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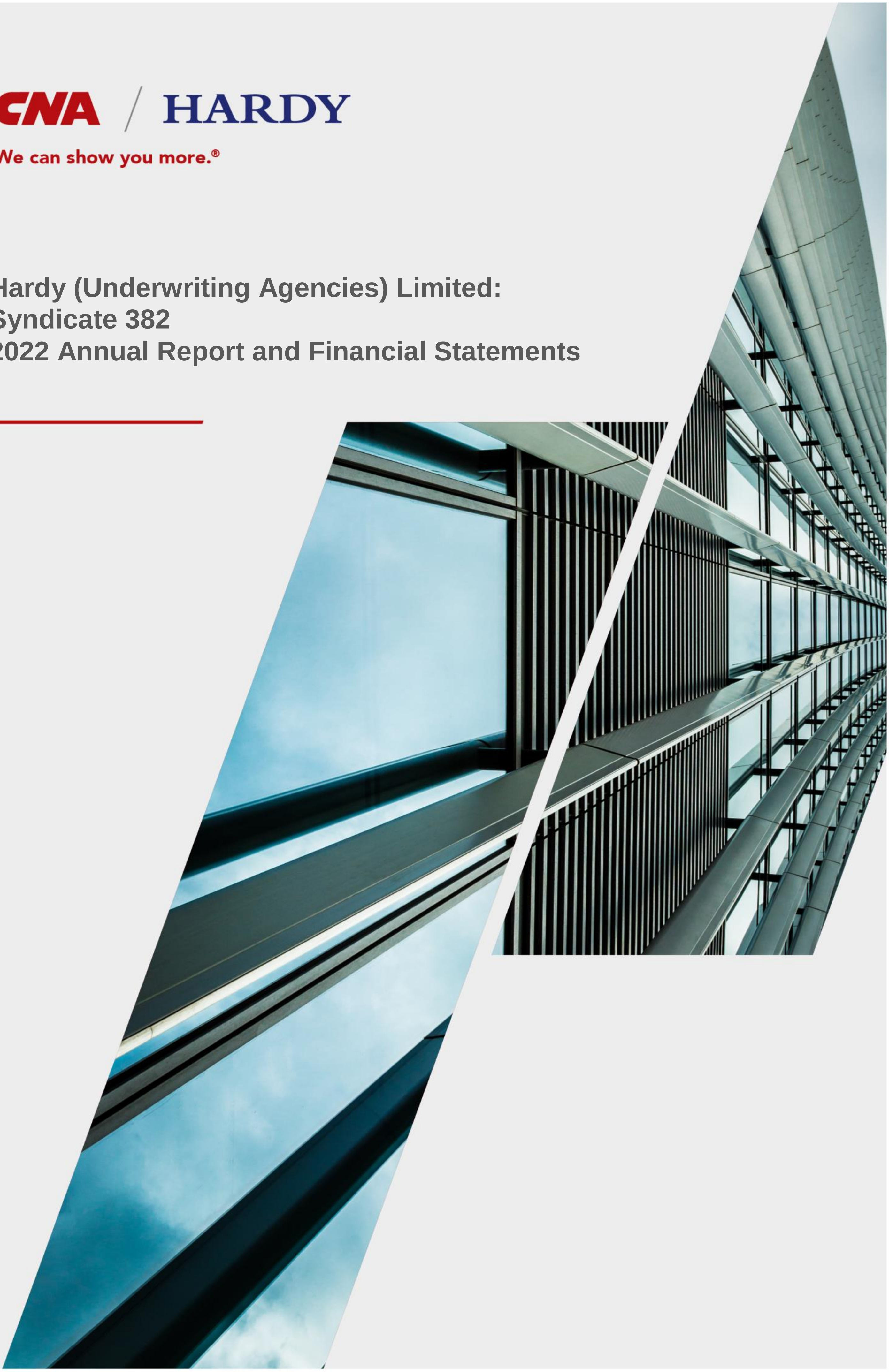
Hardy (Underwriting Agencies) Limited:
Syndicate 382
2022 Annual Report and Financial Statements



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Directors and administration

Managing agent

Hardy (Underwriting Agencies) Limited

Executive directors

P Hamer
C Kearney
J Rehman
D Stevens

Non-executive directors

A D'Hulster (resigned 17 July 2022)
S Stone
R Thomson
S Wood (appointed 30 August 2022)
D Worman

Managing agent's registered office

20 Fenchurch Street
London EC3M 3BY

Managing agent's registered number

1264271

Active underwriter

C Day

Bankers

Citibank N.A.
Barclays Bank plc

Investment managers

Goldman Sachs Asset Management International

Registered auditor

Deloitte LLP
Statutory Auditor
London, United Kingdom

Reporting actuaries

KPMG Audit plc

Strategic report

Introduction

The directors of Hardy (Underwriting Agencies) Limited (“HUA”) present their strategic report for Syndicate 382 for the year ended 31 December 2022. The audited financial statements are prepared in accordance with the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulation 2008 (“the Regulations”) and applicable Accounting Standards in the United Kingdom, including FRS 102 and FRS 103.

HUA is the managing agent for Syndicate 382 (“the Syndicate”) whose principal activity is underwriting general insurance and reinsurance business at Lloyd’s of London (“Lloyd’s”).

HUA is wholly owned by Hardy Underwriting Bermuda Limited (“HUB”) a Bermudian holding company. Hardy Underwriting Limited (“HUL”), another wholly owned subsidiary of HUB, is a corporate member of Lloyd’s and is the sole provider of underwriting capacity to Syndicate 382.

HUB is wholly owned by The Continental Corporation (“TCC”), a wholly owned subsidiary of CNA Financial Corporation ("CNAF"), which, in turn, is controlled by Loews Corporation (“Loews”). References to "CNA" in this report are to CNAF and its group undertakings.

CNA is the one of the largest commercial property and casualty insurance companies in the United States of America (“U.S.”). As of 31 December 2022, it has approximately 6,100 employees and its insurance products include commercial property and casualty coverages, including surety. CNA's products and services are primarily marketed through independent agents, brokers and managing general underwriters to a wide variety of customers, including small, medium and large businesses, insurance companies, associations, professionals and other groups.

Overview of results

The Syndicate reported a loss of £4.4 million in 2022 compared to a profit of £9.6 million in 2021, despite generating an underwriting profit. The calendar year combined ratio was 97.3% (2021: 94.2%). The loss was driven by an investment loss of £14.6 million (2021: loss of 0.9 million) caused by bond market yields increasing and generating unrealised mark-to-market losses in the investment portfolio. The Syndicate expects to see some future reversal of these losses as bonds mature and also expects to benefit from improved investment yields going forward.

The Syndicate reported an increase in gross written premiums of 26.2% for the year to £321.2 million compared to £254.4 million for 2021. The increase was driven by strong retention and continued new business.

Net written premiums in 2022 of £265.1 million increased from the prior year of £211.8 million. An increase in ceded written premiums was recorded as a result of the increase in gross written premiums.

On a calendar year basis the net loss ratio of 67.0% represented a 5.2% deterioration over the prior year ratio of 61.8% as a result of some large loss activity in certain lines.

The Syndicate shares its operating and management structure with other group companies, CNA Insurance Company Limited (“CICL”) and CNA Insurance Company (Europe) S.A. (“CICE”). All three operate under a combined operating platform with management and administrative services being provided by a service company, CNA Services (UK) Limited (“CNA Services”), an indirect subsidiary of CNAF. The Syndicate pays CNA Services, which employs all UK staff, a management fee for the provision of management and administration services.

Syndicate operating expenses are made up of commissions paid to brokers and general administrative expenses. In addition, HUA charged the Syndicate a fixed fee of 0.075% of allocated underwriting capacity.

The expense ratio for the year of 30.3% represented an improvement compared to the prior year ratio of 32.4%. This was driven mainly by premium growth.

Strategic report - continued

Overview of results - continued

The Syndicate transacts insurance business in five main settlement currencies (Pound sterling, Euro, US dollars, Canadian dollars and Japanese yen), and manages the currency mix of its assets to broadly match liabilities and mitigate the economic effects of exchange rate volatility. During the year the Syndicate recorded gains on foreign exchange of £5.0 million (2021: loss of £1.9 million).

Key performance indicators

The Syndicate uses a range of key performance indicators ("KPIs") to determine how well it is performing against its objectives and overall strategy.

The following KPIs are considered most relevant to measuring the Syndicate's performance in 2022. The loss ratio is derived by taking claims incurred, net of reinsurance over earned premiums, net of reinsurance. The expense ratio references net operating expenses as a percentage over earned premiums, net of reinsurance.

	2022 £m	2021 £m
Gross written premiums	**321.2**	254.4
Net written premiums	**265.1**	211.8
Profit/(loss) for the financial year	**(4.4)**	9.6
Loss ratio	**67.0%**	61.8%
Expense ratio	**30.3%**	32.4%
Combined ratio	**97.3%**	94.2%

Financial position

Overview of financial position and capital requirements

For the 2020, 2021 and 2022 years of account, HUL provided 100% of the total underwriting capacity of £330.0 million for all years. For the 2023 year of account, HUL is providing 100% of the total underwriting capacity of £380.0 million.

The Funds at Lloyd's ("FAL") of the Syndicate are determined using HUA's Solvency II internal model, which operates under requirements prescribed by Lloyd's and the Solvency II regime. The capital required by HUL to support the Syndicate's underwriting capacity is 77.4% of Syndicate capacity (2021: 69.0%).

