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Beat Syndicate 4242

Syndicate Annual Report and Accounts
31 December 2023

Contents

Directors and administration

Managing Agent

Asta Managing Agency Ltd

Directors

P A Jardine (Chairman)*
R P Barke
C V Barley
S Bradbury
E M Catchpole*
K A Green*
L Harfitt
D B Jones
L J M McMaster
S D Redmond*
K Shah*

Non Executive Directors*

Signing Director

C V Barley

Managing Agent's Registered Office

5th Floor
20 Gracechurch Street
London
EC3V 0BG

Managing Agent's Registered Number

1918744

Active Underwriter

A Cunningham

Bankers

Citibank N.A.
Barclays Bank PLC
RBC Dexia
JP Morgan

Investment Managers

New England Asset Management (NEAM)

Registered Auditors

Ernst & Young LLP

Signing Actuary

Qian Wu, Ernst & Young LLP

Active Underwriter's report

When Alexander Graham Bell invented the telephone back in 1876 he would have had no idea what it might look like almost 150 years later. Even 20 years ago, the incredible device that we hold in our hands today and its capability would have been a stretch to imagine. The apparatus hasn't gotten any bigger over all that time, if anything it has shrunk in size (especially when one thinks back to the yuppies' "bricks" of the 1980's), but it has evolved.

And evolution has been very much Syndicate 4242's intention as it contemplated and delivered its strategy in 2023 and as it now looks beyond that. The evolution of the breadth and diversity of the business has been prioritised over top line growth as it is this that makes the business stronger and more capable of sustaining shocks. Against this framework, returns are expected to become more stable, delivering more predictable outcomes to our members and stakeholders.

In the years leading up to 2019, ICAT Managers (LLC) – an underwriter of catastrophe-exposed insurance in the US – generated the significant majority of the 4242 portfolio. Since then, the syndicate has been constantly striving to broaden the span of its underwriting activities. Thus, 2020 saw us reduce the ICAT share of the portfolio to 44% before removing it altogether in 2021 (albeit the run-off of the business would mean it was still substantially exposed to the cat activity of that year). In its place have come numerous other specialty insurance and reinsurance portfolios of business underwritten by subsidiary companies of Beat Capital Partners Ltd (Beat), a long-term venture capital business focused on the insurance industry.

The first of these portfolios included cyber insurance and specialty treaty reinsurance covering exposures both within the U.S. and international markets. As the business subsequently evolved over the years leading up to 2023, portfolios of US and international E&O, Global D&F, Alternative Risks binding authorities (with a predominantly North American footprint), D&O, niche US Property Binders, and Energy were added. During that same period, we moved away from writing Property Catastrophe and Casualty reinsurance lines from late in 2022. Although the Syndicate continues to have material US Windstorm, and other catastrophe exposures from its property lines, they are protected by comprehensive outwards reinsurance programmes and much less volatile.

The ongoing broadening of the insurance classes that the syndicate entertains allows us to be nimble and continuously refine the balance between premium volumes and line sizes committed in each line of business, as well as the nature and scale of reinsurance purchased as we pursue the optimisation of the overall portfolio.

2023 itself presented another year with in excess of $100Bn of losses to insurance markets from natural perils such as the earthquakes in Turkey and Syria, cyclones and flooding in Australia and New Zealand, wildfires in Hawaii, and Hurricane Idalia as well as the most expensive year on record for severe convective storm activity in the US. In addition, the war in the Ukraine continues amid elevated geopolitical tensions around the world. Provisions continue to be held for both this and Covid-19 but these have not changed significantly during 2023. Against this backdrop, 4242 is posting a total recognised result for the calendar year of a $40.8m profit (2022: profit of $47.6m) with a net combined ratio of [89.8%] (2022: 75.5%). The 2023 calendar year result aggregates the performance during the year of all open years of account (2021, 2022 and 2023) as well as movements from prior closed years.

Active Underwriter's report continued

Gross written premium income by class of business for the calendar year was as follows:

	2023 $'000	2022 $'000
US property insurance in catastrophe exposed regions	6	(363)
Global D&F	70,650	50,879
Specialty Treaty Reinsurance	92,763	97,842
Cyber and Tech E&O	14,687	16,906
Alternative Risks Binders	86,575	70,817
E&O	37,358	47,674
Invoice factoring insurance	66	48
Directors & Officers	23,013	17,581
US Binders	94,018	58,140
Energy	20,500	0
	439,636	359,524

The risk adjusted rate change for the portfolio in 2023 is around the 7% mark which is around 3.5% better than plan. Despite this, premium volumes have fallen short of plan in 2023 across several of the business lines as market conditions start to stabilise in certain areas, and we continue to underwrite for profit, not for premium. However, premiums have increased year on year due to the expansion and maturing of the classes of business but not to the extent expected. Furthermore, profits have decreased year on year largely due to the crystallisation and certainty of US catastrophe run-off portfolio in the prior year. Underwriters and senior management within 4242 have meaningful sums invested in the profitability of their portfolios and consequently are fully aligned in writing a smaller amount of business with sufficient forecast profit than diluting returns with risk which does not meet our collective return criteria.

Looking ahead to 2024 will see the syndicate's evolution continue as we branch out further into Credit and A&H lines. As those lines come on board, we will then be operating in 9 distinct insurance lines across around 30 identifiable subclasses. We expect this strategy to give us further levers to pull in the optimisation of the business and thus strengthen the stability of performance that we seek.

All of this is built on the back of the hard work and dedication of the Syndicate 4242 staff and I would like to recognise that and thank them for their untiring efforts here. By pulling together we are already achieving great things and, as we continue to evolve, those efforts are going to be what makes the business ever stronger and higher performing.

A Cunningham
Active Underwriter
27 February 2024

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2023.

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

Results

The total recognised result for the calendar year is a profit of $40.8m (2022: profit of $47.6m).

