$'000	\$'000
Foreign currency forward contracts	\$ <u>(2,101)</u>	\$ <u>(1,471)</u>	\$ <u>332,149</u>	\$ <u>308,761</u>

**(c) Disclosures of Fair Values in Accordance with the Fair Value Hierarchy**

	Level 1	Level 2	Level 3	Total
	2022	2022	2022	2022
	\$'000	\$'000	\$'000	\$'000
Shares and other variable yield securities and units in unit trusts	12,221	-	2,822	15,043
Debt securities and other fixed interest securities	1,479,770	27,176	-	1,506,946
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	56	56
Deposits with credit institutions	526,945	-	-	526,945
	<u>\$ 2,018,936</u>	<u>\$ 27,176</u>	<u>\$ 2,878</u>	<u>\$ 2,048,990</u>
	Level 1	Level 2	Level 3	Total
	2021	2021	2021	2021
	\$'000	\$'000	\$'000	\$'000
Shares and other variable yield securities and units in unit trusts	11,915	-	-	11,915
Debt securities and other fixed interest securities	78,182	816,078	-	894,260
Derivative financial instruments at fair value through profit or loss, held for trading	-	-	987	987
Deposits with credit institutions	439,154	-	-	439,154
	<u>\$ 529,251</u>	<u>\$ 816,078</u>	<u>\$ 987</u>	<u>\$ 1,346,316</u>

**Syndicate 3500**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2022**

**(d) Level 3 Pricing**

Level 3 valuation techniques are used by Syndicate 3500 in respect of foreign exchange forward contracts, observable inputs include the strike price and the prevailing market foreign exchange rates.

**(e) Reconciliation of Movements in Level 3 Financial Investments Measured at Fair Value**

	<b>At Fair Value Through Profit and Loss</b>			
	<b>Debt Securities</b>	<b>Equity Shares</b>	<b>Derivatives</b>	<b>Total</b>
	<b>2022</b>	<b>2022</b>	<b>2022</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 1 <sup>st</sup> January	-	-	987	987
Total losses recognised in the profit and loss account	-	-	(931)	(931)
Sales	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 56</b>	<b>\$ 56</b>

	<b>At Fair Value Through Profit and Loss</b>			
	<b>Debt Securities</b>	<b>Equity Shares</b>	<b>Derivatives</b>	<b>Total</b>
	<b>2021</b>	<b>2021</b>	<b>2021</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>	<b>\$'000</b>
At 1 <sup>st</sup> January	-	-	737	737
Total losses recognised in the profit and loss account	-	-	250	250
Sales	-	-	-	-
<b>Total</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 987</b>	<b>\$ 987</b>

Total losses of \$0.9 million (2021: gains of \$0.3 million) on Level 3 financial investments held during the year, all of which are presented in the net investment return in the profit and loss account.

**(f) Collateralised Cash and Investments**

Syndicate 3500 maintains a collateralised letter of credit facility, Lloyd's trust funds and overseas deposits in respect of its contractual obligations under which Syndicate 3500 is obliged to collateralise its liabilities. The total amount of collateral provided at 31<sup>st</sup> December 2022 was \$1,002 million (2021: \$596.3 million).

**14. Debtors Arising Out of Direct Insurance Operations**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Amount owed from intermediaries	<b>\$ 127,682</b>	<b>\$ 84,918</b>

**Syndicate 3500**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2022**

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**15. Debtors Arising Out of Reinsurance Operations**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Amount owed from intermediaries	203,610	88,153
Loss portfolio transfer premium due from cedants	11,418	546,896
Premium receivable	<u>32,632</u>	<u>9,252</u>
	<b>\$ 247,660</b>	<b>\$ 644,301</b>

**16. Other Debtors**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Insurance premium taxes	7,176	1,776
Receivable for securities sold	3,000	-
Other debtors	<u>2,966</u>	<u>-</u>
	<b>\$ 13,142</b>	<b>\$ 1,776</b>

**17. Creditors Arising out of Direct Insurance Operations**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts owed to intermediaries	<u>\$ 56,487</u>	<u>\$ 354</u>

**18. Creditors Arising out of Reinsurance Operations**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Amounts owed to group undertakings	23,416	36,158
Amounts owed to cedants and intermediaries	<u>106,228</u>	<u>70,623</u>
	<b>\$ 129,644</b>	<b>\$ 106,781</b>

**19. Other Creditors Including Taxation and Social Security**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Payable for securities sold	2,430	27,465
Other creditors	2,847	85
Derivative liabilities	<u>2,157</u>	<u>2,457</u>
	<b>\$ 7,434</b>	<b>\$ 30,007</b>

**Syndicate 3500**  
**Notes to the Financial Statements**  
**For the year ended 31<sup>st</sup> December 2022**

**20. Movement in Opening and Closing Portfolio Investments Net of Financing**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Net cash inflow for the year	25,538	118,645
Increase in overseas deposits	4,299	85,723
Net portfolio investment	<u>793,975</u>	<u>1,051,616</u>
Movement arising from cash flows	823,812	1,255,984
Changes in market value and exchange rates	<u>(108,668)</u>	<u>(37,853)</u>
Total movement in portfolio investments, net of financing	715,144	1,218,085
Balance brought forward at 1 <sup>st</sup> January, net of financing	<u>1,636,404</u>	<u>418,273</u>
<b>Balance carried forward at 31<sup>st</sup> December, net of financing</b>	<b>\$ <u>2,351,548</u></b>	<b>\$ <u>1,636,404</u></b>