The FAL requirement is partly provided by CICL and by Continental Casualty Company ("CCC"), members of the CNA group. These arrangements have been approved by the relevant regulatory authorities, including the Prudential Regulation Authority ("PRA") and Lloyd's.

Investments

To the extent possible, cash flows in excess of operational requirements are re-invested in the Syndicate's investment portfolio. The Syndicate has in place processes to monitor operating cash flows which ensure that investment returns are maximised whilst maintaining adequate cash resources to meet operating expense and claim requirements.

The Syndicate's investment guidelines are regularly reviewed and, as part of this process, the duration of the investment portfolio is managed to closely match the duration of the Syndicate's underlying liabilities. The Syndicate continues to invest primarily in high grade corporate and government bonds in accordance with its stated investment strategy.

Business operations

The Syndicate operates primarily in the London market through its operations at Lloyd's.

Underwriting staff, management and most support functions are located in the managing agent's head office in London. Additional support services are provided from offices in the UK regions.

The Syndicate's strategy is to underwrite business with a focus on gross underwriting profit and to purchase reinsurance only where necessary to facilitate a meaningful line size or to protect against potential accumulations of exposure.

Strategic report - continued

Corporate governance

Ultimate responsibility for the Syndicate's affairs rests with HUA's Board of directors. The Board is responsible for approving the Syndicate's business plan and its strategies with regard to risk management. The Board provides leadership based on a framework of controls and risk management disciplines and sets the Syndicate's risk appetite. The Board also seeks to ensure compliance with all relevant internal and external regulations governing the Syndicate's activities. The Board meets quarterly and consists of both executive directors, CNA appointed non-executive directors and independent non-executive directors including an independent Chair.

The Board operates with three principal committees: an Audit Committee, a Risk Committee and an Underwriting Committee. Each committee has clear terms of reference for the matters for which it is responsible and reports to the Board. The Board, Audit Committee and Risk Committee are chaired by an independent non-executive director. The Underwriting Committee is chaired by the Chief Executive Officer. The corporate governance framework is reviewed and approved by the Board at least annually to ensure its continued effectiveness.

The business underwritten by the Syndicate is authorised and regulated by the PRA and by Lloyd's and is regulated by the Financial Conduct Authority ("FCA"). The Syndicate works closely with Lloyd's to ensure it is compliant with all legal and regulatory requirements.

The Syndicate is committed to ensuring that its strategy, leadership, decision making and control framework are all central to the reasonable expectations of, and reflect the fair treatment of, its policyholders.

Future developments

In past years, targeted underwriting actions were taken by the Syndicate to improve overall levels of profitability. The Syndicate is focussed on profitable growth in its chosen lines of business.

Principal risks and uncertainties

The Syndicate's appetite for accepting and managing risk is defined by the Board.

The Chief Actuary and Risk Officer has responsibility for ensuring an effective risk management process is in place and is assisted by the Risk Management function. The Company has developed a risk and control framework which is built on an Enterprise Risk Management ("ERM") model with each business unit responsible and accountable for aspects of risk management within their area.

The risk management framework includes the processes for identifying risks (including those emerging), an assessment of those risks, and the setting of tolerances for risks, as well as the modelling, monitoring and mitigating of risks. The scope of risks considered includes all internal and external risks that affect the Company whether quantifiable or not.

Set out below are the principal risks and uncertainties to which the Syndicate is exposed. Information regarding how the Syndicate manages risk, including group risk, is disclosed in Note 3 to these financial statements.

Strategic risk

Strategic risk is the potential impact on earnings or capital from an incorrect strategy being set, improper business decisions, failure to execute plans or strategic ambitions, lack of responsiveness to industry changes and ill-disciplined growth in a soft market. Any event which would have an adverse impact to the reputation of the Syndicate would also rank as a strategic risk. Annual business plans are agreed by senior management and tracked against actual performance throughout the year.

Strategic report - continued

Principal risks and uncertainties - continued

Insurance risk

Insurance risk is the risk associated directly with the Syndicate's underwriting activities. This includes the risk associated with inaccurate or inadequate pricing of insurance policies, inappropriate or poorly controlled underwriting guidelines and authority limits, inadequate or inaccurate loss reserving, and unexpectedly high frequency or severity of claims experience.

The Syndicate has in place controls and governance processes designed to monitor its underwriting activities. These include, but are not limited to, the operation of the Underwriting Committee, Reserving Committee and Exposure Management Group, the issuance of underwriting authority limits and guidelines, the extensive use of reinsurance, technical pricing models, and regular underwriting audits.

Financial risk – Credit, Market and Liquidity

Financial risk includes the risks associated with investment activities, credit, liquidity and foreign currency exchange. Investment risk includes the impact of market volatility on asset values associated with interest rate volatility. Other notable exposures are bond default risk (the risk that an issuer of a bond may be unable to make timely principal and interest payments) and reinsurer default risk (the risk that the Syndicate's reinsurers would be unable or unwilling to pay their share of reinsurer liabilities). Either may result in financial loss to the Syndicate.

The Syndicate manages investment risk through an Investment Group, responsible for establishing and maintaining an investment policy in line with the risk appetite of the Syndicate. In addition, the Group is responsible for the management of all investment asset risks, the selection of its investment manager and reviewing investment performance.

Operational risk

Operational risk arises from the risk of losses due to inadequate or failed internal processes, people, systems, service providers or from external events. Risks include those from IT related activities (including cyber), legal and regulatory, financial reporting and financial crime as well as those from operations, outsourcing and change.

The Syndicate has a business continuity plan and IT disaster recovery plan. There are appropriate business processes and relevant internal controls in place to mitigate operational risk.

Emerging risks

The Syndicate has processes in place to monitor and manage new and emerging risks associated both directly with its insurance activities and with the wider business and economic environment. The Syndicate also monitors potential emerging risks resulting from changes in the regulatory environment. Where appropriate, the Syndicate undertakes risk management activities to mitigate emerging risks.

The Syndicate is aware of the risks caused by high inflation and interest rates and the impact it is having on the global economy. Consequently, the macroeconomic outlook of these indicators has been considered in key areas, notably reserving, pricing, business planning, day-to-day insurance activity and investment management.

The Syndicate has continued to monitor the developments of the conflict in Ukraine and have accounted for any exposures within the Syndicate's results.

Strategic report - continued

Climate change

The Company's Board of Directors ("the Board") is responsible for understanding and assessing the financial risks from climate change that affect the firm. The Board manages the oversight of these risks governance and review of the Company's activities led by the Risk Committee. The Risk Committee is in turn supported by an Environmental, Social and Governance ("ESG") Steering Committee which includes representatives from key senior leaders.

Risk management

The Company has continued to embed the principles of the PRA's Supervisory Statement, SS3/19, and other regulatory requirements, including:

- Using the Company's Own Risk and Solvency Assessment ("ORSA") to consider the physical, liability and transition risks of climate change;
- Conducting scenario analyses using a subset of the PRA's Climate Biennial Exploratory Scenario within the ORSA;
- Giving explicit consideration to climate change within the Internal Capital Model;
- Developing an appropriate approach to climate risk disclosures in line with prevailing regulatory reporting requirements where applicable;
- Updating key policies to include consideration of climate risks; and
- Considering the impact of climate risk on the value of assets or liabilities within the financial statements.

Underwriting

The most significant exposure to climate-related financial risk is within the underwriting portfolio. In response to the increased loss potential arising from climate events, natural catastrophe risk exposure has been reduced through portfolio management actions and the purchase of reinsurance protection. The Company has also continued to develop its' climate risk appetite and has implemented a number of actions aimed at managing the risk of climate change whilst continuing to support the needs of its policyholders as they carry out climate transition activities.

Investment Management

The Company has in place all of the components required to deliver on responsible investment strategies, including appetite, investment expertise, stewardship, ESG integration and reporting. The Company monitors the investment portfolio in the context of MSCI ESG ratings and it disposes of assets that are contrary to its' sustainability strategy.

Going concern

The Syndicate has risk management disciplines across its operations. In particular, the potential impacts of external conditions are continually assessed and mitigating actions are taken where appropriate. The Syndicate operates with a broad range of brokers, customers and other business contacts in different product lines and geographic areas. As a consequence, the directors believe that the Syndicate is well placed to manage its business risks successfully.

After making all relevant enquiries, the directors have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. Accordingly, they continue to adopt the going concern basis in preparing the annual report and financial statements. Further details regarding the adoption of the going concern basis can be found in the statement of accounting policies in Note 1 to the financial statements.

Approval

Approved by the Board of directors and signed on its behalf by:

J Rehman
Director
20 Fenchurch Street,
London EC3M 3BY
24 February 2023

Report of the directors of the managing agent

The directors of HUA, the managing agent of Syndicate 382, present their report and audited financial statements for the year ended 31 December 2022.

Directors

The directors who have held office in HUA since 1 January 2022 and up to the date of signing are as follows:

Executive directors

P Hamer
C Kearney
J Rehman
D Stevens

Non-executive directors

A D'Hulster (resigned 17 July 2022)
S Stone
R Thomson
S Wood (appointed 30 August 2022)
D Worman

Statement of managing agent's responsibilities

HUA is responsible for preparing the Syndicate annual financial statements in accordance with applicable law and UK Generally Accepted Accounting Practice.

The Regulations require HUA to prepare Syndicate annual financial statements as at 31 December each year to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year. In preparing the Syndicate annual financial statements, HUA is required to:

- select suitable accounting policies, which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and accounting 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 financial statements; and
- prepare the annual financial statements on the going concern basis unless it is inappropriate to presume that the Syndicate will continue in business.