The Syndicate presents its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activities and review of the business

The Syndicate transacts general insurance and reinsurance business in the United Kingdom (U.K.) within the Lloyd's of London market under the oversight of the Managing Agent. It underwrites portfolios of insurance and reinsurance through binding authority agreements with managing general agents, Lloyd's consortia agreements and from 2019, through service level agreements with subsidiary companies of Beat Capital Partners Limited ("Beat").

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

	2023 $'000	**2022 $'000**	**Change**
Gross written premiums	439,636	359,524	22.3%
Profit for the financial year	40,795	47,602	-14.3%
Net Loss Ratio	50.6%	34.8%	15.8%
Net Combined ratio	89.8%	75.5%	14.3%

**The net loss ratio is the ratio of net claims incurred to net premiums earned, while the net combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. Lower ratios represent better performance.*

Year on year the increase in premium relates to the change in mix of business from catastrophe insurance and casualty reinsurance lines to delegated authority business from 2022 year of account onwards. As a result, premium is recognised over a longer period on a calendar year basis. The year on year increase in net combined ratio reflects material prior year claim reserve releases made in the 2022 calendar year relating to the increased certainty of claims exposure on the US catastrophe exposed business.

Managing Agent's report continued

The forecast return on capacity for the 2021, 2022 and 2023 years of accounts are shown below. This reflects the projected ultimate results for the 2022 and 2023 years of account at 36 months close based on actuarial estimates as at the balance sheet date. The 2021 year of account reflects the closing result as of 31 December 2023.

Underwriting capacity is a measure of the maximum gross premiums, net of acquisition costs that the Syndicate is eligible to write.

The following amounts are shown excluding SPA 1416. All years are converted at a consistent rate of exchange.

	2023 YoA Open	**2022 YoA Open**	**2021 YoA Closed**
Capacity ($'000)	330,200	285,750	285,750
Forecast ($'000)	18,861	23,394	11,392
Return on insurance capacity	5.7%	8.2%	4.0%

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Managing Agency as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Agency Risk Committee meets at least quarterly to oversee the risk management framework. The Syndicate Board, a sub-committee of the Agency Board, reviews the risk profile as reflected in the risk register, and monitors performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate Board and Underwriting Committee manages insurance risk through challenge and oversight of the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate Board then monitors performance against the business plan and the aggregation of risk through exposure management reporting through the year. The Syndicate Board considers any proposed underwriting that impacts the syndicate's ESG profile to ensure consistency with the agreed ESG approach. Reserve adequacy is monitored through quarterly review by the Asta Actuarial team and the Reserving Committee.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate policy is to only use approved reinsurers, supported by collateralisation where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy. The syndicate may also be exposed to broker credit risk, in particular where risk transfer arrangements are in place. Aged debt reporting for premiums is reviewed in the Syndicate Boards.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates and inflation. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Syndicate Board.

Investments are monitored through Investment Managers with quarterly Investment Committees that review the performance, duration and ESG ratings for the investments.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk the Syndicate Board and Investment Committee reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from Capital providers.

The Syndicate has in place an uncommitted trade loan with Barclays to mitigate the risk.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through a robust operational risk and control framework including detailed procedure manuals and a thorough training programme. This is underpinned by a structured programme of testing of processes and systems by internal audit, who serve as an independent line of assurance, reporting directly to the Chair of the Agency Audit Committee. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators. The Agency has a Head of Regulatory Affairs who manages a function that monitor business activity and regulatory developments to assess any effects on both the Agency and the Syndicate.

The Syndicate has no appetite for failing to adhere to the requirements of the FCA Consumer Duty regulations and continues its focus on ensuring that it is treating customers fairly. The Syndicate manages and monitors consumer duty risk through a suite of risk indicators and reporting metrics as part of its documented consumer duty risk framework. The consumer duty risk framework is consistently applied across all Asta syndicates and is overseen by the Conduct Oversight Group (COG), which is an AMA Board Committee that includes a non-executive director as a member who fulfils the role of Consumer Duty Champion.

Group / strategic risk

Group Risk is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Going Concern

The Directors of the managing agent have prepared the annual accounts on a going concern basis. In adopting the going concern basis, the Syndicate's current and forecast solvency and liquidity positions for the next 12 months and beyond has been reviewed. As part of the consideration of the appropriateness of adopting the going concern basis, the Directors used scenario analysis to assess the robustness of the Syndicate's solvency and liquidity positions.

Future developments

The Syndicate will continue to transact the current classes of general direct insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time.

The capacity for the 2024 year of account is $305m (2023 year of account $330mm).

Environmental, Social and Governance (ESG)

The Syndicate has an ESG policy in place, which was submitted to Lloyd's alongside the 2023 Business plan. The policy was aligned to Lloyd's ESG guidance from October 2021. In November 2023, Lloyd's launched a consultation on their roadmap for "Insuring the transition", setting out their proposed approach for the next three years across all areas of sustainability for the market, including underwriting, investments, exposure management, capital and reserving. During 2024, the Syndicate ESG policy will be reviewed and developed against the roadmap, including the development of management information for ongoing monitoring and action, where required.

Managing the Financial Risks of Climate change

Following the Prudential Regulation Authority's (PRA) Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, Asta have built a climate change framework, applicable to all syndicates, covering physical, transition and liability climate change risks, based on the underlying business written by each syndicate. Asta's managed syndicates accept climate change risk where it is an inherent part of an insurance business model, providing it is understood, managed and controlled and/or compensated. There is no appetite for uncontrolled, unmanaged exposure to the financial risks of climate change.

The framework ensures Board-level engagement and accountability with Lloyd's and PRA's requirements and expectations, assigning clear responsibilities for managing the financial risks associated with climate change. The AMA Chief Risk Officer, who is a Board member, is responsible for the climate change framework, including identifying and managing financial climate related risks.

