LLOYD'S

Sharing risk to create a braver world

Aggregate Accounts 2023

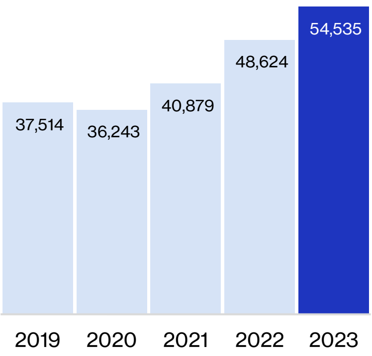
Aggregate Accounts 2023

Contents

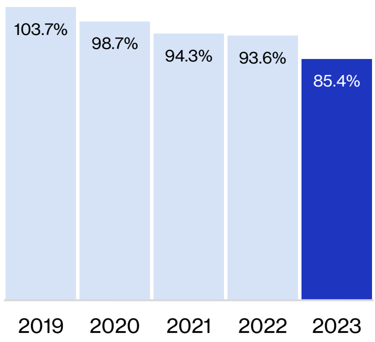
Our performance at a glance

Financial key performance indicators

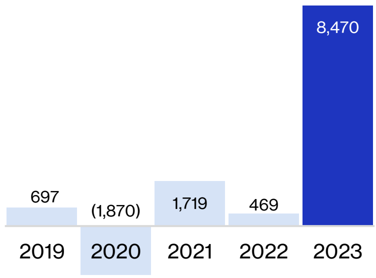
Gross Written Premium (£m)
£54,535m



Combined ratio
85.4%



Profit before tax (£m)
£8,470m



Expense ratio
35.0%
(2022: 35.0%)

Underwriting results
£5,535m
(2022: £2,151m)

Underlying combined ratio
82.0%
(2022: 81.3%)

Attritional Loss ratio
47.0%
(2022: 47.8%)

Market-wide solvency coverage ratio
207%
(2022: 181%)

Return on investment
£2,938m
(2022: £(1,595)m)

1. The above metrics include alternative performance measures, (APMs). See page 162 to 163 of the 2023 Annual Report for definitions.

Non-financial highlights

£22bn
Claims paid to global customers in the wake of disasters in 2023

>30m tonnes
Grain and fertiliser exported through the UN Black Sea Grain Initiative

2,000
Volunteers mobilised from our market through Lloyd's of London Foundation

Market performance

Market results

The Lloyd's market reported an overall profit of £8,470m in 2023 (2022: £469m) with a combined ratio of 85.4% (2022: 93.6%). The underwriting result is a profit of £5,535m (2022: profit of £2,151m), reflecting continued underwriting discipline and a period of lower than expected major claims. The favourable underwriting result was enhanced by valuation gains on investments of £2,938m (2022: net investment loss of £1,595m), driven by the strengthening experienced in the financial markets in the year. The strengthening of Sterling against the US dollar during the period resulted in a £16m loss on foreign exchange (2022: £83m losses). Net non-technical income/(expenses) were £13m (2022: £(4)m), resulting in an overall profit before tax of £8,470m (2022: £469m).

Underwriting result

Market gross written premium grew 12.2% year-on-year to £54,535m (2022: £48,624).

The market continued to see risk adjusted price increases on renewal business across most classes, with the 24th consecutive quarter of positive price movement being reported in the fourth quarter of 2023. Price change accounted for 7.2% of premium growth. The remaining growth in gross written premium is attributable to 4.3% volume growth, with foreign exchange movements having a minimal impact.

The underwriting result rose 157% year-on-year to £5,535m driven by the continued realisation of benefits from the market's strong underwriting action and positive pricing environment led by the Property segment in particular, partially offset by less attractive conditions in some areas of Casualty.

The combined ratio[1] of 85.4% represents an +8.2pp improvement when compared with prior year. Prior year strengthening of £5m was reported in the year, resulting in 0.0% (2022: 1.5% release) impact on the attritional ratio. Releases were reported across all lines of business other than Specialty and Casualty reinsurance (impacted by reinsurance to close and loss portfolio transfer transactions) and Aviation, where carriers have reported reserve strengthening in respect of the losses arising from the Russia/Ukraine conflict.

The major claims ratio reduced to 3.4% (2022: 12.3%), below the expected level for any one year. Whilst there were a number of significant events in 2023, including the wildfires in Hawaii and the earthquake in Turkey, the shape and composition of the Lloyd's property book resulted in a relatively low exposure to these events. Our underlying combined ratio, excluding major claims and catastrophe events, remained stable at 80.5% (2022: 79.2%).

The expense ratio[1] has remained flat at 35.0% (2022: 35.0%), with a lower acquisition expense ratio offset by a higher operating expense ratio, reflecting higher wages as well as investment in strategic change by managing agents.

1. The accident year ratio, underlying combined ratio, attritional loss ratio, prior year release ratio and expense ratio are metrics that are consistently used to analyse financial performance in the Lloyd's market results. These metrics (wherever used in the Aggregate Accounts) are alternative performance measures (APMs), with further information available in the 2023 Lloyd's Annual Report (pages 162 and 163).

Investment review

The market reported net investment gains of £2,938m in 2023, representing an positive return on Investment of 5.1% (2022: investment loss of £1,595m, return of (3.2)%).