The directors are responsible for keeping adequate accounting records which: disclose with reasonable accuracy at any time the financial position of the Syndicate; and enable it to ensure that the Syndicate annual financial statements comply with the Regulations. They are also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

Results

In 2022 the Syndicate reported a loss of £4.4 million (2021: profit of £9.6 million).

Report of the directors of the managing agent - continued

Auditor

Each of the persons who is a director at the date of approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Deloitte LLP have expressed their willingness to continue in office as auditor of the Syndicate.

Information included in strategic report

The Syndicate has chosen to set out the following information in the strategic report which would otherwise be contained in the directors' report:

- information on the financial risk management objectives and policies;
- indication of the exposures to relevant key risks; and
- indication of likely future developments in the business of the Syndicate.

Approval

Approved by the Board of directors and signed on its behalf by:

J Rehman
Director
20 Fenchurch Street,
London EC3M 3BY
24 February 2023

Independent Auditor's report to the member of Syndicate 382

Report on the audit of the Syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 382 (the 'syndicate'):

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

We have audited the syndicate annual financial statements which comprise:

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

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Independent Auditor’s report to the member of Syndicate 382 - continued

Other information

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

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

We have nothing to report in this regard.

Responsibilities of managing agent

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

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

Auditor’s responsibilities for the audit of the syndicate annual financial statements

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

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

Independent Auditor’s report to the member of Syndicate 382 - continued

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

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

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

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

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

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

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

- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks we involved our actuarial specialists to develop independent estimates of the technical provisions and we tested the late journal entries to technical provisions.

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

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

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management and in house legal counsel concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance and reviewing internal audit reports and reviewing correspondence with Lloyd’s.

Independent Auditor's report to the member of Syndicate 382 - continued

Report on other legal and regulatory requirements

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Mark McQueen ACA (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
Deloitte LLP
1 New Street Square
London EC4A 3HQ
24 February 2023

Profit and loss account - Technical account - General business

	Notes	2022 £'000	2021 £'000
Gross written premiums	4	**321,160**	254,400
Outward reinsurance premiums		**(56,038)**	(42,644)
Premiums written, net of reinsurance		**265,122**	211,756
Change in provision for unearned premiums			
– gross amount		**(27,925)**	(2,417)
– reinsurers' share		**(110)**	814
Earned premiums, net of reinsurance		**237,087**	210,153
Claims paid			
– gross amount		**134,474**	167,587
– reinsurers' share		**(12,639)**	(41,186)
Net claims paid		**121,835**	126,401
Change in the provision for claims:			
– gross amount		**96,776**	10
– reinsurers' share		**(59,685)**	3,423
Change in the net provision for claims		**37,091**	3,433
Claims incurred, net of reinsurance		**158,926**	129,834
Net operating expenses	6	**71,818**	68,048
Balance on the technical account for general business		**6,343**	12,271

The Notes 1 to 16 form an integral part of these financial statements.

Profit and loss account - Non-technical account

	Notes	2022 £'000	2021 £'000
Balance on the technical account for general business		**6,343**	12,271
Income from investments		**7,091**	5,264
Gains on the realisation of investments		**232**	957
Losses on the realisation of investments		**(1,583)**	(841)
Unrealised gains on investments		**(245)**	-
Unrealised losses on investments		**(19,844)**	(6,111)
Investment expenses and charges		**(275)**	(148)
Investment return		**(14,624)**	(879)
Foreign exchange differences		**5,078**	(1,886)
Other (expenses)/income		**(1,212)**	87
(Loss)/profit for the financial year		**(4,415)**	9,593

All the amounts above are in respect of continuing operations.

There are no recognised gains and losses in the year other than those dealt with in the technical and non-technical accounts and therefore a statement of total recognised gains or losses has not been prepared.

The Notes 1 to 16 form an integral part of these financial statements.

Statement of changes in member balances

	2022 £'000	2021 £'000
Balance at start of year	**8,571**	(55,248)
Total comprehensive (loss)/profit for the year		
(Loss)/profit for the financial year	**(4,415)**	9,593
	4,156	(45,655)
Transactions with member, recorded directly in member balances:		
- (Distribution)/receipt of distribution of closed year (profits)/losses	**(3,258)**	54,226
Balance at end of year	**898**	8,571

The Notes 1 to 16 form an integral part of these financial statements.

Balance sheet

Assets	Notes	2022 £'000	2021 £'000
Investments - other financial investments	9	**420,019**	328,157
Deposits with ceding undertakings		**1,270**	3,853
Reinsurers' share of provision for unearned premiums	13	**22,430**	18,461
Reinsurers' share of claims outstanding	13	**165,482**	98,689
Reinsurers' share of technical provisions		**187,912**	117,150
Debtors arising out of direct insurance operations	10	**107,748**	81,734
Debtors arising out of reinsurance operations		**4,570**	32,292
Other debtors	11	**15,587**	6,901
Debtors – amounts falling due within one year		**127,905**	120,927
Debtors arising out of direct insurance operations	10	**10**	7
Debtors arising out of reinsurance operations		**705**	2,016
Debtors – amounts falling due after one year		**715**	2,023
Cash at bank and in hand		**23,308**	29,802
Overseas deposits	12	**59,843**	54,696
Other assets		**83,151**	84,498
Accrued interest		**2,635**	1,576
Deferred acquisition costs		**30,210**	23,440
Prepayments and other accrued income		**-**	-
Prepayments and accrued income		**32,845**	25,016
Total assets		**853,817**	681,624

The Notes 1 to 16 form an integral part of these financial statements.

Balance sheet - continued

Liabilities	Notes	2022 £'000	2021 £'000
Members balances		**898**	8,571
Provision for unearned premiums	13	**171,057**	131,462
Claims outstanding	13	**631,136**	498,626
Technical provisions		**802,193**	630,088
Creditors arising out of direct insurance operations		**1,679**	2,190
Creditors arising out of reinsurance operations		**37,797**	30,573
Other creditors	14	**7,314**	6,335
Creditors – amounts falling due within one year		**46,790**	39,098
Reinsurers' share of deferred acquisition costs		**3,731**	3,740
Accruals and deferred income		**205**	127
Other payables		**3,936**	3,867
Total liabilities		**853,817**	681,624

The Notes 1 to 16 form an integral part of these financial statements.

These financial statements were approved by the Board of directors of HUA on 24 February 2023 and signed on its behalf by:

D Stevens
Director

Statement of cash flows

Reconciliation of operating profit to net cash outflows from/(used in) operating activities

	2022 **£'000**	2021 £'000
Operating activities		
(Loss)/profit for the financial year	**(4,415)**	9,593
Adjustments for:		
Investment income	**14,624**	879
Change in fair value of financial investments	**3,900**	(3,751)
Effect of exchange rate changes on financial investments	**(30,260)**	(1,120)
Change in deferred acquisition costs	**(6,779)**	3,190
Change in reinsurance assets	**(70,762)**	2,130
Change in insurance liabilities	**172,105**	3,786
Change in other assets	**(11,876)**	(5,421)
Change in other liabilities	**7,770**	(6,645)
Net cash flows from operating activities	**74,307**	2,641
Investing activities		
Purchase of debt securities and other fixed income securities	**(194,513)**	(101,673)
Purchase of shares and other variable yield securities	**(6)**	-
Proceeds from sale of debt securities and other fixed income securities	**106,240**	45,039
Interest and dividends received	**7,215**	5,585
Other	**2,583**	(3,853)
Net cash flows used in investing activities	**(78,481)**	(54,902)
Net transfers (to)/from the member in respect of underwriting participations	**(3,258)**	54,226
Net (decrease)/increase in cash and cash equivalents	**(7,432)**	1,965
Cash and cash equivalents at 1 January	**29,802**	27,061
Effect of foreign exchange rate fluctuations on cash and cash equivalents	**938**	776
Cash and cash equivalents at 31 December	**23,308**	29,802

The Notes 1 to 16 form an integral part of these financial statements.

Notes to the financial statements

1. Accounting policies

Basis of accounting

The financial statements are prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulation 2008 and applicable Accounting Standards in the UK, including Financial Reporting Standard 102 ("FRS 102") and Financial Reporting Standard 103 ("FRS 103"). The financial statements are prepared under the historical cost accounting rules as modified by the revaluation of investments.

The principal accounting policies are summarised below. They have all been applied consistently throughout the year and the preceding year.

Basis of preparation

The Syndicate's business activities, together with the factors likely to affect its future development, performance and position, are set out in the Business operations and Future development paragraphs, which form part of the Strategic report.

The directors have a reasonable expectation that the Syndicate and HUA have adequate resources to continue in operational existence for the foreseeable future. Therefore they continue to adopt the going concern basis of accounting in preparing the financial statements. Further details can be found on page 7 of the strategic report.

Disclosure exemption

The Syndicate is included in the consolidated financial statements of CNAF, a company incorporated in the United States of America, whose consolidated financial statements are publicly available at https://investor-relations.cna.com/financial/latest-financials/default.aspx. Consequently, the Syndicate has taken advantage of the disclosure exemptions available in Section 33 for FRS 102 in respect of transactions with wholly owned subsidiaries.

Foreign currencies

Foreign currency transactions are converted to the presentational and functional currency of the Syndicate (Pound sterling) using the prevailing exchange rate. Assets and liabilities denominated in foreign currency are revalued to functional currency at year end exchange rates. Income statement items denominated in foreign currency are booked using the prior month's closing rate. The resultant differences are recognised as foreign exchange differences in the technical account.