Managing Agent’s report continued

Asta continue on an ongoing basis to monitor against regulatory guidance and expectations, as it is released, on managing the financial risks of climate change.

Directors and Officers

Details of the Directors of the Managing Agent that were serving at the year end and up to the date of signing of the financial statements are provided on page 4. Changes to Directors and Officers from the last report were as follows:-

C N Griffiths	Resigned 28 February 2023
A J Hubbard	Resigned 10 July 2023
S Bradbury	Appointed 22 May 2023

Disclosure of Information to the Auditor

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

Auditors

The Managing Agent intends to reappoint Ernst & Young LLP as the Syndicate’s auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members within 21 days of this notice.

On behalf of the Board

C V Barley
Director
27 February 2024

Statement of Managing Agent's responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their Syndicate's annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these annual accounts, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

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

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

Independent auditor's report to the members of Syndicate 4242

Report on the Syndicate annual accounts

Opinion

We have audited the syndicate annual accounts of syndicate *4242* ('the syndicate') for the year ended 31 December 2023 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20 including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

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 accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, 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 syndicate annual accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for a period of 12 months from when the syndicate annual accounts 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. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Independent auditors’ report continued

Other information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor’s report thereon. The directors of the managing agent are responsible for the other information contained within the annual report.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this 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 accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents’ emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent auditors' report continued

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities on page 12, the managing agent is responsible for the preparation of the syndicate annual accounts 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 the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing, as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual accounts

Our objectives are to obtain reasonable assurance about whether the syndicate annual accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue an 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 accounts.

Explanation as to what extent 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 irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP). Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance. We also performed procedures to understand the culture of compliance and governance including the obtainment and review of the code of conduct, employee handbook and whistleblowing policy. Furthermore in order to assess the internal views of risks and their likelihoods, we have reviewed the risk register and risk event summary for the syndicate.

- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

Independent auditors' report continued

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, on the valuation of IBNR reserves and estimated premium income, we performed audit procedures to address each identified fraud risk. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Insurance Accounts Directive (Lloyd's 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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Robert Bruce (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 February 2024

Statement of profit or loss

Technical account - General business

For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Gross premiums written	3	439,636	359,524
Outwards reinsurance premiums		(174,431)	(114,340)
Net written premiums		265,205	245,184
Change in the provision for unearned premiums			
Gross amount		(31,183)	(41,735)
Reinsurers' share		32,860	21,628
	4	1,677	(20,107)
Earned premiums, net of reinsurance		266,882	225,077
Allocated investment return transferred from the non-technical account		9,549	705
Claims Paid			
Gross amount		(125,547)	(125,289)
Reinsurers' share		31,310	76,357
		(94,237)	(48,932)
Changes in the provision for claims outstanding			
Gross amount		(36,073)	46,983
Reinsurers' share		(4,741)	(76,401)
	4	(40,814)	(29,418)
Claims incurred, net of reinsurance		(135,051)	(78,350)
Net operating expenses	5	(104,631)	(91,675)
Balance on technical account - general business		36,749	55,757

All the amounts above are in respect of continuing operations.

The notes on pages 23 to 51 form part of these financial statements.

Statement of profit or loss continued

Non-technical account

For the year ended 31 December 2023

	Notes	2023 $'000	2022 $'000
Balance on technical account - general business		36,749	55,757
Investment Income		4,929	1,292
Unrealised gains on investments		1,843	630
Unrealised losses on investments		(14)	(1,297)
Gains on the realisation of investments		2,985	209
Losses on the realisation of investments		(48)	(45)
Investment management charges		(146)	(83)
Allocated Investment return	9	(9,549)	(705)
Exchange gains / (losses)		4,046	(8,156)
Profit for the financial year		40,795	47,602

There were no recognised gains and losses in the year other than those reported in the Statement of Profit or Loss and hence no Statement of Other Comprehensive Income has been presented. This is similarly the case for the comparative year.

All the amounts above are in respect of continuing operations.

The notes on pages 23 to 51 form part of these financial statements.

Statement of changes in members' balances

For the year ended 31 December 2023

	2023 $'000	2022 $'000
Members' balances brought forward at 1 January	14,273	(34,581)
Profit for the financial year	40,795	47,602
Cash calls in period	0	851
Members' agent fees	(205)	(155)
Non-standard personal expenses	(45)	33
Distribution profit (per RX04)	(22,038)	0
Distribution loss (per RX04)	0	523
Members' balances carried forward at 31 December	32,780	14,273

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

The notes on pages 23 to 51 form part of these financial statements.

Statement of financial position

As at 31 December 2023

	Notes	2023 $'000	2022 $'000
ASSETS			
Investments			
Other financial investments	10	190,033	190,925
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	78,528	45,455
Claims outstanding	4	138,232	142,746
		216,760	188,201
Debtors			
Debtors arising out of insurance operations	11	169,399	136,287
Debtors arising out of reinsurance operations	12	27,855	38,794
Other debtors		1,731	113
		198,985	175,194
Cash and other assets			
Cash at bank and in hand		126,294	34,486
Other assets		-	-
		126,294	34,486
Prepayments and accrued income			
Accrued income		-	-
Deferred acquisition costs		59,217	39,098
Other prepayments and accrued interest		10,011	7,721
		69,228	46,818
Total Assets		801,300	635,625

The notes on pages 23 to 51 form part of these financial statements.

Statement of financial position continued

As at 31 December 2023

	Notes	2023 $'000	2022 $'000
MEMBERS' BALANCE AND LIABILITIES			
Capital and reserves			
Members' balances		32,780	14,273
Liabilities			
Technical provisions			
Provision for unearned premiums	4	205,639	172,501
Claims outstanding	4	406,165	368,995
		611,804	541,496
Creditors			
Creditors arising out of insurance operations	13	3,088	235
Creditors arising out of reinsurance operations	13	119,472	68,783
Other creditors	14	10,678	7,019
		133,238	76,037
Accruals and deferred income		23,476	3,819
Total Liabilities		768,518	621,352
Total members' balances and liabilities		801,300	635,625

The notes on pages 23 to 51 form part of these financial statements.