2023 was a year of heightened volatility, driven by geopolitical events and increased interest rates. The year started with pressure on a number of US regional banks, and whilst there was little direct impact on the Lloyd's market due to the structure of the investment portfolio that has limited exposure to these institutions, it caused volatility across the fixed income portfolios. The last quarter of the year saw a dramatic rally across several asset classes, as declining inflation moved market positioning in favour of a soft economic landing, coupled with the expectation of central banks' rate cuts in 2024, which appeared to result in a risk-on sentiment. Overall, a wide number of asset classes saw significant gains in 2023, particularly equity market capitalisation, reversing losses seen in 2022. The US equity markets performed well due to a limited number of mega-cap US technology companies, driven by the excitement surrounding artificial intelligence and its potential for growth across a range of industries. Credit and sovereign bonds also generated positive returns, again reversing losses seen last year.

Balance sheet strength

The Lloyd's market continues to be strongly capitalised and the Lloyd's market-wide solvency has strengthened since 31 December 2022.

The market-wide solvency ratio as at 31 December 2023 has increased to 207% (2022: 181%). This is due to the increases in members' balances, driven by strong profitability, strong investment returns and discounting benefits.

The market-wide SCR remained stable with increases due to market growth being offset by changes in inflation risk and the risk margin regulatory change.

Market Performance continued

2023 Performance

Premium

As in previous years, syndicates which have a proven track record of producing sustainable profit are given greater business plan flexibility, including to grow their business.

Gross written premium increased by 12.2% to £54,535m (2022: £48,624m). Reinsurance and Property were the largest drivers of premium growth in the market, growing £2,199m and £2,634m respectively. All lines of business experienced growth during 2023 with the exception of Motor and Life which reported a minor contraction.

US dollar denominated business continues to account for the majority of business written in the Lloyd's market. However, fluctuations in the rate across the 12 month period resulted in foreign exchange having a nominal increase in premiums year-on-year.

Accident year ratio

The accident year ratio[1] excluding major claims has continued to improve, reducing to 82.0% (2022: 82.8%). Within this there has been a significant improvement in the attritional loss ratio whilst the expense ratio has remained flat. Prior year movements show a small strengthening of £5m and have therefore had a nominal impact on the results when compared to 2022 when a release of £484m was observed.

Attritional loss ratio[1]: the attritional loss ratio continued to improve in 2023, reducing to 47.0% (2022: 47.8%). Improvements to the attritional loss ratio continue to be driven by the sustained positive price environment and emphasis on underwriting discipline across the market.

Prior year development[1]: 2023 marked the end of a sustained period of releases with a small strengthening reported for the year. However, due to the quantum, the current year result shows a minimal impact from prior year development at 0.0% of net earned premium (2022: release of 1.5%). There have been releases against all lines of business other than reinsurance (Specialty and Casualty) and Aviation.

Major claims

Major claims for the market were £1,283m in 2023 (2022: £4,114m), net of reinsurance and including reinstatements payable and receivable.

Major claims for 2023 include natural catastrophe losses such as the wildfires in Hawaii, earthquakes in the Middle East, floods in New Zealand, Tropical Cyclone Gabrielle and Hurricane Idalia, as well as non-natural catastrophe losses such as those arising from the conflict in Sudan.

The conflict in Ukraine remains a manageable event for the market. Losses from Ukraine continue to develop, specifically aviation losses. The claims incurred but not reported (IBNR) component represent 78% of the loss (2023: greater than 90%).

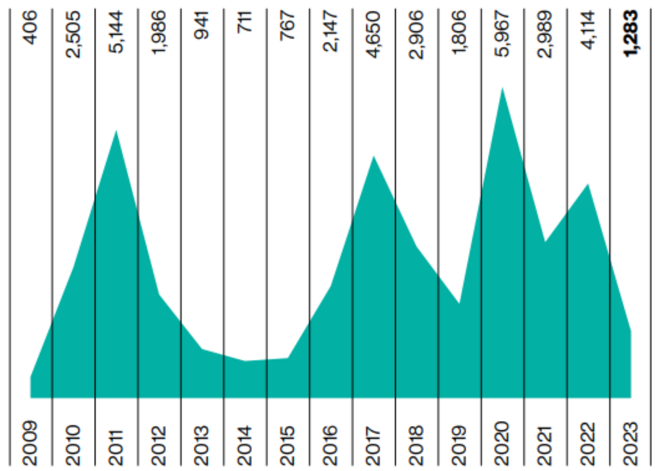
Major claims and underlying combined ratio

Major claims	% of net earned premium
2019	6.8
2020	23.0
2021	10.9
2022	12.3
2023	**3.4**
Five year average	10.7
Ten year average	10.3

Underlying combined ratio	%
2019	96.9
2020	89.0
2021	83.4
2022	81.3
2023	**82.0**
Five year average	85.9
Ten year average	88.3

1. The accident year ratio, underlying combined ratio, attritional loss ratio, prior year release ratio and expense ratio are metrics that are consistently used to analyse financial performance in the Lloyd's market results. These metrics (wherever used in the Aggregate Accounts) are alternative performance measures (APMs), with further information available in the 2023 Lloyd's Annual Report (pages 162 and 163).

Lloyd's major losses: net ultimate claims (£m)



Five-year average: £3,621m; 15 year average: £3,130m. Indexed for inflation to 2023. Claims in foreign currency translated at the exchange rates prevailing at the date of loss.

Prior year reserve movement	% of net earned premium
2019	(0.9)
2020	(1.8)
2021	(2.0)
2022	(1.5)
2023	**0.0**

Years of account in run-off	Number of years
2019	3
2020	9
2021	9
2022	9
2023	**5**

Market Performance continued

Reinsurance protection

The credit quality of the Lloyd's market's reinsurance protections remains extremely high, with 99% (2022: 98%) of all balance sheet reinsurance recoverables and reinsurance premium ceded being with reinsurers rated A- and above or supported by high-quality collateral assets.