**21. Movement in Cash, Portfolio Investments and Financing**

	<b>At 1<sup>st</sup></b>		<b>Changes to</b>	<b>At 31<sup>st</sup></b>
	<b>January</b>	<b>Cash</b>	<b>Market</b>	<b>December</b>
	<b>2022</b>	<b>Flow</b>	<b>Value and</b>	<b>2022</b>
	<b>\$'000</b>	<b>\$'000</b>	<b>Currencies</b>	<b>\$'000</b>
			<b>\$'000</b>	
Cash at bank and in hand	156,899	25,538	(7,180)	175,257
Overseas deposits	<u>133,189</u>	<u>4,299</u>	<u>(10,187)</u>	<u>127,301</u>
	<b><u>290,088</u></b>	<b><u>29,837</u></b>	<b><u>(17,367)</u></b>	<b><u>302,558</u></b>
<b>Portfolio investments:</b>				
Shares and other variable yield securities	11,915	3,128	-	15,043
Debt and other fixed income	894,260	671,727	(59,041)	1,506,946
Derivative financial instruments	987	(931)	-	56
Deposits with credit institutions	<u>439,154</u>	<u>120,051</u>	<u>(32,260)</u>	<u>526,945</u>
<b>Total portfolio investments</b>	<b><u>1,346,316</u></b>	<b><u>793,975</u></b>	<b><u>(91,301)</u></b>	<b><u>2,048,990</u></b>
<b>Total cash, portfolio investments and financing</b>	<b>\$ <u>1,636,404</u></b>	<b>\$ <u>823,812</u></b>	<b>\$ <u>(108,668)</u></b>	<b>\$ <u>2,351,548</u></b>

**22. Net Cash Inflow on Portfolio Investments**

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
Shares and other variable yield securities	3,128	-
Debt and other fixed income securities	671,727	612,683
Derivative financial instruments	(931)	250
Deposits with credit institutions	<u>120,051</u>	<u>438,683</u>
<b>Net cash inflow on portfolio investments</b>	<b>\$ <u>793,975</u></b>	<b>\$ <u>1,051,616</u></b>

# Syndicate 3500

## Notes to the Financial Statements

### For the year ended 31<sup>st</sup> December 2022

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#### 23. Commitments and Contingent Liabilities

As at 31<sup>st</sup> December 2022, there were no outstanding commitments or contingent liabilities (2021: nil).

#### 24. Funds at Lloyd's

Every member of Lloyd's is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are required primarily in case syndicate assets prove insufficient to meet members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. 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. Consequently, no amount has been shown in these financial statements by way of capital reserves. In addition to the FAL and any additional funds a member may introduce to meet losses, there is a Central Guarantee Fund controlled by Lloyd's which they may utilise to meet any syndicate liabilities that are not met by a member.

#### 25. Related Parties

The managing agent of the syndicate, RiverStone Managing Agency, and the corporate member that provides capital to the syndicate, RiverStone Corporate Capital Limited, are wholly owned subsidiaries of RiverStone Holdings Limited which is registered in England and Wales. The ultimate parent company and controlling party is RiverStone International Holdings Limited ("RiverStone International") which is registered in Jersey.

The nature of the transactions with the related parties below were primarily the provision of services and insurance transactions. All transactions are entered into on an arm's length basis.

The following amounts reflected in the profit and loss were transacted with related parties:

	<b>2022</b>	<b>2021</b>
	<b>\$'000</b>	<b>\$'000</b>
RiverStone Managing Agency Limited	(39,246)	(29,317)
Other RiverStone Managing Agency managed Syndicates	(4,008)	1,926
RiverStone International subsidiaries (Insurance)	(1,638)	(31,079)
RiverStone International subsidiaries (Other)	<u>-</u>	<u>-</u>
<b>Total</b>	<b>\$ (44,892)</b>	<b>\$ (58,470)</b>

The following balance sheet amounts were outstanding at the year end

	<b>2022</b>	<b>2021</b>
	<b>£'000</b>	<b>£'000</b>
RiverStone Managing Agency Limited	(3,634)	(4,630)
Other RiverStone Managing Agency managed Syndicates	21,322	43,266
RiverStone International subsidiaries (Insurance)	(17,407)	(42,120)
RiverStone International subsidiaries (Other)	<u>2,679</u>	<u>10,885</u>
<b>Total</b>	<b>\$ 2,960</b>	<b>\$ (7,401)</b>

# **Syndicate 3500**

## **Notes to the Financial Statements**

### **For the year ended 31<sup>st</sup> December 2022**

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#### **26. Subsequent Events**

Effective 1<sup>st</sup> January 2023, Syndicate 3500 entered into seven reinsurance to close transactions and one split reinsurance to close transaction resulting in the transfer to Syndicate 3500 of gross and net technical provisions of \$2,785 million and \$1,906 million respectively, and one loss portfolio transfer reinsurance for gross and net technical provisions of \$184 million.