The financial statements were approved by board of directors on 22 February 2024 and were signed on its behalf by:

R P Barke
Director
27 February 2024

Statement of cash flows

For the year ended 31 December 2023

	2023 $'000	2022 $'000
Cash flows from Operating Activities		
Profit on ordinary activities	40,795	47,602
Increase / (Decrease) in gross technical provsions	70,308	(6,582)
(Increase)/Decrease in reinsurers' share of gross technical provisions	(28,559)	59,721
(Increase) in debtors	(23,644)	(100)
Increase in creditors	57,202	22,772
Movement in other asset/liabilities	(4,784)	(15,842)
Other	(3,243)	(136)
Investment Return	(9,549)	(705)
Net cash inflow from operating activities	98,527	106,730
Cash flows from Investing activities		
Purchases of other financial investments	(613,513)	(184,126)
Sale of other financial investments	618,888	74,632
Investment income received	9,549	705
Changes to market value and currency		1,594
Other		(6)
Net cash inflow/outflow from investing activities	14,923	(107,201)
Cash flows from Financing activities		
Payments of profit to members' personal reserve fund	0	523
Cash calls	0	851
Distribution profit	(22,037)	0
Member's agents fee advances	(264)	(155)
Other	17	32
Net cash outflow from financing activities	(22,284)	1,251
Net increase/decrease in cash and cash equivalents	91,167	780
Cash and cash equivalents at beginning of year	34,486	33,570
Changes to market value and currency	642	136
Cash and cash equivalents at end of year	126,294	34,486

The notes on pages 23 to 51 form part of these financial statements.

Notes to the financial statements

For the year ended 31 December 2023

1. Basis of preparation

Statement of compliance

The Syndicate comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's Managing agent is stated on page 4.

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

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The financial statements are prepared in US Dollars, which is the functional and presentational currency of the Syndicate and rounded to the nearest $'000.

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

2. Accounting policies

Use of estimates

The preparation of accounts in conformity with UK GAAP requires that the directors make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the accounts, and the reported amounts of income and expenses during the reporting period. Actual results could differ from those estimates. Significant items subject to such estimates and assumptions include:

(i) provision for claims outstanding (refer to claims incurred accounting policy);

(ii) expected policy cancellations;

(iii) accruals for contingent commissions under insurance and reinsurance contracts for binder and consortia arrangements.

(iv) estimates of future premium for binder and quota share contracts (refer to gross premiums accounting policy)

(v) recoverability of reinsurance assets.

Insurance contracts

Insurance contracts are contracts where the Syndicate (as an insurer or reinsurer) accepts significant insurance risk (risk arising from both underwriting risk and timing risk), from a policyholder or reinsured by agreeing to compensate them if a specified uncertain future event (the insured or reinsured event) adversely affects them. The Syndicate determines whether it has significant insurance risk by comparing the amount and timing of premiums, commissions,

Accounting policies continued

and claim settlement expenses paid with the amount and timing of such cash flows if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once the Syndicate classifies a contract as an insurance contract, it remains an insurance contract for the remainder of its term, even if the insurance risk decreases significantly during this period, unless all rights and obligations extinguish or expire.

Gross premiums

Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Written premium estimates are sourced from the underwriting system and the relevant earning pattern applied to them. Different recognition is applied to loss occurring during and risk attaching during policies, in line with the incidence of risk of the policy. These can be summarised as the following respectively:

Loss occurring during- written upfront and earned over the coverage period.

Risk attaching during- written over the term of the policy and earned over the coverage period.

At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period. As each class of business develops written premium estimates are updated in line with signed receipts.

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in current and prior accounting periods. They are recognised on the date on which the policy commences.

Claims incurred

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

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions.

Claims handling expenses mostly consist of fees that the Syndicate pays in respect of Beat staff, a portion of which is transferred to the claims handling line.

Accounting policies continued

Accordingly, the two most critical assumptions with regards to claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Provisions for unearned premiums

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

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

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

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

No unexpired risk provision was recorded at 31 December 2023 (2022: Nil).

Acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio.

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

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Accounting policies continued

Reinsurance assets

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

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

The reinsurers’ share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year, the current security rating of the reinsurance companies involved and any disputed balances. In the case of disputed reinsurances a provision is set based on a prudent estimate of the collectable amount following independent professional advice on the issues surrounding the dispute.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised.

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

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, the carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are not recognised when the de-recognition criteria for financial assets have been met.

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currency translation

The Directors measure foreign currency assets and liabilities at the closing exchange rate in effect at the balance sheet date, while they measure foreign currency revenues and expenses at quarterly average exchange rates in effect at the time of the related transactions. The Directors used an exchange rate of 1.27 to translate Sterling balances into U.S. Dollars at 31 December 2023 (1.20 at 31 December 2022).

Accounting policies continued

Financial assets and liabilities

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

Classification

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

Recognition

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

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

Measurement

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

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

Accounting policies continued

Identification and measurement of impairment

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably. Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

Investment return

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

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investments disposed of in the current period.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

Accounting policies continued

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Fair value measurement of investments

The Syndicate measures its investments at fair value through profit or loss using valuation techniques that maximise the use of observable market data and minimise the use of unobservable market data. The Syndicate determines fair value based on assumptions that market participants would use in pricing an investment in the principal or most advantageous market. When considering market participant assumptions in its fair value measurements, the Syndicate uses the fair value hierarchy below to classify its investments.

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

Offsetting

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

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

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

(iii) it intends to set off; and

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

Profit commission

Profit commission is charged by the Managing Agent at a rate of 5% and is subject to the operation of a two year deficit clause.