Reinsurers' share of claims outstanding remains a material consideration for Lloyd's, equivalent to 50.1% of gross written premium (2022: 63.1%). The reduction in overall reinsurance recoverables reflects lower levels of catastrophe losses to reinsurance programmes in 2023 compared to 2022, as well as both reserve reduction and settlement of outstanding claims on some prior year losses, notably hurricane Ian. No negative settlement trends have been witnessed to date.

Lloyd's outward reinsurance premium spend for the 2023 calendar year was 25.9% (2022: 27.1%) of gross written premium. This reflects a broadly stable overall position in regard to the scale of reinsurance purchased, although some reinsurance was refocused on core needs, tail risk and capital protection in order to offset the cost of reinsurance rate increases, particularly for property classes. Structural changes were most pronounced for property and war/political violence exposed classes, with casualty and liability classes least affected. Notwithstanding these adjustments, the level of reinsurance transfer remains within risk appetite.

Result for the closed year and run-off years of account

Under Lloyd's three-year accounting policy for final distribution of each underwriting year of account, the 2021 underwriting year of account reached closure at 31 December 2023. The 2021 pure underwriting year suffered losses from COVID-19 as well as a number of catastrophic events, including Hurricane Ida, European floods and US Winter Storm Uri.

Despite these major claim events, the 2021 pure underwriting year of account reported an underwriting result of £4,220m that was boosted by the addition of releases from 2020 and prior years, which were reinsured to close at the end of 2022. These releases amounted to £141m. The underwriting result was dampened by net expenses of £2,777m which were partially offset by strong investment gains of £1,199m on the 2021 underwriting year, which meant the total result was an overall profit of £2,783m (2020 underwriting year profit: £290m).

At the beginning of 2023, there were seven syndicates whose 2017, 2018 and 2019 underwriting years remained open. These run-off years reported an aggregate loss, including investment return, of £7m (2022: loss of £15m). There were five syndicates whose 2018/2020/2021 underwriting years remained open post 31 December 2023. The total number of open underwriting years at 1 January 2024 is five.

Council

The following were members of the Council of Lloyd's during 2023:

Chair	Bruce Carnegie-Brown
Nominated members	Angela Crawford-Ingle
	Fiona Luck
	Neil Maidment
	Lord Mark Sedwill
	John Sununu (resigned 9 May 2023)
	Joe Hurd (appointed 10 May 2023)
External members	Nameco (No 1249) Limited (represented by Jeffery Barratt, resigned 30 November 2023)
	Karen Green (resigned 30 November 2023)
	Dominick Hoare
	Marcus Johnson (appointed 1 December 2023)
	Sean McGovern (appointed 1 December 2023)
Working members	Andrew Brooks
	Dominic Christian (resigned 31 January 2023)
	Victoria Carter
	Richard Dudley (appointed 1 February 2023)
Executive directors of the Council	Burkhard Keese
	John Neal
	Patrick Tiernan

Statement as to disclosure of information to auditors

Having made enquiries of fellow Council members and of the Society's auditors, the Council of Lloyd's confirms that:

— To the best of each Council member's knowledge and belief there is no information relevant to the preparation of the Aggregate Accounts of which the auditors are unaware;

— Each Council member has taken all the steps they might reasonably be expected to have taken to be aware of relevant audit information and to establish that the auditors are aware of that information.

Statement of Council's responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2018 ('the Regulations') require the Council of Lloyd's to prepare Aggregate Accounts in respect of the financial year by totalling all the syndicate annual accounts prepared in accordance with Part 3 of the Regulations.

The maintenance and integrity of the Lloyd's website is the responsibility of the Council of Lloyd's; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the financial statements since they were initially presented on the website.

Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Annual Report

The Annual Report required under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by The Statutory Auditors and Third Country Auditors Regulations 2017, comprising the Our performance at a Glance, Market Performance and Council sections on pages 1 to 5, was approved by the Council of Lloyd's on 27 March 2024.

Bruce Carnegie-Brown
Chairman

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's on the preparation of the 2023 Lloyd's Aggregate Accounts

Opinion

In our opinion:

— the Aggregate Accounts for the financial year ended 31 December 2023 have, in all material respects, been properly prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017 (together the 'Regulations') and the basis set out in note 1, and have been correctly aggregated; and

— the information given in the Annual Report of the Council of Lloyd's (as defined in the Regulations and set out on pages 1 to 5) for the financial year ended 31 December 2023 is, in all material respects, consistent with the Aggregate Accounts for the same financial year and has been prepared in accordance with the requirements of the Regulations.

In addition, in light of the knowledge and understanding of the syndicates and their environment obtained in the course of performing our assurance procedures, we are required to report if we have identified material misstatements in the Annual Report of the Council of Lloyd's prior to the date of this assurance report. We have nothing to report in this respect.

Our opinion is to be read in the context of what we say in the remainder of this report.

What we have assured

The Aggregate Accounts, which are prepared by the Council of Lloyd's, comprise: the Aggregate Balance Sheet as at 31 December 2023; the Aggregate Profit and Loss Account, the Aggregate Statement of Comprehensive Income, the Aggregate Statement of Changes in Members' Balances and the Aggregate Statement of Cash Flows for the year then ended; and the notes to the Aggregate Accounts.

The financial reporting framework that has been applied in their preparation is the Regulations and the basis set out in note 1 (the "basis of preparation").

Our assurance does not extend to information in respect of earlier periods.