Basis of accounting for underwriting activities

Contracts are classified at inception, for accounting purposes, as either insurance contracts or investment contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Investment contracts can be reclassified as insurance contracts after inception if insurance risk becomes significant.

Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to pay benefits that were significantly greater than the premium received. Such contracts may also transfer financial risk. Investment contracts are contracts that carry financial risk with no significant insurance risk. The Syndicate has not issued any investments contracts in the current or prior year.

Premiums

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made to premiums written in prior accounting periods. Premiums written on a Losses Occurring During ("LOD") basis are recognised in the month of inception of the policy. Premiums written on a Risk Attaching During ("RAD") basis are spread between the inception and expiry date of the policy. Premiums are shown gross of brokerage payable and exclude UK taxes and duties levied on them. In addition, premiums are shown net of premium discounts and certain other deductions. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Outward reinsurance premiums comprise premiums on reinsurance contracts incepted during the financial year as well as adjustments made to reinsurance premiums from previous accounting periods. The amount due, but not paid, is included in insurance and reinsurance debtors in the balance sheet.

Notes to the financial statements - continued

1. Accounting policies - continued

Unearned premiums

Premiums written are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to the unexpired period of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Claims incurred

Claims incurred comprise all claim payments and internal and external settlement expense payments made in the financial year and the movement in the provisions for claims outstanding and settlement expenses, including claims incurred but not reported ("IBNR"), net of salvage and subrogation recoveries.

Outward reinsurance recoveries are accounted for in the same accounting period as the claims for the related direct or inward reinsurance business being reinsured.

Claims outstanding and related reinsurance recoveries

Provision is made for undiscounted claims outstanding and settlement expenses incurred at the balance sheet date including an estimate for the cost of claims IBNR at that date. Included in the provision is an estimate of the internal and external costs of handling the claims outstanding. Estimated salvage and other recoveries are deducted from claims outstanding, if material.

The estimation of IBNR is generally subject to a greater degree of uncertainty than the estimation of the cost of settling claims already notified to the Syndicate, where there is more available information about the claim event. In calculating IBNR, the Syndicate uses a variety of estimation techniques. These are largely based on actuarial analysis of historical experience, which assumes the development pattern of the current claims will be consistent with past experience. Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics, or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in Syndicate processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from previous periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses, including catastrophes; and
- movements in industry benchmarks.

Large claims are generally assessed separately by each business class, being measured on a case by case basis, to allow for the possible distortive impact of the development and incidence of the large claims.

When calculating the provision for claims outstanding, the Syndicate selects an estimation technique taking into account the individual characteristics of each business class.

Reinsurance recoveries are based upon the provision for claims outstanding, having due regard to collectability. Reinsurance recoveries in respect of estimated IBNR are assumed to be consistent with historical patterns of such recoveries, adjusted to reflect any changes in the nature and extent of the Syndicate's reinsurance programme over time and with consideration given to recoveries implied by the Syndicate's internal model. The recoverability of reinsurance is assessed having regard to market data on the financial strength of each reinsurer.

The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures and the directors therefore consider that its provisions for claims outstanding and related reinsurance recoveries are fairly stated. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Any adjustment made to amounts for claims provisions in respect of prior years is included in the Technical account within the financial statements of the period when such adjustment is made.

Notes to the financial statements - continued

1. Accounting policies - continued

Unexpired risk provision ("URP")

A provision is made where expected claims and expenses on insurance contracts exceed the related unearned premiums, net of related deferred acquisition costs. A URP is offset against surpluses where business classes are managed together. A URP is only made if an aggregate deficit arises. At 31 December 2022, the Syndicate has an unexpired risks provision of £3.9 million (2021: £nil) which is included within the claims outstanding liability on the balance sheet.

Deferred acquisition costs

Acquisition costs comprise the direct expenses of concluding insurance contracts written during the financial year. Acquisition costs are deferred and amortised over a period equivalent to that over which the underlying business is underwritten, and are charged to the accounting periods in which the related premiums are earned. Deferred acquisition costs represent the proportion of acquisition costs incurred in respect of unearned premiums at the balance sheet date. The Syndicate defers only those acquisition costs which are directly related to the conclusion of insurance contracts as calculated separately for each class of business.

Liability adequacy test

At each reporting date an assessment is made to determine whether recognised insurance liabilities are adequate. If that assessment shows that the carrying amount of insurance liabilities (less related acquisition costs) is inadequate in the light of estimated future cash flows, the entire deficiency is recognised in the profit and loss account as an impairment of any associated deferred acquisition costs and, where these are fully depleted, via the provision for unexpired risks. The adequacy of the provision for unexpired risks is calculated separately by reference to classes of business that are managed together, after taking into account relevant investment return.

Investment return

All investment return is recognised in the non-technical account.

Investment income comprises interest and dividends and realised gains and losses on investments. Interest is recognised on an accrual basis and dividends are included on an ex-dividend basis.

Realised gains or losses represent the difference between the net sales proceeds and purchase price.

Interest payable and expenses incurred in the management of investments are accounted for on an accrual basis.

Unrealised gains or losses represent the difference between the valuation of investments at the balance sheet date and their purchase price. The movement in unrealised gains and losses therefore includes the reversal of previously recognised unrealised gains and losses on investments disposed of in the current year.

Tax

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

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

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

Notes to the financial statements - continued

1. Accounting policies - continued

Investments

The Syndicate designates financial assets upon initial recognition as “fair value through profit and loss” on the basis that the Syndicate manages and evaluates the performance of its investment portfolio on a fair value basis in accordance with its investment strategy.

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

Realised gains and losses and unrealised gains and losses arising from changes in the fair value of financial assets at fair value through profit and loss are included in the profit and loss account in the period in which they arise.

Cash and cash equivalents

Cash and cash equivalents represent cash balances, money market deposits and other short-term highly liquid investments purchased within three months of maturity.

Deposits with ceding undertakings

Cash deposited with any ceding undertakings to provide liquidity to cover insurance liabilities remain the property of the Syndicate and are valued at fair value.

Insurance and other debtors

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

Other liabilities

Other liabilities, including payables arising from insurance contracts, creditors and deposits received from reinsurers, are initially measured at cost, which is equal to fair value, net of transaction costs.

Notes to the financial statements - continued

2. Critical accounting judgements and key sources of estimation uncertainty

Key sources of estimation uncertainty are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. Critical accounting judgements and key sources of estimation uncertainty in applying accounting policies are continually evaluated for appropriateness. Actual results may differ from these estimates.

Estimates

Estimates are regularly reviewed and any revisions to accounting estimates are recognised in the period in which the revision has occurred.

Outstanding claims provisions and related reinsurance recoveries

The Syndicate's estimates for reported and unreported losses and the resulting provisions and related reinsurance recoverables are continually monitored, and updated based on the latest available information. Adjustments resulting from updated reviews are reflected in the profit and loss account. The process relies upon the basic assumption that past experience, adjusted for the effect of current developments and likely trends, is an appropriate basis for predicting future events. Estimation of claims provisions is a complex process, however, and significant uncertainty exists as to the ultimate settlement of these liabilities.

The most critical estimate included within the Syndicate's balance sheet is the estimate for losses incurred but not reported ("IBNR") – both gross and reinsurers' share. This estimate is critical as it outlines the current liability for future expenses expected to be incurred in relation to claims and related recoveries from reinsurers. The total estimate as at 31 December 2022 is £396.7 million (2021: £274.4 million) and is included within technical provisions in the balance sheet. The estimate for reinsurers' share of IBNR is £130 million (2021: £72.2 million).

The Syndicate's estimate for unallocated loss adjustment expenses is based on an actuarial study at 31 December 2022 and was £7.3 million (2021: £7.6 million).

Gross written premiums

Gross written premium includes a key estimate for pipeline premiums together with adjustments to premiums written in prior accounting periods. Written premiums include pipeline premiums calculated using actuarial projection techniques on the key assumption that historical development is representative of future development. In the Syndicate, written premium is initially based on the estimated premium income ("EPI") of each contract, adjusted by actuarial projection techniques where appropriate. EPI is adjusted as the year of account matures. Premiums are earned on a straight-line basis over the life of each contract.

Critical accounting judgements

There are no critical accounting judgements other than judgements in relation to key sources of estimation uncertainty

Notes to the financial statements - continued

3. Risk management

The Syndicate operates an extensive risk management system to manage and monitor its risks within the overall governance framework set by the Board. The narrative below describes how the principal risks of the Syndicate are managed.

Risk statement

The Syndicate considers risk management to be fundamental to good management practice and a significant aspect of corporate governance. Effective management of risk provides an essential contribution towards the achievement of the Syndicate's strategic and operational objectives and goals.

The Board of HUA owns risk management within the Syndicate, and communicates its risk strategy through a risk appetite statement. The Board is also responsible for ensuring that the Syndicate's Internal Model is embedded in the operation of its business and that the model is used to improve both the understanding of risk and the quality of the decision making at all levels across the business.

Risk management is an integral part of the Syndicate's decision-making and routine management, and is incorporated within the strategic and operational planning processes at all levels across the business. Employees are expected to manage risk as defined through their roles. This ensures that an assessment of risk remains central to decision-making.

Capital management

The capital position is managed to take account of the Syndicate's long term needs and particularly of the underwriting cycle, since the variability of the Syndicate's exposures at different points in the cycle is critical. The Board's strategy is to ensure capital adequacy in accordance with commercial and regulatory requirements.

The Syndicate's corporate member is required to hold capital at Lloyd's which is held in trust in FAL. The amount of capital required to be provided as FAL for the 2023 Year of Account was determined by the Syndicate and Lloyd's on a Solvency II basis, using an Internal Model.