Pension costs

Pension contributions are charged to the Syndicate and included within net operating expenses.

Accounting policies continued

Syndicate operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed Syndicates, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicates are apportioned between the Managing Agent and the Syndicates depending on the amount of work performed, resources used and volume of business transacted. Beat similarly recharge apportioned expenses to the Syndicate.

Going concern

The Directors of the managing agent have prepared the annual accounts on a going concern basis. In adopting the going concern basis, the Syndicate's current and forecast solvency and liquidity positions for the next 12 months and beyond has been reviewed. As part of the consideration of the appropriateness of adopting the going concern basis, the Directors used scenario analysis to assess the robustness of the Syndicate's solvency and liquidity positions.

RITC

The net reinsurance to close premium is determined based on estimated outstanding liabilities and related claims settlement costs (including claims IBNR), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein. The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims IBNR at the balance sheet date.

The reinsurer share is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place. Statistical methods are used to assist in making these estimates. The Directors consider that the estimates of gross claims and related reinsurance recoveries are fairly stated based on the information currently available to them.

Bad Debt

Bad debts are provided for only where specific information is available to suggest a debtor may be unable or unwilling to settle its debt to the Syndicate. The provision is calculated on a case-by-case basis.

3. Segmental analysis

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

2023	**Gross written premiums**	**Gross premiums earned**	**Gross claims incurred**	**Net operating expenses**	**Reinsurance balance**	**Total**
Direct						
Accident & Health	127	519	(1,833)	131	(222)	(1,405)
Motor (Third party liability)	12,078	12,363	(7,522)	(3,735)	(1,469)	(363)
Motor (Other Classes)	5,960	6,016	(3,576)	(1,771)	(743)	(74)
Marine	34	32	(15)	(7)	(6)	4
Aviation	3,273	2,622	(1,391)	(513)	(475)	243
Transport	2,535	2,624	(1,511)	(807)	(302)	4
Energy - Marine	7,669	1,971	(905)	(398)	(521)	147
Energy Non Marine	11,606	4,783	(445)	(987)	(2,869)	482
Fire and other damage to property	168,943	127,139	(17,417)	(40,888)	(60,038)	8,796
Third party liability	78,347	77,050	(39,260)	(16,646)	(13,725)	7,419
Pecuniary Loss	16,403	19,588	(13,962)	(5,106)	(2,874)	(2,354)
Total Direct:	306,975	254,707	(87,837)	(70,727)	(83,244)	12,899
Reinsurance Acceptances	132,661	153,745	(73,783)	(33,904)	(31,758)	14,300
	439,636	408,453	(161,620)	(104,631)	(115,002)	27,200

2022	**Gross written premiums**	**Gross premiums earned**	**Gross claims incurred**	**Net operating expenses**	**Reinsurance balance**	**Total**
Direct						
Accident & Health	(202)	368	(177)	(165)	(19)	7
Motor (Third party liability)	11,626	11,620	(5,554)	(4,018)	(771)	1,277
Motor (Other Classes)	7,171	6,352	(3,167)	(2,280)	(423)	482
Marine	252	56	(28)	(19)	(6)	3
Aviation	2,280	1,176	(839)	(368)	(189)	(220)
Transport	2,379	3,443	(2,000)	(1,299)	(266)	(122)
Energy - Marine	379	195	(140)	(82)	(31)	(58)
Energy Non Marine	2,779	1,916	(1,086)	(535)	(343)	(48)
Fire and other damage to property	130,196	97,562	34,507	(32,085)	(48,876)	51,108
Third party liability	85,955	78,020	(46,228)	(19,185)	(16,372)	(3,765)
Pecuniary Loss	10,837	10,965	(4,980)	(3,831)	(694)	1,460
Total Direct:	253,652	211,673	(29,692)	(63,867)	(67,990)	50,124
Reinsurance Acceptances	105,872	106,116	(48,614)	(27,808)	(24,766)	4,928
	359,524	317,789	(78,306)	(91,675)	(92,756)	55,052

All premiums were concluded in the UK.

4. Technical provisions

2023

2023	**Gross Provisions $'000**	**Reinsurance Assets $'000**	**Net $'000**
Claims Outstanding:			
Balance at 1 January	368,995	(142,746)	226,249
Claims incurred during the year	36,073	4,741	40,814
RITC accepted from SPA 6123	-	-	-
Effect of movement in exchange rates	1,097	(227)	870
Balance at 31 December	406,165	(138,232)	267,933
Unearned premiums:			
Balance at 1 January	172,501	(45,455)	127,046
Change in unearned premiums	31,183	(32,860)	(1,677)
Effect of movement in exchange rates	1,955	(213)	1,742
Balance at 31 December	205,639	(78,528)	127,111
Deferred acquisition costs:			
Balance at 1 January	39,098	0	39,098
Change in deferred acquisition costs	8,400	(21,224)	(12,824)
Effect of movement in exchange rates	11,719	0	11,719
Balance at 31 December	59,217	(21,224)	37,993

2022	**Gross Provisions $'000**	**Reinsurance Assets $'000**	**Net $'000**
Claims Outstanding:			
Balance at 1 January	415,378	(224,097)	191,281
Change in the provision of Claims Outstanding	(46,983)	76,401	29,418
RITC accepted from SPA 6123	-	5,909	5,909
Effect of movement in exchange rates	600	--	(359)
Balance at 31 December	368,995	(142,746)	226,249
Unearned premiums:			
Balance at 1 January	132,700	(23,824)	108,876
Change in unearned premiums	41,735	(21,628)	20,107
Effect of movement in exchange rates	(1,934)	(3)	(1,937)
Balance at 31 December	172,501	(45,455)	127,046
Deferred acquisition costs:			
Balance at 1 January	34,153	0	34,153
Change in deferred acquisition costs	14,073	0	14,073
Effect of movement in exchange rates	(9,128)	0	(9,128)
Balance at 31 December	39,098	0	39,098

5. Net Operating Expenses

	2023 $'000	2022 $'000
Acquisition Costs	(124,583)	(103,324)
Change in deferred acquisition costs	8,400	14,073
Administration expenses	(20,686)	(16,891)
Reinsurance commissions and profit participation	32,238	14,467
Net operating expenses	(104,631)	(91,675)

6. Staff costs

	2023 $'000	2022 $'000
Wages and salaries	(7,753)	(7,093)
Social security costs and other pension costs	-	-
	(7,753)	(7,093)

Staff are employed by a service company, and their salary costs per the table above are recharged to the Syndicate with a mark-up. Staff costs are included as part of the administrative expenses in note 5 to the financial statements.