What a reasonable assurance engagement involves

We performed a reasonable assurance engagement in accordance with International Standard on Assurance Engagements 3000 (Revised) – 'Assurance Engagements other than Audits or Reviews of Historical Financial Information', issued by the International Auditing and Assurance Standards Board.

We complied with the Institute of Chartered Accountants in England and Wales (ICAEW) Code of Ethics, which includes independence and other requirements founded on fundamental principles of integrity, objectivity, professional competence and due care, confidentiality and professional behaviour, that are at least as demanding as the applicable provisions of the IESBA Code of Ethics. We apply International Standard on Quality Management (UK) 1 and accordingly maintain a comprehensive system of quality control including documented policies and procedures regarding compliance with ethical requirements, professional standards and applicable legal and regulatory requirements.

The Aggregate Accounts have been compiled from an aggregate of financial information extracted from the corresponding information included in the syndicate annual returns and accounts by the managing agent of each syndicate, which have been submitted to the Council of Lloyd's and on which the auditors of each syndicate have reported. Our work did not involve assessing the quality of those audits or performing any audit procedures over the financial or other information of the syndicates or provided by the managing agents of the syndicates.

Our examination of the preparation of the Aggregate Accounts consisted principally of:

— obtaining an understanding of how the Council of Lloyd's has compiled the Aggregate Accounts from the audited syndicate annual returns and accounts;

— checking on a sample basis that the financial information included in the Aggregate Accounts was correctly extracted from the syndicate annual returns and accounts and evaluating the evidence supporting any adjustments made;

— obtaining evidence as to how the Council of Lloyd's has ensured that the Aggregate Accounts have been prepared in accordance with the requirements of the Regulations; and

— reading the Annual Report, on pages 1 to 5, for consistency with the Aggregate Accounts.

In addition, we obtained an understanding of how the Council of Lloyd's ensured that the Annual Report and the Aggregate Accounts are prepared in accordance with the Regulations and how they ensured the consistency of the Annual Report with the Aggregate Accounts.

Independent Reasonable Assurance Report of PricewaterhouseCoopers LLP to the Council of Lloyd's continued

The responsibilities of the Council of Lloyd's and our responsibilities

As described in the Statement of Council's Responsibilities, the Council of Lloyd's is responsible for the preparation and approval of the Aggregate Accounts and the Annual Report in accordance with the Regulations and the basis of preparation, and for ensuring that the Annual Report is consistent with the Aggregate Accounts for the same financial year.

Our responsibility is to examine the preparation of the Aggregate Accounts and to report whether the Aggregate Accounts have been properly prepared and correctly aggregated in accordance with the Regulations and the basis of preparation. We also report to you whether the information given in the Annual Report of the Council of Lloyd's is, in all material respects, consistent with the Aggregate Accounts for the same financial year and has been prepared in accordance with the requirements of the Regulations.

We read the Annual Report and consider whether it is consistent with the Aggregate Accounts. We consider the implications for our report if we become aware of any misstatements or material inconsistencies with the Aggregate Accounts.

This report is made solely to the Council of Lloyd's in accordance with the Regulations and our letter of engagement dated 5 September 2023. Our work has been undertaken so that we might state to the Council of Lloyd's those matters which we are required to state in this report in accordance with the Regulations and for no other purpose. To the fullest extent permitted by law we do not, in giving our opinion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

Under the Regulations, we are required to report if we have failed to obtain all the information and explanations which, to the best of our knowledge and belief, are necessary for the purposes of this independent reasonable assurance report. We have no exceptions to report arising from this responsibility.

Paul Pannell
(Senior Statutory Auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants
London

27 March 2024

Aggregate Profit and Loss Account

(For the year ended 31 December 2023)

	Note	**2023**		2022	
		£m	**£m**	£m	£m
Technical account					
Gross written premium	4	54,535		48,624	
Outward reinsurance premium		(14,135)		(13,184)	
Net written premium			40,400		35,440
Change in the gross provision for unearned premium		(2,598)		(2,528)	
Change in the provision for unearned premiums, reinsurers' share		171		408	
Change in net provision for unearned premium			(2,427)		(2,120)
Earned premiums, net of reinsurance			37,973		33,320
Allocated investment return transferred from the non–technical account			2,730		(1,429)
Other technical income, net of reinsurance			38		21
			40,741		31,912
Gross claims paid		23,247		22,005	
Claims paid, reinsurers' share		(7,332)		(7,770)	
Net claims paid			15,915		14,235
Change in provision for gross claims		2,013		8,710	
Change in provision for claims, reinsurers' share		1,209		(3,429)	
Change in net provision for claims			3,222		5,281
Claims incurred, net of reinsurance			19,137		19,516
Net operating expenses	7		13,339		11,674
Balance on the technical account for general business			**8,265**		**722**
Non–technical account					
Balance on the technical account for general business			8,265		722
Investment income	8	1,751		936	
Investment expenses	8	(302)		(453)	
Unrealised gains on investment	8	1,489		-	
Unrealised losses on investment	8	-		(2,078)	
Investment return	8		2,938		(1,595)
Allocated investment return transferred to the technical account			(2,730)		1,429
Investment return retained in non-technical account			208		(166)
Foreign exchange losses			(16)		(83)
Other income/(expenses)			13		(4)
Result for the financial year before tax			**8,470**		**469**

All operations relate to continuing activities.