Insurance risk

Insurance risk is the assumption of risk by an insurer from the individuals or organisations who are directly subject to the risk concerned.

There are inherent uncertainties in assuming insurance risk, some of which relate to the scope of coverage and the understanding of that scope by the insurer. The principal uncertainty, however, is associated with frequency and severity of claims and with the potential for these to be greater than expected. Insurance events are subject to fortuity and are therefore, by their very nature, random as to number and size.

Insurers put in place strategies to manage insurance uncertainties and the framework utilised by the Syndicate is outlined below.

Underwriting risk

Underwriting risk represents risk associated with the continuing acceptance of insurance policies by the Syndicate. This relates to the uncertainty as to whether premiums received will be sufficient to cover future incurred losses, including expenses as well as risks associated with potential volatility in claims experience.

Processes used to manage underwriting risk include the setting of underwriting and pricing standards and limits on risk-taking. The Syndicate also monitors and manages its natural catastrophe exposures and uses catastrophe modelling software in order to assess its risk. Where necessary, reinsurance is used to mitigate and transfer risk falling outside risk appetite. Additionally the Syndicate employs a business model that achieves diversification through the spread of business across territories and sectors. The Underwriting Group is responsible for the management of underwriting risk, reporting to the Board.

Notes to the financial statements - continued

3. Risk management - continued

Control of aggregating exposures

Measurement and control of exposures are the means by which volatility within the portfolio is constrained. It goes to the heart of the business' appetite for risk, since exposures are contained at a level that represents the extent to which the Syndicate is prepared to bear a net loss. Within an insurance business, aggregations of risk may arise from a single insurance contract or through a number of related contracts. Whilst some level of claims activity from these aggregations is expected on a regular basis, certain events, or a series of events, may occur that stress the business financially. Examples of such events are hurricanes and earthquakes. The extent of the impact may also be very dependent on the size and location of the insured events.

Control of aggregating exposures in vulnerable locations is clearly vital, and is the key to maximising the potential for good underwriting profit in loss free periods without, on the downside, over-exposing capital to the impact of large and costly events. Factors which would impact the assumption of risk in these circumstances include an appropriate pricing of risk, a spread of risk across geographical territories and the availability, subject to cost, of a suitable reinsurance programme. The Syndicate determines the maximum total exposure levels to a range of events that it is prepared to accept. Beyond this level, no further exposure may be assumed. At any point in time, the current exposure position for the underwriting portfolio is available to underwriters to enable them to assess the impact of individual risk exposures on the whole account.

The Syndicate uses a number of modelling tools for this purpose, and their main objective is to simulate catastrophe and other losses so as to measure the effectiveness of the reinsurance programme and to confirm that Syndicate's net exposure has not exceeded the predetermined limit. A number of stress and scenario tests are also run during the year to examine the exposure to specific types of events.

Management of reinsurance risk

Treaty reinsurance is purchased to proactively manage the volatility inherent in the business. The Syndicate seeks to balance cost versus protection though outward reinsurance treaty protections.

In addition to protecting the business against catastrophe exposure, reinsurance is also purchased to lay off risks that have characteristics that the Syndicate does not wish to retain and also to control net exposures on single risks or aggregations of risks. Both proportional and non-proportional reinsurances are employed. Facultative reinsurance may also be used in certain predetermined circumstances for individual large lines. The focus on adequacy of pricing generally means that the underwriting team is comfortable to underwrite most classes of business without significant levels of facultative reinsurance.

The erosion and ongoing adequacy of the reinsurance programme, as well as the reinsurance credit risk, are also actively monitored.

Reserve risk

Reserve risk is associated with liabilities the Syndicate has from insurance policies issued in the past. This is the risk that claims reserves and related claims handling reserves will be materially inadequate relative to the ultimate cost of settlement.

The Syndicate adopts a prudent philosophy and approach in quantifying the Syndicate's insurance liabilities. Under this philosophy the Syndicate seeks to provide an appropriate level of confidence in the level of insurance liabilities, through estimating individual case reserves and the estimation of the ultimate cost of claims.

The Claims department is responsible for the setting of individual case reserves. The primary source of information for claims is through the London Market Bureau (Xchanging). Information is also received directly from customers and brokers, which is used to complement the official advice of claims through the Bureau.

Critical to the reserve setting process is the assumption that the past claims development experience can be used to predict the future claims development and hence the ultimate cost of claims. Triangulation statistics that show the historical development of premiums and claims for each class of business and underwriting year are used to assist in the process of determining reserves. Numerous other factors and assumptions are applied to the claims historical progression data to assist in setting these estimates.

Notes to the financial statements - continued

3. Risk management - continued

Reserve risk – continued

The concentration of insurance risk before and after reinsurance by domicile in relation to the type of insurance risk accepted is summarised below, with reference to the carrying amount of outstanding claims (gross and net of reinsurance) arising from insurance contracts:

Year ended 31 December 2022

	Commerical		Speciality		Total	
	Gross of reinsurance £'000	Net of reinsurance £'000	Gross of reinsurance £'000	Net of reinsurance £'000	Gross of reinsurance £'000	Net of reinsurance £'000
UK	**22,837**	**22,026**	**31,673**	**30,547**	**54,510**	**52,573**
Continental Europe	**30,632**	**29,543**	**14,148**	**13,645**	**44,780**	**43,188**
United States	**-**	**-**	**10,375**	**10,006**	**10,375**	**10,006**
Other	**352,689**	**340,155**	**168,782**	**162,784**	**521,471**	**502,939**
Total	**406,158**	**391,724**	**224,978**	**216,982**	**631,136**	**608,706**

Year ended 31 December 2021

	Commerical		Speciality		Total	
	Gross of reinsurance £'000	Net of reinsurance £'000	Gross of reinsurance £'000	Net of reinsurance £'000	Gross of reinsurance £'000	Net of reinsurance £'000
UK	53,424	51,525	25,298	24,399	78,722	75,924
Continental Europe	35,253	34,001	11,344	10,940	46,597	44,941
United States	-	-	13,054	12,590	13,054	12,590
Other	235,231	174,273	125,022	92,209	360,253	266,482
Total	323,908	259,799	174,718	140,138	498,626	399,937

During the year, the presentation of location has been amended to be on the basis domicile of insured. As a result the table for the year ended 31 December 2021 has been amended.

Notes to the financial statements - continued

3. Risk management - continued

Reserve risk - continued

The factors include changes over time to the business mix and method of acceptance within each class of business, rating and conditions, legislation and court awards, claims inflation and economic conditions. By its nature, the process involves a significant amount of judgement, although every effort is made to ensure that the process and resultant reserves are set on a consistent basis and will be sufficient to meet the cost of claims when they are finally settled.

There is a significant amount of uncertainty in the reserve established, which may be more or less than adequate. The level of uncertainty varies between classes of business and generally increases for longer tail classes of business. Any change in the estimate of a reserve, or a settlement at a value other than the reserve provided, is recognised in the reporting period in which the change is identified. Given the significant uncertainty in the best estimate reserve established, the booked reserve also includes an additional management margin for prudence. This margin increases the probability that the booked claim reserves will prove adequate. The margin amount is set by the Board and reflects both the degree of uncertainty around the actuarial best estimate and the reserve risk appetite of the Syndicate.

The following table quantifies the impact on the Syndicate's profit and net assets of a 1% variation in the outstanding claims reserve and combined ratio, which may be the result of one or several changes in the insurance risk variables.

	Gross of reinsurance 2022 £'000	**Net of reinsurance 2022 £'000**	Gross of reinsurance 2021 £'000	Net of reinsurance 2021 £'000
Impact on profits of a 1% variance in:				
Claims liability	**6,311**	**4,657**	4,986	3,999
Combined ratio	**2,932**	**2,371**	2,520	2,102
Impact on net assets of a 1% variance in:				
Claims liability	**6,311**	**4,657**	4,986	3,999
Combined ratio	**2,932**	**2,371**	2,520	2,102

Financial risk

Financial risks can be broken down into the following categories:

Credit risk

Credit risk is the risk of loss if a counterparty fails to meet its contractual obligations resulting in a financial loss to the Syndicate. The Syndicate is exposed to credit risk primarily through its investment and insurance activities.

The exposure to credit risk from holdings of debt and other fixed income securities, is managed by adherence to the Syndicate's investment guidelines which detail minimum issuer credit quality, duration limits, and the maximum value of individual holdings. The average Standard & Poor's ("S&P") credit rating of the Syndicate's debt and other fixed income securities remained high throughout the year, and at 31 December 2022 was "A" (2021: "A").

The Syndicate is exposed to credit risk as a result of its regular insurance and reinsurance activity. The areas of key exposure are the reinsurers' share of claims outstanding and debtors arising out of direct and reinsurance operations from both policyholders and intermediaries. Ceded reinsurance is used to mitigate risks arising from inwards business. Ceded reinsurance does not discharge the Syndicate's liability as primary insurer. If a ceded reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. Reinsurance coverages are normally placed with reinsurers who are included on the approved reinsurance security listing used by the Syndicate. Generally, these reinsurers will have an S&P credit rating of "A" or better.

Notes to the financial statements - continued

3. Risk management – continued

Credit risk - continued

With regard to direct insurance and reinsurance receivables, the Syndicate operates processes to review broker security and to monitor arrangements with managing general agents. Receivables consist of payments of premium due from a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The Syndicate does not have a significant credit risk exposure to any single external counterparty or any group of counterparties. The credit risk on liquid funds is limited because the counterparties are banks with high credit ratings assigned by international credit rating agencies.