7. Auditor’s remuneration

	2023 $'000	2022 $'000
Audit of the financial statements	(387)	(350)
Other services pursuant to Regs & Lloyd's Byelaws	(80)	(60)
Other services (Actuarial Review)	(99)	(79)
	(566)	(489)

Auditor’s remuneration is included as part of the administrative expenses in note 5 to the financial statements.

8. Emoluments of the Directors of Asta Managing Agency Ltd

The aggregate emoluments of the Directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of S.P.A. Norton, L Harfitt and R.P. Barke. S.P.A Norton's and L Harfitt's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of R.P. Barke is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2023	2022
	$'000	**$'000**
Active Underwriter's emoluments	(417)	(404)

No other compensation was payable to key management personnel.

9. Investment return

	2023	2022
	$'000	$'000
Income from investments	4,929	1,292
Gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	2,985	209
Total investment income	7,914	1,501
Losses on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	(48)	(45)
Investment management expenses	(146)	(83)
	(194)	(128)
Unrealised losses on investments	1,829	(668)
Total investment return	9,549	705

Average amount of funds available for investing during the year:

	2023	2022
	$'000	$'000
Average funds available for investment	270,515	207,121
Investment returns	9,549	705
Investment yield	3.5%	0.3%

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

10. Other Financial investments

	2023	
	Carrying Value $'000	**Purchase Price $'000**
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	9,279	9,279
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	162,608	160,538
Deposits with credit institutions (overseas deposits)	18,146	18,146
	190,033	187,963

	2022	
	Carrying Value $'000	**Purchase Price $'000**
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	12,112	12,112
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	162,553	163,260
Deposits with credit institutions (overseas deposits)	16,260	16,261
	190,925	191,633

Amounts included within shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These are treated as cash instruments with the carrying value and purchase price being the same. Also included is the Syndicate loan to the Lloyd's Central Fund.

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

Financial investments continued

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

31 December 2023	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Shares and other variable yield securities and units in unit trusts	5,087	0	4,192	9,279
Debt securities and other fixed income securities	45,174	117,434	0	162,608
Deposits with credit institutions (overseas deposits)	2,415	15,731	0	18,146
Total	52,676	133,165	4,192	190,033

31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Shares and other variable yield securities and units in unit trusts	8,150	0	3,962	12,112
Debt securities and other fixed income securities	73,409	89,144	0	162,553
Deposits with credit institutions (overseas deposits)	2,704	13,556	0	16,260
Total	84,263	102,700	3,962	190,925

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

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

11. Debtors arising out of direct insurance operations

	2023 $'000	2022 $'000
Due from intermediaries (within one year)	168,582	133,253
Loss Funds	817	3,034
	169,399	136,287

12. Debtors arising out of insurance and reinsurance operations

	2023 $'000	2022 $'000
Due from ceding insurers (within one year)	7,358	2,528
Due under reinsurance contracts ceded (within one year)	20,486	36,266
Due from intermediaries (after one year)	11	-
	27,855	38,794

13. Creditors arising out of insurance and reinsurance operations

	2023 $'000	2022 $'000
Creditors arising out of insurance operations	3,088	235
Creditors arising out of reinsurance operations	119,472	68,783
	122,560	69,018

14. Other creditors

	2023 $'000	2022 $'000
Amounts owed to credit institutions	-	-
Other creditors including taxation	10,678	7,019
	10,678	7,019

15. Related parties

The ultimate parent company of Asta Managing Agency Ltd is Tennessee Topco Limited following the acquisition of Asta Capital by the Davies Group Limited on the 13 July 2022.

Asta provides services and support to Syndicate 4242 in its capacity as Managing Agent. During the year, Managing Agency Fees of $2.2m (2022: $1.8m) were charged to the Syndicate.

Asta also charged $2.6m (2022: $2.4m) of service fee's in the year and as at 31 December 2023 an amount of $0.5m (2022: $1.6m) was owed to Asta in respect of this service. Agency staff are employed and paid by a service company, Asta Management Services Limited.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on normal market conditions.

This table below details amounts expensed to Asta.

	2023	**2022**
	$'000	**$'000**
Managing Agent fees on insurance capacity	(2,241)	(1,770)
Service fees	(2,620)	(2,443)
Recharges (expenses)	(234)	(458)
Profit commissions	-	-
	(5,095)	(4,671)

The table below details the Syndicate capacity provided by related party members by underwriting year.

	2017	2020	2021	2022	2023
Beat Individuals	-	6.11%	6.53%	1.49%	1.49%

Several of the members feature in the Syndicate's catastrophe reinsurance programme, along with other 3rd party reinsurers – these arrangements are conducted at arm's length.

On 1 October 2021, the Syndicate entered into a quota share arrangement where 36% of Alternative Risk Binders, 20% of US Binders and 30% of Directors and Officers gross written premium was ceded from the Syndicate to SPA 1416 for all business placed during the period of October to December 2021. The 2022 YoA and post is a 20% quota share arrangement on a whole account basis.

At 31 December 2023, the Syndicate held a loan payable balance to SPA 1416 of $63.0m.