Aggregate Statement of Comprehensive Income

(For the year ended 31 December 2023)

	2023 £m	2022 £m
Other comprehensive income:		
Result for the financial year before tax	8,470	469
Currency translation differences	(268)	240
Other recognised gains/(losses) per syndicate annual accounts	21	(46)
Total comprehensive income for the year	**8,223**	**663**

Aggregate Statement of Changes in Members' Balances

(For the year ended 31 December 2023)

	2023 £m	2022 £m
Members' balances brought forward at 1 January	3,013	2,277
Profit for the financial year	8,470	469
Net (distributions made to)/losses collected from members' personal reserve	(534)	360
Capital transferred out of syndicate premium trust funds	(338)	(298)
Foreign exchange (losses)/gains	(259)	273
Other movements	(25)	(68)
Members' balances carried forward at 31 December	**10,327**	**3,013**

Aggregate Balance Sheet

(As at 31 December 2023)

	Note	**2023** £m	**2023** £m	2022 £m	2022 £m
Financial investments	9		57,840		50,348
Deposits with ceding undertakings			668		1,099
Reinsurers' share of technical provisions					
Unearned premiums	12	5,188		5,243	
Claims outstanding	12	27,314		30,658	
			32,502		35,901
Debtors					
Debtors arising out of direct insurance operations	10	13,318		12,603	
Debtors arising out of reinsurance operations	11	11,970		12,066	
Other debtors		1,671		1,461	
			26,959		26,130
Other assets					
Cash at bank and in hand	16	3,096		3,461	
Other		3,416		3,626	
			6,512		7,087
Prepayments and accrued income					
Accrued interest and rent		221		154	
Deferred acquisition costs	12	5,896		5,438	
Other prepayments and accrued income		270		202	
			6,387		5,794
Total assets			**130,868**		**126,359**
Capital and reserves					
Members' balances			10,327		3,013
Technical provisions					
Provision for unearned premiums	12	25,217		23,624	
Claims outstanding	12	78,840		81,889	
			104,057		105,513
Deposits received from reinsurers			1,387		1,545
Creditors					
Creditors arising out of direct insurance operations	14	1,055		1,016	
Creditors arising out of reinsurance operations	15	10,030		11,267	
Other creditors		2,522		2,731	
			13,607		15,014
Accruals and deferred income			1,490		1,274
Total capital, reserves and liabilities			**130,868**		**126,359**

Approved by the Council of Lloyd's on 27 March 2024 and signed on its behalf by

Bruce Carnegie-Brown
Chairman

John Neal
Chief Executive Officer

Aggregate Statement of Cash Flows

(For the year ended 31 December 2023)

	Note	**2023 £m**	2022 £m
Profit before tax		8,470	469
Increase in gross technical provisions		642	14,655
Decrease/(increase) in reinsurers' share of technical provisions		1,832	(5,334)
Increase in debtors		(1,430)	(4,280)
(Decrease)/increase in creditors		(734)	2,072
Movement in other assets/liabilities		(290)	(569)
Investment return	8	(2,938)	1,595
Foreign exchange		490	(1,076)
Other		(3)	11
Net cash inflows from operating activities		**6,039**	7,543
Investing activities			
Purchase of equity and debt instruments		(45,964)	(43,036)
Sale of equity and debt instruments		39,611	35,391
Purchase of derivatives		(208)	(345)
Sale of derivatives		234	268
Investment income received		1,473	691
Other		(71)	(241)
Net cash outflows from investing activities		**(4,925)**	(7,272)
Financing activities			
Net (distributions made to)/losses collected from members		(534)	360
Net capital transferred out of syndicate premium trust funds		(338)	(298)
Other		(175)	(132)
Net cash outflow from financing activities		**(1,047)**	(70)
Net increase in cash and cash equivalents		**67**	201
Cash and cash equivalents at 1 January		4,953	4,441
Foreign exchange differences on cash and cash equivalents		(118)	311
Cash and cash equivalents at 31 December	16	**4,902**	4,953

Notes to the Aggregate Accounts

(For the year ended 31 December 2023)

1. Basis of preparation

The Aggregate Accounts as at 31 December 2023 have been prepared by aggregating audited financial information reported in syndicate returns and the annual accounts of the syndicates reporting as at 31 December 2023. The Aggregate Accounts report the audited results for calendar year 2023 and the financial position as at 31 December 2023 for all life and non-life syndicates that transacted business during the year. The results and total capital and reserves for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 4).

Having assessed the principal risks, the Council considered it appropriate to adopt the going concern basis of accounting in preparing the Aggregate Accounts.

The Aggregate Accounts have been prepared in compliance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, and where practicable in accordance with United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice (UK GAAP)), including Financial Reporting Standard 102 (FRS 102) and the applicable Accounting Standard on insurance contracts Financial Reporting Standard 103 (FRS 103). Application of UK GAAP is not practicable for the following items:

- Aggregation;
- Taxation;
- Related party transactions; and
- Restatements.

The approach taken in preparing the Aggregate Accounts is outlined in (a) to (d):

(a) Aggregation

The Aggregate Accounts have not been prepared in accordance with full consolidation principles and do not present a consolidated view of the results of the Lloyd's business taken as a single entity, due to some of the reasons outlined further below.

The syndicates' financial information included in the Aggregate Accounts has been prepared in accordance with the recognition and measurement requirements of FRS 102 and FRS 103 by reference to the accounting policies that are deemed most appropriate by the managing agents. Where different accounting policies have been selected by managing agents in preparing syndicate annual accounts, no adjustments are made to align the bases of recognition and measurement in the Aggregate Accounts. In addition, no adjustments are made to eliminate inter-syndicate transactions and balances.

(b) Taxation

The Aggregate Accounts report the combined syndicates' result before tax. Members are responsible for tax payable on their syndicate results.