The assets bearing credit risk are summarised below:

	2022 **£'000**	2021 £'000
Other financial investments	**420,019**	328,157
Reinsurers' share of claims outstanding	**165,482**	98,689
Debtors arising out of direct insurance operations	**107,758**	81,741
Cash at bank and in hand	**23,308**	29,802
Overseas deposits	**59,843**	54,696
Debtors arising out of reinsurance operations	**5,275**	34,308
Other debtors	**15,587**	6,901
Total assets bearing credit risk	**797,272**	634,294

The concentration of credit risk is substantially unchanged compared to the prior year. The carrying amount of the above assets at the balance sheet date represents the maximum credit risk exposure. At year end, the Syndicate does not hold any investments in wrapped debt or other such fixed income securities. Other financial investments are designated as fair value through profit or loss at inception, and their performance is evaluated on a fair value basis, in accordance with a documented investment strategy. The credit rating for other financial investments is detailed below. The ratings are derived from S&P.

	2022 **£'000**	2021 £'000
AAA	**121,631**	58,552
AA	**52,505**	49,025
A	**144,435**	154,471
BBB	**78,746**	51,485
Below BBB or not rated	**22,702**	14,624
Total other financial investments bearing credit risk	**420,019**	328,157

Other financial investments and cash at bank are neither past due nor impaired.

Notes to the financial statements - continued

3. Risk management - continued

Credit Risk - continued

The S&P or equivalent credit rating for reinsurers' share of claims outstanding and debtors arising out of reinsurance operations is detailed below:

	2022 £'000	2021 £'000
AA	**128**	780
A	**166,557**	127,313
Below BBB or not rated	**4,072**	4,904
Total reinsurers' share of claims outstanding and debtors arising out of reinsurance operations bearing credit risk	**170,757**	132,997

Debtors arising out of direct and reinsurance operations includes a £1.0 million (2021: £0.6 million) provision for impairment.

Liquidity risk

Liquidity risk is the risk that cash may not be available, or that assets cannot be liquidated at a reasonable price, to pay obligations when they fall due. The Syndicate is exposed to daily calls on its available cash resources, mainly from claims arising through insurance and reinsurance contracts. In respect of business underwritten in certain international regions there is a requirement to collateralise regulated trust funds in terms of gross insurance liabilities. This puts an additional burden on the Syndicate's liquidity.

The table below summarises the maturity profile of the Syndicate's financial and insurance liabilities based on an analysis by estimated timing of the amounts recognised in the balance sheet for insurance liabilities, and based on remaining undiscounted contractual obligations for all other liabilities.

	Within 1 year £'000	**1-2 years £'000**	**3-5 years £'000**	**Over 5 years £'000**	**Total £'000**
Claims outstanding	235,709	251,398	90,774	53,255	**631,136**
Creditors	46,790	-	-	-	**46,790**
Other payables	3,936	-	-	-	**3,936**
As at 31 December 2022	286,435	251,398	90,774	53,255	**681,862**

	Within 1 year £'000	**1-2 years** £'000	**3-5 years** £'000	**Over 5 years** £'000	**Total** £'000
Claims outstanding	141,441	127,677	158,557	70,951	498,626
Creditors	39,098	-	-	-	39,098
Other payables	3,867	-	-	-	3,867
As at 31 December 2021	184,406	127,677	158,557	70,951	541,591

Notes to the financial statements - continued

3. Risk management - continued

Liquidity risk - continued

The table below summarises the maturity profile of the Syndicate's financial and insurance assets where the maturity profile is an analysis by estimated timing of the amounts recognised in the balance sheet.

	Within 1 year £'000	**1-2 years £'000**	**3-5 years £'000**	**Over 5 years £'000**	**Total £'000**
Other financial investments	153,281	111,891	108,940	45,907	**420,019**
Deposits with ceding undertakings	1,270	-	-	-	**1,270**
Reinsurers' share of claims outstanding	61,802	65,916	23,801	13,963	**165,482**
Debtors	127,905	715	-	-	**128,620**
Cash at bank and in hand and overseas deposits	83,151	-	-	-	**83,151**
Prepayments and accrued income	32,845	-	-	-	**32,845**
As at 31 December 2022	460,254	178,522	132,741	59,870	**831,387**

	Within 1 year £'000	**1-2 years** £'000	**3-5 years** £'000	**Over 5 years** £'000	**Total** £'000
Other financial investments	162,442	113,278	39,293	13,144	328,157
Deposits with ceding undertakings	3,853	-	-	-	3,853
Reinsurers' share of claims outstanding	27,994	25,270	31,382	14,043	98,689
Debtors	120,927	2,023	-	-	122,950
Cash at bank and in hand and overseas deposits	84,498	-	-	-	84,498
Prepayments and accrued income	25,016	-	-	-	25,016
As at 31 December 2021	424,730	140,571	70,675	27,187	663,163

The Syndicate manages this risk by structuring its working capital to ensure that there are available cash resources or sufficiently liquid investments to meet expected cash flow requirements. The Syndicate's investment guidelines are structured to ensure that Syndicate investments can be liquidated at short notice to meet higher levels of demand in exceptional circumstances.

The Syndicate has no significant concentrations of liabilities that would result in a concentrated cash outflow or any significant concentration of assets that may result in restrictions in liquidating at short notice.

Liquid funds and cash flow forecasts are monitored regularly to ensure that the need for sufficient liquidity is balanced against investment return objectives.

Market risks are principally related to the Syndicate's investment activity, notably its holding of debt and other fixed income investments. Within this area, the primary risks to which the Syndicate is exposed are: currency risk and interest rate risk.

The Syndicate manages these exposures through its Investment Group. The Group is responsible for establishing and maintaining an investment policy in line with the risk appetite of the Syndicate.

Notes to the financial statements - continued

3. Risk management - continued

Market risk

In addition, the Group is responsible for the management of all investment asset risks, the selection of its investment manager and reviewing investment performance.

The investment management function is outsourced to an external fund manager.

The Investment Group has established an asset allocation policy of investing primarily in listed debt, other fixed income securities and cash. The policy also stipulates that surplus cash can only be held on deposit with highly rated credit institutions until such time as suitable investments in appropriate listed debt and other fixed income securities can be made.

An investment management agreement has been established with the Syndicate's external fund manager. The agreement includes specific guidelines for each individual portfolio in order to limit risks arising from duration, currency, liquidity, credit and concentration exposures. The agreement also limits concentration of exposures to single countries, economic sectors and individual securities and provides for minimum standards of creditworthiness. The external fund manager provides quarterly affirmation of compliance with these guidelines.

Market risk - currency risk

The Syndicate transacts insurance business in the five main Lloyd's settlement currencies (Pound sterling, Euro, US dollars, Canadian dollars and Japanese yen). Assets are held in each of these currencies to generally match the corresponding liabilities.

The Syndicate is exposed to movements in foreign exchange where there is a mismatch between assets and liabilities in any of these currencies. When a mismatch occurs the Syndicate looks to limit this mismatch exposure through foreign currency transactions, subject to regulatory funding requirements.

The following tables summarise the sterling equivalent net carrying value of financial instruments and monetary insurance balances by currency at 31 December:

		Sterling equivalent		
	US Dollars 2022 £'000	Euros 2022 £'000	Sterling and other 2022 £'000	Total 2022 £'000
Other financial investments	281,573	25,185	113,261	**420,019**
Deposits with ceding undertakings	-	-	1,270	**1,270**
Reinsurers' share of claims outstanding	120,599	3,907	40,976	**165,482**
Debtors, accrued interest and prepayments and accrued income	80,282	13,831	37,142	**131,255**
Cash at bank and in hand and overseas deposits	7,917	723	74,511	**83,151**
Net deferred acquisition costs	15,544	1,575	9,360	**26,479**
Claims outstanding	(370,496)	(37,552)	(223,088)	**(631,136)**
Creditors	(29,499)	(700)	(16,796)	**(46,995)**
Net provision for unearned premiums	(87,249)	(8,843)	(52,535)	**(148,627)**
Net exposure	18,671	(1,874)	(15,899)	**898**

Notes to the financial statements - continued

3. Risk management - continued

Market risk - currency risk - continued

	Sterling equivalent			
			Sterling and	
	US Dollars	Euros	other	Total
	2021	2021	2021	2021
	£'000	£'000	£'000	£'000
Other financial investments	222,828	33,007	72,322	328,157
Deposits with ceding undertakings	1,381	1,777	695	3,853
Reinsurers' share of claims outstanding	57,856	499	40,334	98,689
Debtors, accrued interest and prepayments and accrued income	80,792	6,223	37,511	124,526
Cash at bank and in hand and overseas deposits	8,235	2,669	73,594	84,498
Net deferred acquisition costs	11,030	1,131	7,539	19,700
Claims outstanding	(279,191)	(28,623)	(190,812)	(498,626)
Creditors	(32,522)	(481)	(6,222)	(39,225)
Net provision for unearned premiums	(63,272)	(6,487)	(43,242)	(113,001)
Net exposure	7,137	9,715	(8,281)	8,571

Whilst the matching of liabilities with assets within the above currencies reduces economic exposure to currency risk, it does not prevent exchange gains and losses from being recognised in the profit and loss account. A 10% strengthening of sterling against the following currencies at 31 December 2022 would have increased/(decreased) the Syndicate's profits by the amounts shown below. This analysis assumes no hedging of currency and that all other variables remain constant.