16. Disclosure of interests

Managing Agent's interest

During 2023 Asta was the Managing Agent for twelve Syndicates, one Special Purpose Arrangement and five Syndicates in a Box. Syndicates 1322, 1609, 1699, 1892, 1985, 1988, 2288, 2525, 2689, 2786, 4242 and 4747 as well as Special Purpose Arrangement 1416 and Syndicates in a Box 1796, 1902, 2880, 3456 and 5183 were managed on behalf of third party capital providers.

On 1 January 2024, Asta took on the management of Syndicate in a box 1922.

On 1 January 2024, Asta reinsured to close Syndicate 2288 into Renaissance Re Syndicate 1458.

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking several ancillary roles for other clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 4).

17. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

18. Off-balance sheet items

At 31 December 2023, the Syndicate had utilised $0m (2022: $0m) of the $50m (2022: $100m) arrangement with Barclays Bank PLC (Barclays) which consisted of a $20m letter of credit and $30 revolving credit facility.

19. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members' capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Board, its committees and sub committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta managing agency board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

The Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. The Board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and is subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of 4242 is not disclosed in these financial statements.

Risk management continued

Lloyd’s capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd’s. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members’ shares. Accordingly, the capital requirement that Lloyd’s sets for each member operates on a similar basis. Each member’s SCR shall thus be determined by the sum of the member’s share of the Syndicate SCR ‘to ultimate’. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss ‘to ultimate’ for that member. Over and above this, Lloyd’s applies a capital uplift to the member’s capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd’s not a Solvency II requirement, is to meet Lloyd’s financial strength, licence and ratings objectives. The capital uplift applied for 2023 was 35% of the member’s SCR ‘to ultimate’.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd’s specifically for that member (funds at Lloyd’s), held within and managed within a Syndicate (funds in Syndicate) or as the member’s share of the members’ balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 21, where positive, represent resources available to meet members’ and Lloyd’s capital requirements.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on a non-proportional basis. Non-proportional reinsurance is excess-of-loss reinsurance designed to mitigate the Syndicate’s net exposure to large losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate’s placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Risk management continued

The Syndicate also has one associated Special Purpose Arrangement, SPA 1416, which reinsures the Syndicate on the 2021 year of account on various fixed percentages by certain classes via a quota share agreement. For 2022 year of account and post, there is a fixed 20% quota share agreement.

Sub-committees of the Syndicate Board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate Board.

The Syndicate uses both its own and commercially available risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an un-modelled event are greater than those arising from a modelled event.

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Risk management continued

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances.

The table below show how a five percent increase or decrease in gross and net claim liabilities would affect the Syndicate's profit for the financial year and its members' balances.

2023	**Five percent increase $'000**	**Five percent decrease $'000**
Gross claims liabilities	(20,308)	20,308
Net claims liabilities	(13,397)	13,397
2022	**Five percent increase $'000**	**Five percent decrease $'000**
Gross claims liabilities	(18,450)	18,450
Net claims liabilities	(11,312)	11,312

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Risk management continued

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

Estimate of cumulative gross claims incurred

Underwriting Year	**2017 & Prior**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**2023 $'000**
At end of first underwriting year	169,456	196,190	52,369	205,340	112,716	87,786	91,171
One Year Later	427,129	247,927	213,888	277,550	185,131	174,276	
Two Years Later	468,310	246,029	205,266	284,712	204,719		
Three Years Later	477,206	249,006	188,099	274,920			
Four Years Later	497,998	233,193	174,723				
Five Years Later	480,595	229,583					
Six Years Later	470,463						
Seven Years Later	143,261						
Eight Years Later	44,038						
Nine Years Later	12,990						
Ten Years Later							
Less cumulative gross paid	(458,676)	(222,928)	(155,378)	(221,931)	(101,241)	(47,372)	(3,327)
Gross outstanding claims	8,949	6,656	19,346	52,989	103,478	126,903	87,844
Total Gross outstanding claims (all years)							**406,165**

Underwriting Year	**2017 & Prior**	**2018 $'000**	**2019 $'000**	**2020 $'000**	**2021 $'000**	**2022 $'000**	**2023 $'000**
At end of first underwriting year	103,001	71,965	38,621	101,245	81,651	54,890	57,742
One Year Later	190,149	101,130	101,054	142,910	141,390	113,741	
Two Years Later	190,908	98,845	100,165	167,408	162,854		
Three Years Later	186,523	100,096	102,935	166,743			
Four Years Later	197,516	95,642	102,488				
Five Years Later	181,903	94,579					
Six Years Later	179,837						
Seven Years Later	80,100						
Eight Years Later	35,833						
Nine Years Later	11,643						
Ten Years Later							
Less cumulative net paid	(175,882)	(89,870)	(90,668)	(130,982)	(82,453)	(37,710)	(2,448)
Net outstanding claims	3,920	4,709	11,819	35,760	80,401	76,031	55,293
Total net outstanding claims (all years)							**267,933**

The table below shows the prior accident year development in each calendar year. Positive movements reflect an improvement in prior year results.

	2023 $'000	**2022 $'000**
Accident & Health	(42)	(42)
Motor (Third Party Liability)	(1,380)	(1,158)
Motor (other Classes)	(768)	(658)
Transport	(449)	(427)
Marine	(15)	(4)
Energy Marine	(6)	4
Energy Non Marine	(31)	242
Aviation	(74)	21
Fire and other damage to property	4,307	27,203
Third-party liability	1,293	(193)
Pecuniary loss	(1,049)	(998)
Total Direct	1,786	23,990
Reinsurance Acceptances	(1,471)	6,652
Total net prior year release	315	30,642

Risk management continued

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

The Syndicate monitors its exposures through a combination of deterministic modelling as part of the Realistic Disaster Scenarios Framework and stochastic modelling as part of the Lloyd's catastrophe model reporting requirements. During 2023, the modelling considers the exposures in 2023 YOA. The Syndicate's most material RDS, both gross and net, is the loss of a major complex. However, across the property scenarios the syndicate's exposures are reducing compared to 2022, with increases on other lines of business, in particular liability and the new cyber scenarios. This is consistent with the syndicate's strategy to diversify its underwriting exposures.