(c) Related party transactions

Individual syndicates or their members do not disclose details of insurance and/or reinsurance transactions with other (non-related) syndicates or members within the market. Therefore, analysis and/or disclosure of these transactions within the Lloyd's market in the Aggregate Accounts is not possible. The annual accounts of each syndicate or member provide, where appropriate, the required disclosures on related parties.

(d) Restatements

During 2023, a number of syndicates made restatements to the comparative figures for 2022 within their syndicate returns and annual accounts and the Aggregate Accounts have been restated accordingly. The full financial effect of the restatements and the nature of those restatements have not been disclosed as required by FRS 102 as it is not practicable to provide additional details in respect of the nature of these restatements.

2. Accounting policies

General

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, managing agents must prepare the syndicate annual accounts under FRS 102. However, where FRS 102 permits different accounting treatments, each managing agent is able to adopt the accounting policies it considers most appropriate to its syndicate. The following are, therefore, an overview of the sources of significant accounting judgements and estimation uncertainty and other accounting policies of all syndicates.

Sources of significant accounting judgements and estimation uncertainty

The preparation of the individual annual accounts of the syndicates requires managing agents to make judgements, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The resulting accounting estimates will, by definition, seldom equal the related actual result.

Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised and in any future periods affected.

Information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have a significant risk of a material change to the carrying value of assets and liabilities recognised in the Aggregate Accounts are described below:

- Claims provisions and related recoveries are the most significant accounting estimate in preparing the Aggregate Accounts, in particular for claims incurred but not reported (IBNR). Variances between the estimated and actual cost of settling claims incurred impact the change in provision for claims, gross and reinsurers' share, and the balance on the technical account for general insurance. Total gross outstanding claims at 31 December 2023 is £78,840m (2022: £81,889m). The total estimate as at 31 December 2023, net of reinsurers' share, is £51,526m (2022: £51,231m) and is included within the aggregate balance sheet (see accounting policy in note 2 and note 12 (c));
- Estimated premium income, in particular estimates for premiums written under delegated authority agreements, is a significant estimate. Variances between the estimated premium income and that ultimately received impact gross written premiums and provisions for unearned premium (see below and note 4);
- Valuation of investments requires a degree of estimation, in particular for valuations based on models and inputs other than those observable in the market ('level 3' of the fair value hierarchy). Judgement is required to select a method and make assumptions which include inputs such as discount rates, models and comparable market data to establish the fair value of the underlying investment. The estimation uncertainty impacts the carrying value of financial investments, which is the largest asset class, however, a relatively small proportion is valued at 'level 3' of the fair value hierarchy (see note 2 and note 9).

2. Accounting policies continued

Premiums written

Premiums written represent premiums on business incepting during the year, together with adjustments for premiums written in previous accounting periods. Premiums written are stated before deduction of commissions but net of taxes, duties levied on premiums and other deductions.

Unearned premiums

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

Outward reinsurance premiums

Outward reinsurance premiums comprise the cost of reinsurance arrangements placed and are accounted for in the same accounting period as the related insurance contracts. The provision for reinsurers' share of unearned premiums represents that part of reinsurance premium ceded that is estimated to be earned in the following financial years.

Claims provisions and related recoveries

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

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the line of business, the claims experience for the year and the current security rating of the reinsurance companies involved. Statistical techniques are used to assist in making these estimates. The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of future claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

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

Additional information on insurance risk is included in note 3.

Discounted claims provisions

Where there is expected to be a lengthy period between the date of an incurred claim and the final settlement of the claim, the outstanding claims provisions are discounted to take account of the expected investment income receivable between claim event and settlement dates on the assets held to cover the provisions. This is only applicable to the syndicates that discount their claims provisions.

Unexpired risks provision

Such provisions are made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated at syndicate level by reference to lines of business that are managed together and may take into account relevant investment return.

Acquisition costs

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

Foreign currencies

The Council considers that the functional currency and the presentational currency of the Aggregate Accounts is pounds sterling. In the context of the Aggregate Accounts, the Council views this to be the equivalent of a group which has different operating units with a mix of functional currencies.

Foreign currency transactions are recorded at the exchange rate prevailing on the date of the transaction, or an average rate for the period in which it was recorded when this is a reasonable approximation.

At each period end foreign currency monetary items are translated using the closing rate. For this purpose all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items.

Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account in the Aggregate profit and loss account.

2. Accounting policies continued

Foreign currencies continued

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period-end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain is required to be recognised within other comprehensive income, and in the non-technical account where the gain is required to be recognised within profit or loss.

Translation of overseas operations

On aggregation, the results and financial position of overseas subsidiaries and branches are translated into pounds sterling from their functional currencies as follows:

(i) Assets and liabilities are translated at the closing rate at the reporting date;

(ii) Income and expenses are translated at the average exchange rate for the year; and

(iii) Any resulting exchange differences are recognised in the Aggregate statement of comprehensive income.

Investments

Investments are stated at fair value at the balance sheet date. For this purpose, listed investments are stated at their bid price market value, and deposits with credit institutions and overseas deposits are stated at cost, less any provision for impairment.

Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Investment return

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

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account where the investments generating the return relate to insurance business.

Taxation

The Aggregate Accounts report the market's result before tax because it is the members rather than the syndicates that are responsible for tax payable on their syndicate results. No provision has therefore been made in the Aggregate Accounts for income tax payable by members. Any payments on account of members' tax liabilities made on their behalf by a syndicate during the year are included in the balance sheet within other debtors or other creditors.

Operating expenses

Operating expenses have been charged to the syndicates in accordance with the policies adopted by the managing agents.