	Net assets		**Profit before tax**	
	2022	2021	**2022**	2021
	£'000	£'000	**£'000**	£'000
US Dollars	**(1,867)**	(714)	**(1,867)**	(714)
Euros	**187**	(972)	**187**	(972)

A 10% weakening of sterling against the above currencies at 31 December 2022 would have had an equal but opposite effect to the amounts shown above, on the basis that all other variables remain constant.

Notes to the financial statements - continued

3. Risk management - continued

Market risk - interest rate risk

At 31 December 2022 the Syndicate's exposure to interest rate risk is primarily through its investments in debt and other fixed income securities due to instrument duration. The investment portfolio is managed based on the characteristics of the underlying liabilities and the alignment of the duration of the investment portfolio to the duration of the liabilities.

The actual durations measured in years for the fixed income portfolios were:

Euro	2022 %	2021 %
0 to 1 years	**19%**	21%
1 to 2 years	**17%**	19%
over 2 years	**64%**	59%
Total	**100%**	100%
Average duration in years	**2.99**	1.95

US Dollar	2022 %	2021 %
0 to 1 years	**20%**	26%
1 to 2 years	**20%**	27%
over 2 years	**60%**	47%
Total	**100%**	100%
Average duration in years	**2.89**	2.00

Canadian Dollar	2022 %	2021 %
0 to 1 years	**35%**	33%
1 to 2 years	**48%**	36%
over 2 years	**17%**	31%
Total	**100%**	100%
Average duration in years	**1.39**	1.56

Notes to the financial statements – continued

3. Risk management - continued

Market risk – interest rate risk - continued

The investment portfolio is periodically analysed for changes in duration and related price change risk. The evaluation is performed by applying an instantaneous change in yield rates of varying magnitude on a static balance sheet to determine the effect such a change in rates would have on the fair value at risk and the resulting effect on net assets.

To illustrate the downside risk within the debt and other fixed income securities portfolio, the impact of an increase of 100 basis points in interest yields across all portfolios simultaneously has been estimated. The Syndicate does not hedge interest rate risk and, assuming this continues and that all other variables remain constant, such an increase would decrease the market value of the investment portfolio and lead to a decrease in the total investment return of £9.4 million (2021: £4.2 million).

On the basis that all other variables remain constant, a decrease of 100 basis points in interest rates at 31 December 2022 would have had an equal and opposite effect to the amounts shown above.

Operational risk

The Syndicate is exposed to operational risks associated with internal processes, people, systems, service providers or from external events. These exposures are analysed, monitored and managed. The Syndicate has a business continuity plan and IT disaster recovery plan. HUA arranges Corporate Insurances to help protect against financial loss. The operational risk management framework also includes an operational loss reporting facility to record incidents and near-misses from operational events.

Strategic and group risk

The risk universe of all group operations is covered by a risk register in place to ensure risk can be managed and monitored at the local level as well as Syndicate and group.

Group risk is the risk that the Syndicate's business units fail to consider the impact of their activities on other parts of the group, as well as the risks arising from their activities. The primary areas of focus in respect of group risk are:

Capital & Solvency

A risk-based approach is used to determine the amount of capital required to support the activities of the Group. Recognised stochastic modelling techniques are used to measure risk exposures, and capital to support business activities is allocated according to risk profile. Stress and scenario analysis is performed and the results are reviewed against Board risk appetite.

Reputation

Negative publicity as a result of the Group's contractual arrangements, customers, products, services and other activities could impact upon our brand and our ability to deliver against our business plan and interact as needed with the capital markets. The Syndicate aims to minimise reputational risks, but where reputational risk arises, it would be contained by prompt management of public communications.

Shared services

The Syndicate relies on certain group services. Any issues in these services will manifest as group risk. These outsourced service risks are monitored and assessed at both the local and group level.

Notes to the financial statements - continued

4. Segmental Information

An analysis of the underwriting result before investment return is set out below, using segmental classes as prescribed by Lloyd's.

For the year ended 31 December 2022:

	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance						
Accident and health	(62)	(62)	33	3	(3)	(29)
Marine, aviation and transport	14,823	14,186	(12,284)	(3,825)	(397)	(2,320)
Energy-Marine and Non Marine	9,518	9,853	(5,926)	(2,104)	(1,168)	655
Fire and other damage to property	80,905	71,321	(74,522)	(16,515)	6,593	(13,123)
Third party liability	100,503	83,572	(53,023)	(21,927)	3,028	11,650
Pecuniary loss	356	1,039	(2,143)	(263)	701	(666)
Total direct	206,043	179,909	(147,865)	(44,631)	8,754	(3,833)
Assumed reinsurance	115,117	113,326	(83,385)	(27,187)	7,422	10,176
Total	321,160	293,235	(231,250)	(71,818)	16,176	6,343

For the year ended 31 December 2021:

	Gross written premiums £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct insurance						
Accident and health	81	120	(156)	(39)	14	(61)
Marine, aviation and transport	14,217	15,968	(12,672)	(4,520)	1,965	741
Energy-Marine and Non Marine	11,014	10,548	(5,991)	(2,798)	(668)	1,091
Fire and other damage to property	51,856	48,081	(32,693)	(13,687)	(129)	1,572
Third party liability	62,716	59,003	(43,714)	(16,270)	7,115	6,134
Pecuniary loss	757	2,276	(2,193)	(502)	2	(417)
Total direct	140,641	135,996	(97,419)	(37,816)	8,299	9,060
Assumed reinsurance	113,759	115,987	(70,178)	(30,232)	(12,366)	3,211
Total	254,400	251,983	(167,597)	(68,048)	(4,067)	12,271

Notes to the financial statements - continued

4. Segmental Information - continued

Geographical regions

Gross written premiums by location of risk:

	2022 £'000	2021 £'000
UK	**18,048**	7,926
Other European Union member states	**6,733**	16,241
United States of America	**38,821**	21,062
Worldwide	**257,558**	209,171
Gross premiums written	**321,160**	254,400

5. Claims incurred

Over/(under) provisions for claims at the beginning of the year as compared with net payments and provisions at the end of the year in respect of prior years' claims are as follows:

	2022 £'000	2021 £'000
Commercial	**1,840**	7,381
Specialty	**(1,648)**	1,173
Total	**192**	8,554

Favourable prior year loss development of £0.2 million was recorded in 2022 compared to favourable development of £8.6 million in the prior calendar year. In the current calendar year, the favourable loss development was driven primarily by lower emergence of claims of certain lines of business than previously anticipated.

Notes to the financial statements - continued

6. Net operating expenses

	2022 £'000	2021 £'000
Acquisition costs	**50,080**	40,298
Other acquisition costs	**6,155**	5,446
Change in ceded deferred acquisition costs	**(167)**	386
Reinsurance commissions	**(2,987)**	(2,740)
Change in deferred acquisition costs	**(4,971)**	2,885
Total acquisition costs	**48,110**	46,275
Administrative expenses	**23,708**	21,773
Total	**71,818**	68,048

Administrative expenses include:

	2022 £'000	2020 £'000
Operating lease expenses recharged from CNA Services	**900**	1,456
Audit of Syndicate accounts	**318**	288
Other auditor services persuant to Regulations and Lloyd's Byelaws	**86**	103

Notes to the financial statements - continued

7. Staff numbers and costs

A management fee for the provision of administration services is payable to CNA Services, which employed all staff. During 2022 no staff were employed by the managing agent and no staff costs were incurred directly by the managing agent during 2022 (2021: nil and £nil).

8. Emoluments of the directors of Hardy (Underwriting Agencies) Limited

The following directors of HUA who served during the year, listed below, were all employed and remunerated by CNA Services, part of the CNAF group (see Note 15). It is not practicable to allocate these directors' remuneration between their services across the companies of which they are executives. Therefore the remuneration and pension benefits are included in the financial statements of the individual company which employed and remunerated them, CNA Services:

P Hamer, C Kearney, J Rehman, D Stevens, R Thomson, S Wood and A d'Hulster

Four (2021: five) directors of HUA were members of a defined contribution pension scheme.

The following directors of HUA who served during the year, listed below, were all employed and remunerated by CCC, part of the CNAF group (see Note 15). It is not practicable to allocate these directors' remuneration between their services across the companies of which they are executives. Therefore their remuneration is included in the financial statements of the individual company which employed and remunerated them, CCC:

S Stone, and D Worman

Within Note 6, administrative expenses include the active underwriter's emoluments for the full year of:

	2022 **£'000**	2021 £'000
Emoluments	**1,061**	889

Notes to the financial statements - continued

9. Other financial investments

	Cost 2022 £'000	Cost 2021 £'000	Fair Value 2022 £'000	Fair Value 2021 £'000
Debt securities and other fixed income securities	**326,661**	258,122	**323,530**	258,978
Shares and other variable yield securities	**29,270**	3,881	**29,270**	3,881
Deposits with credit institutions	**67,219**	65,298	**67,219**	65,298
Total	**423,150**	327,301	**420,019**	328,157

All debt securities and other fixed income securities are listed. Other financial investments measured by the fair value hierarchy at 31 December are summarised below. Included within Shares and other variable yield securities are Syndicate loans which have been provided by the Syndicate to the Lloyd's Central Fund from the 2019 and 2020 years of account. These loans cannot be traded and are valued using discounted cash flow models taking into account the credit and illiquidity risk of the loans. The Syndicate loans have been classified as Level 3 investments due to unobservable inputs and subjectivity used to determine the appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow models.