The Syndicate monitors its cash flows with respect to significant catastrophe events that happen in the calendar year.

d) Financial risk

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

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Investment guidelines are established setting out the quality of investments to be included within the Syndicate's portfolio. The policy is monitored by the Investment Committee and/or Syndicate Board.

- Reinsurance is placed with counterparties that either have a good credit rating or are unrated collateralised reinsurers, and the concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee, a sub committee of the Board.

Risk management continued

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

	$'000			
2023	**Neither past due or impaired**	**Past due**	**Impaired**	**Total**
Other financial investments	190,033	-	-	190,033
Reinsurers share of claims outstanding	138,232	-	-	138,232
Insurance debtors	169,399	-	-	169,399
Reinsurance debtors	20,486	-	-	20,486
Other Debtors	156,856	-	-	156,856
Cash and cash equivalents	126,294	-	-	126,294
Total	801,300	-	-	801,300

	$'000			
2022	**Neither past due or impaired**	**Past due**	**Impaired**	**Total**
Other financial investments	191,004	-	-	191,004
Reinsurers share if claims outstanding	142,746	-	-	142,746
Insurance debtors	136,287	-	-	136,287
Reinsurance debtors	36,266	-	-	36,266
Other Debtors	94,836	-	-	94,836
Cash and cash equivalents	34,486	-	-	34,486
Total	635,625	-	-	635,625

Risk management continued

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2023 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers on ceded contracts, have been excluded from the table as these are not rated.

2023	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securitie	5,087	-	4,193	-	-	-	9,280
Debt Securities	130,385	27,796	4,427	-	-	-	162,608
Loans with credit institutions	-	-	-	-	-	-	0
Overseas Deposits	9,162	1,114	1,479	1,263	1,802	3,326	18,146
Deposits with ceding undertakings	-	0	226	-	-	-	226
Reinsurers share of claims outstanding	-	13,015	114,183	-	-	11,034	138,232
Reinsurance debtors	-	4,321	12,529	-	-	3,636	20,486
Cash and cash equivalents	-	-	126,294	-	-	-	126,294
Total	144,634	46,246	263,331	1,263	1,802	17,996	475,272

2022	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securitie	8,150	-	3,962	-	-	-	12,112
Debt Securities	158,735	3,818	-	-	-	-	162,553
Loans with credit institutions	-	-	-	-	-	-	0
Overseas Deposits	1,603	3,918	6,027	58	352	4,302	16,260
2023	-	-	78	-	-	-	78
Reinsurers share of claims outstanding	-	19,554	96,391	-	-	26,801	142,746
Reinsurance debtors	-	324	26,222	-	-	9,720	36,266
Cash and cash equivalents	-	2,104	32,382	-	-	-	34,486
Total	168,488	29,718	165,062	58	352	40,823	404,501

The terms of all reinsurance contracts with non-rated reinsurers state that sufficient collateral must be held in trust to cover the reinsurer’s share of liabilities.

Risk management continued

2) Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations regularly and keeping adequate cash on deposit to meet those obligations.

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

2023	No stated maturity	0-1 Year	1-3 Years	3-5 Years	5 years+	Total
Claims outstanding	-	159,800	138,805	63,859	43,702	406,166
Creditors	-	70,188	63,050	-	-	133,238
Total Credit Risk	-	229,988	201,855	63,859	43,702	539,404

2022	No stated maturity	0-1 Year	1-3 Years	3-5 Years	5 years+	Total
Claims outstanding	-	172,662	116,685	49,714	29,934	368,995
Creditors	-	52,876	23,161	-	-	76,037
Total Credit Risk	-	225,538	139,846	49,714	29,934	445,032

3) Market risk

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

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

a) Currency risk

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

The Syndicate's functional currency is US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euros and Canadian Dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Risk management continued

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

2023	GBP	USD	EUR	CAD	Total
			$'000		
Total Assets	110,879	600,882	12,836	76,703	801,300
Total Liabilities	(54,635)	(647,232)	(12,157)	(54,495)	(768,519)
Net Assets	56,244	(46,350)	679	22,208	32,781

2022	GBP	USD	EUR	CAD	Total
			$'000		
Total Assets	73,205	517,646	3,203	41,571	635,625
Total Liabilities	(18,349)	(575,670)	(2,046)	(25,287)	(621,352)
Net Assets	54,856	(58,024)	1,157	16,284	14,273

The Syndicate matches its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates.

Sensitivity to changes

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

	Impact on profit and members' balance	
	2023	**2022**
	$'000	**$'000**
US Dollar weakens		
10% against other currencies	7,913	7,230
20% against other currencies	15,829	14,459
US Dollar strengthens		
10% against other currencies	(7,913)	(7,230)
20% against other currencies	(15,826)	(14,459)

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

Risk management continued

The Syndicate has no significant concentration of interest rate risk.

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

	2023	**2022**
	$'000	**$'000**
Interest rate risk		
Impact of 50 basis point increase on result	(49)	(339)
Impact of 50 basis point decrease on result	49	342
Impact of 50 basis point increase on net assets	(49)	(339)
Impact of 50 basis point decrease on net assets	49	342

The method used for deriving sensitivity information and significant variables did not change from the previous period.

20. Post balance sheet events

In 2024, the syndicate will distribute the profits relating to the 2021 YoA to members. The Directors evaluated other events after the balance sheet date through to 27 February 2024, the date the Syndicate issued these annual accounts, and determined that no items require disclosure.