Profit commission

Where profit commission is charged by the managing agent, it will normally be fully paid once the appropriate year of account closes, normally at 36 months. The profit commission is generally accrued in the profit and loss account in accordance with the earned profit.

Managing agents may make payments on account of their anticipated profit commission from the syndicate premiums trust funds prior to the closure of a year of account where they have transferred open year surpluses (interim profits) from the syndicate level premiums trust funds to the members' personal reserve fund. Any payments on account of such commission are restricted to the profit commission expensed in the profit and loss account in striking the level of interim profits declared and subsequently released.

Cash and cash equivalents

This includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within other creditors.

3. Risk management

Governance framework

The following governance structure relates to the Society as a whole, as the preparer of the Aggregate Accounts. Individual syndicates will report, in their syndicate annual accounts, the governance structure applied to them by their managing agents.

An Act of Parliament, the Lloyd's Act 1982, defines the governance structure and rules under which Lloyd's operates. Under the Act, the Council of Lloyd's is responsible for the management and supervision of the market. Lloyd's is regulated by the Prudential Regulation Authority (PRA) and the Financial Conduct Authority (FCA) under the Financial Services and Markets Act 2000.

The Council currently has three working, three external and nine nominated members. The working and external members are elected by Lloyd's members. The Chairman and Deputy Chairmen are elected annually by the Council from among its members. All members are approved by the PRA.

The Council is responsible for the day-to-day management of the Lloyd's market. It lays down guidelines for all syndicates and operates a business planning and monitoring process to safeguard high standards of underwriting and risk management, thereby improving sustainable profitability and enhancing the financial strength of the market.

The principal committees of the Council are the Nominations and Governance Committee, the Remuneration Committee, the Audit Committee, the Risk Committee; the other committees of the council include the Market Supervision and Review Committee, the Sustainability Committee, the Blueprint Two Cutover Committee, the Capacity Transfer Panel, the Investment Committee and the Technology and Transformation Advisory Panel.

3. Risk management continued

Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the Financial Services and Markets Act 2000. Within this supervisory framework, the Society applies capital requirements at member level and centrally to ensure that the Lloyd's market complies with Solvency II, and beyond that to meet its own financial strength, licence and ratings objectives.

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

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). This differs from the Solvency II regulatory one-year SCR which captures the risk that emerges over the next 12 months while the ultimate measure captures the adverse development until all liabilities have been paid. The SCRs of each syndicate are subject to review by the Society and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a several basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR that reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, the Society applies a capital uplift to the member's capital requirement to determine the Economic Capital Assessment (ECA). The capital uplift applied for 2023 was 35% (2022: 35%) of the member's SCR 'to ultimate'. The purpose of setting capital on an ultimate basis, rather than a one year basis, and the ECA uplift, which are a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

Solvency Capital Requirement (Solvency II basis)

The SCR represents the amount of capital required to withstand a 1 in 200 year loss event over a one year horizon. Given Lloyd's unique structure the Lloyd's market-wide SCR (MWSCR) is calculated to cover all of the risks of 'the association of underwriters known as Lloyd's', ie those arising on syndicate activity, members' capital provided at Lloyd's and the Society taken together, at a 99.5% confidence level over a one year time horizon as provided for in Solvency II legislation. All of the capital of the component parts of the market taken together are available to meet the MWSCR.

Individual syndicates are also required to calculate a SCR, at a 99.5% confidence level over a one year horizon, for each underwriting year; this drives the determination of member level SCRs. Each member's SCR is derived as the sum of the member's share of the syndicate's one year SCR. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk.

The MWSCR is derived from the Lloyd's Internal Model (LIM), which has been approved by the PRA. Individual syndicates also derive SCRs from their own internal models that are subject to approval by the Society's Capital and Planning Group. The appropriateness of each syndicate's internal model, including changes thereto and the reasonableness of the key assumptions, are assessed as part of the Society's oversight of the Lloyd's market.

The Lloyd's Internal Model

The LIM is a purpose-built model designed to calculate the MWSCR for Solvency as required under Solvency II. It covers all risk types and all material risks for the aggregation of syndicates as well as for the Society, allowing for the unique capital structure of Lloyd's. The LIM consists of three main components: the Lloyd's Investment Risk Model (LIRM), which simulates economic variables and total assets returns; the Lloyd's Catastrophe Model (LCM), which models catastrophe risk using syndicates' views of risk; and the Capital Calculation Kernel (CCK), which is the main element of the LIM where all other risks are simulated, and all risks are combined.

Syndicates calculate their own SCR. However, the market-wide capital requirements are derived from the Society's parameterisation at a whole market level to build a view of total market capital requirements from the ground up using market level assumptions. The LIM uses a methodology whereby losses from insurance and other risks are simulated by line of business, allocated to syndicates and through to members to assess the level of capital required by the market to meet 1 in 200 year losses over the one year time horizon.

Syndicates are the source of the majority of risks. They source all of the insurance business; manage the bulk of the asset portfolios; hold the majority of the counterparty exposures; and conduct most of the day-to-day operational activity. The syndicate risks include: insurance risk (underwriting, reserving and catastrophe risk); market risk on syndicate assets (including credit risk on Premiums Trust Funds (PTF)); reinsurance and other credit risk; and syndicate operational risk.

Details of the major risk components are set out below.

Insurance risk

The dominant category of risk faced by Lloyd's syndicates is insurance risk. This is the risk arising from the inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. In practice, insurance risk can be subdivided into:

(i) underwriting risk;
(ii) reserving risk;
(iii) credit risk; and
(iv) catastrophe risk.