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
2022				
Debt securities and other fixed income securities	**22,096**	**301,434**	**-**	**323,530**
Shares and other variable yield securities	**-**	**25,389**	**3,881**	**29,270**
Deposits with credit institutions	**-**	**67,219**	**-**	**67,219**
Other financial investments	**22,096**	**394,042**	**3,881**	**420,019**
2021				
Debt securities and other fixed income securities	33,637	225,341	-	258,978
Shares and other variable yield securities	-	-	3,881	3,881
Deposits with credit institutions	-	65,298	-	65,298
Other financial investments	33,637	290,639	3,881	328,157

Notes to the financial statements - continued

10. Debtors arising out of direct operations

	2022 £'000	2021 £'000
Amounts due from intermediaries	**108,733**	82,387
Impairment provision	**(975)**	(646)
Total	**107,758**	81,741

	2022 £'000	2022 £'000
Within one year	**107,748**	81,734
After one year	**10**	7
Total	**107,758**	81,741

11. Other debtors

	2022 £'000	2021 £'000
Amounts due from group companies	**14,136**	5,640
Insurance premium tax	**288**	243
Other tax and social security	**1,153**	1,009
Sundry debtors	**10**	9
Total	**15,587**	6,901

Group balances are repayable on demand and reflect intra-group recharges. All amounts are expected to be recovered within one year.

12. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain territories.

Notes to the financial statements - continued

13. Technical provisions

The gross liabilities for claims reported, loss adjustment expenses and claims incurred but not reported are net of expected recoveries from salvage and subrogation. The amounts for salvage and subrogation at the end of the current and prior year are not material.

Total technical provisions

	2022 £'000	2021 £'000
Gross		
Claims reported	**206,980**	197,023
Loss adjustment expenses	**7,333**	7,556
Claims incurred but not reported	**416,823**	294,047
Unearned premiums	**171,057**	131,462
Total gross insurance liabilities	**802,193**	630,088
Reinsurers' share of insurance liabilities		
Claims reported	**35,428**	26,510
Claims incurred but not reported	**130,054**	72,179
Unearned premiums	**22,430**	18,461
Total reinsurers' share of insurance liabilities	**187,912**	117,150
Net		
Claims reported	**171,552**	170,513
Loss adjustment expenses	**7,333**	7,556
Claims incurred but not reported	**286,769**	221,868
Unearned premiums	**148,627**	113,001
Total net insurance liabilities	**614,281**	512,938

Notes to the financial statements - continued

13. Technical provisions - continued

Movement in technical provisions

	Provision for unearned premiums £'000	Claims outstanding £'000	Total £'000
Gross			
At 1 January 2021	128,217	498,085	626,302
Foreign exchange revaluation	828	531	1,359
Movement in provision	2,417	10	2,427
At 1 January 2022	**131,462**	**498,626**	**630,088**
Foreign exchange revaluation	**11,670**	**35,734**	**47,404**
Movement in provision	**27,925**	**96,776**	**124,701**
At 31 December 2022	**171,057**	**631,136**	**802,193**
Reinsurance amount			
At 1 January 2021	17,585	101,695	119,280
Foreign exchange revaluation	62	417	479
Movement in provision	814	(3,423)	(2,609)
At 1 January 2022	**18,461**	**98,689**	**117,150**
Foreign exchange revaluation	**4,079**	**7,108**	**11,187**
Movement in provision	**(110)**	**59,685**	**59,575**
At 31 December 2022	**22,430**	**165,482**	**187,912**
Net			
At 31 December 2022	**148,627**	**465,654**	**614,281**
At 31 December 2021	113,001	399,937	512,938

The analysis that follows shows the Syndicate's estimate of the ultimate cost of claims at initial assessment and annually thereafter on an underwriting year basis. Data from all years has been restated at the 2022 closing rates of exchange to remove fluctuations caused by movements in outward currency rates.

As these tables are on an underwriting year basis there is an apparent large increase from amounts reported at the end of the underwriting year to one year later. This is due to some insurance contracts remaining on risk after the first 12 months, therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

Each table then provides a reconciliation of the syndicate level reserves to the liability provided in the Syndicate's balance sheet by including the Syndicate's share of liabilities for the pre-2012 underwriting years.

Notes to the financial statements - continued

13. Technical provisions - continued

Claims development table gross of reinsurance

Underwriting year	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	**Total £'000**
100% syndicate values												
At end of first accounting year	122,606	62,279	68,154	79,269	72,750	133,642	86,573	60,144	82,150	67,111	108,173	**942,851**
One year later	151,611	158,726	150,574	185,680	173,528	225,477	215,068	156,034	156,508	160,852		**1,734,058**
Two years later	159,787	168,849	169,898	209,164	198,091	272,660	233,767	165,496	140,149			**1,717,861**
Three years later	159,051	167,474	185,424	231,946	196,484	281,723	246,344	170,766				**1,639,212**
Four years later	164,524	163,900	190,130	216,613	201,908	300,190	272,164					**1,509,429**
Five years later	164,249	167,206	184,297	214,230	211,107	313,487						**1,254,576**
Six years later	165,943	172,739	203,237	222,266	214,054							**978,239**
Seven years later	167,167	172,737	185,693	217,967								**743,564**
Eight years later	170,807	173,463	191,492									**535,762**
Nine years later	168,730	173,232										**341,962**
Ten years later	170,655											**170,655**
Current estimate of earned claims at 31 December 2022	170,655	173,232	191,492	217,967	214,054	313,487	272,164	170,766	140,149	160,852	108,173	**2,132,991**
Cumulative payments to date	(162,774)	(169,328)	(178,939)	(186,520)	(182,215)	(238,708)	(204,687)	(111,750)	(60,525)	(28,632)	(4,356)	**(1,528,434)**
Provision as at 31 December 2022	7,881	3,904	12,553	31,447	31,839	74,779	67,477	59,016	79,624	132,220	103,817	**604,557**
Insurance liabilities in respect of prior underwriting years												**26,579**
Insurance liabilities as at 31 December 2022												**631,136**

Notes to the financial statements - continued

13. Technical provisions - continued

Claims development table net of reinsurance

Underwriting year	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	Total £'000
100% syndicate values												
At end of first accounting year	61,044	92,546	62,360	74,783	60,162	95,161	78,517	53,500	65,607	57,202	77,590	**778,472**
One year later	105,170	178,477	139,970	163,490	144,079	185,371	174,830	129,905	128,824	125,921		**1,476,037**
Two years later	110,008	144,683	149,333	175,649	172,647	230,048	194,715	128,468	102,972			**1,408,523**
Three years later	110,584	138,719	150,560	196,397	167,983	240,699	200,194	132,119				**1,337,255**
Four years later	111,588	134,209	150,054	182,002	175,047	256,258	225,301					**1,234,459**
Five years later	112,932	137,570	146,328	180,923	179,948	267,214						**1,024,915**
Six years later	114,369	140,378	157,340	187,248	182,898							**782,233**
Seven years later	114,422	141,063	147,673	183,476								**586,634**
Eight years later	117,749	140,242	152,663									**410,654**
Nine years later	116,288	140,124										**256,412**
Ten years later	116,861											**116,861**
Current estimate of earned claims at 31 December 2022	116,861	140,124	152,663	183,476	182,898	267,214	225,301	132,119	102,972	125,921	77,590	**1,707,139**
Cumulative payments to date	(111,760)	(139,088)	(143,678)	(158,603)	(158,789)	(209,799)	(175,885)	(83,559)	(49,439)	(26,406)	(4,336)	**(1,261,342)**
Provision as at 31 December 2022	5,101	1,036	8,985	24,873	24,109	57,415	49,416	48,560	53,533	99,515	73,254	**445,797**
Insurance liabilities in respect of prior underwriting years												**19,857**
Insurance liabilities as at 31 December 2022												**465,654**

Notes to the financial statements - continued

14. Other creditors

	2022 £'000	2021 £'000
Amounts due to group companies	**3,049**	3,089
Sundry creditors	**4,265**	3,246
Total	**7,314**	6,335

Group balances are repayable on demand and reflect intra-group recharges.

15. Related parties

The immediate parent undertaking of HUA is HUB, a company incorporated in Bermuda.

The ultimate parent and controlling party is Loews Corporation, incorporated in the United States of America. Group financial statements for Loews Corporation are available from 667 Madison Avenue, New York, 10065-8087, USA.

CICL and CCC provide HUL with Funds at Lloyd's to support the Syndicate's capital requirement to continue underwriting at Lloyd's. HUL pays an annual fee of 2.5% for the provision of these funds.

During the year CNA Services recharged £21.1 million (2021: £24.4 million) in administrative expenses to the Syndicate. These amounts are included within Note 6. The balance due to CNA Services as at 31 December 2022 is £3.1 million.

During the year Hardy Underwriting Asia Pte. Limited ("HAP") recharged £nil (2021: £136,000) in administrative expenses to the Syndicate. These amounts are included within Note 6. The balance due to HAP as at 31 December 2022 is £nil.

Managing agent fees of £247,500 (2021: £247,500) were paid by the Syndicate to HUA during 2022. The balance at 31 December 2022 is £nil.

16. Funds at Lloyd's

Every member of Lloyd's is required to hold capital at Lloyd's. This capital is held in trust and is known as FAL. The funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating member's underwriting activities.

The level of FAL that Lloyd's requires a member to maintain is ultimately determined by Lloyd's taking account, inter alia, of a number of factors including the nature and amount of underwriting risk assumed by the member and the assessment of the reserving risk in respect of business that has already been underwritten. FAL is not under the management of the managing agent, so no amounts have been shown in these financial statements to reflect it. The managing agent is able to make a call on member's FAL to meet liquidity requirements and to settle losses should this be required.

The FAL requirement is provided by a combination of the member as well as by CICL and CCC.