3. Risk management continued

The Lloyd's Internal Model continued

Underwriting risk

This includes the risk that a policy will be written for too low a premium, provide inappropriate cover, or that the frequency or severity of insured events will be higher than expected.

Underwriting strategy is agreed by the Board of each managing agent and set out in the syndicate business plan that is submitted to the Society for approval each year. Approval of business plans – and setting the capital requirements needed to support them – is the key control the Society uses to manage underwriting risk.

The Society reviews each syndicate business plan to ensure it meets Lloyd's standards and is consistent with the capabilities of the managing agent. Once a plan is agreed, the Society uses performance management data to identify whether each syndicate's business performance is progressing in line with the business plan or that variations are understood and accepted.

The managing agents' underwriting controls should ensure that underwriting is aligned with their strategy, agreed business plan and underwriting policy.

Managing agents are expected to have controls in place to ensure that regulatory requirements and the scope of Lloyd's market licences are clearly understood and that risks are written within those requirements.

Managing agents need to have clear processes for pricing business and an audit trail to show how pricing will deliver the projected results within the approved business plan and how pricing will be managed over the relevant underwriting cycle.

Reserving risk

Reserving risk arises where the reserves established in the balance sheet are not adequate to meet eventual claims arising. The level of uncertainty varies significantly from line to line of business but can arise from inadequate reserves for known or incurred but not reported (IBNR) claims. These shortfalls can arise from inadequate reserving processes or from the naturally uncertain progress of insurance events.

Lloyd's current level of aggregate market reserves remains robust, and the continued level of overall reserve releases are supported by underlying claims experience being more favourable than expected. This will not necessarily translate to all syndicates. There are currently specific reserving issues, and the main perceived risks relate to macro influences including heightened interest rate environment, impact of recession, geopolitical uncertainty, climate change and cyber business. The Society analyses reserve developments at line of business and syndicate levels quarterly; and briefs the market on issues it considers need to be taken into account.

Case-specific claim reserves should make financial provision at reported loss levels, without prejudice to coverage. Legal advisers', underwriters' and loss adjusters' judgement are used to set the estimated case reserves.

Reserving processes use a variety of statistical analyses such as projections of historical loss development patterns, with results adjusted for expert judgement. Lloyd's syndicates have significant exposure to volatile lines of business that carry material inherent risk that the ultimate claims settlement will vary from previous assessments of reserves.

Syndicates' reserves are annually subject to a formal independent actuarial opinion and are monitored by the Society. The actuarial opinions are covered by a combination of formal Actuarial Professional Standards and specific Lloyd's guidance and rules.

Credit risk

The market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. This can occur because the reinsurer is unable to settle its liabilities. Managing agents are expected to have a clear and comprehensive plan for the reinsurance of each syndicate. This takes into account risk appetite for retained insurance risk and the potential for the accumulation of risk.

The managing agent should monitor and assess the security of, and exposure to, each reinsurer and intermediary. Reinsurance credit risk is subject to quarterly review by Lloyd's.

Catastrophe risk

This is the risk of loss occurring across all lines of business from worldwide natural catastrophe events. Managing agents may use catastrophe modelling software, where appropriate, to monitor aggregate exposure to catastrophe losses. The Society has developed a suite of Realistic Disaster Scenarios to measure syndicate level and aggregate market exposure to both natural catastrophes and man-made losses. These are monitored frequently and syndicates supply projected probabilistic exceedance forecasts for Lloyd's key exposures with their capital and business plans. Further enhancements to the monitoring and oversight of aggregate market catastrophe risk exposure have been implemented within the approved model under Solvency II.

Solvency Capital Requirement coverage

Coverage of the MWSCR is an ongoing and continuous requirement and the Society reports the results of its solvency test – ie the amount of the MWSCR, eligible assets to cover it and the solvency ratio – on a quarterly basis to the PRA. In addition to the quarterly reporting to the PRA, internal risk appetites have been set to monitor the coverage of the MWSCR as part of the risk management framework in place at the Society of Lloyd's. During 2023, the solvency coverage ratio was in excess of the internal risk appetite of 140% and regulatory requirements.

The Society aims to hold market capital sufficient to provide financial security to policyholders and capital efficiency to members. Members are required to put up funds to meet their ECA, which is set as their SCR (on an ultimate view of risk) plus an uplift of 35%. The Society does not require excess capital to be held above this level and considers that the risk appetite of 140% of SCR gives an appropriate buffer following diversification benefits. In the event that the capital put up by a member falls below their ECA through losses incurred or an increase in their risk profile, additional funds must be deposited. If members do not recapitalise, their authority to continue to trade is restricted to the level of their available capital or ultimately fully withdrawn and they cease trading. Such action would then reduce their risk and the aggregate MWSCR.

Assets eligible for solvency

The assets of the syndicates contribute towards coverage of the MWSCR, after adjustments to value items in accordance with Solvency II valuation principles. The eligibility of assets to cover the SCR under Solvency II is determined by a tiering test. Tier 1 assets are fully available to cover the SCR while Tier 2 and Tier 3 assets in aggregate can cover up to 50% of the SCR. The majority of the assets available to cover the MWSCR are Tier 1.

(For the year ended 31 December 2023)

3. Risk management continued

Claims development table

The tables below illustrate the development of the estimates of earned ultimate cumulative claims for syndicates in aggregate after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Non-sterling balances have been converted using 2023 year end exchange rates to aid comparability. As these tables are on an underwriting year basis, there is an apparent jump from figures for the end of the underwriting year to one year later as a large proportion of premiums are earned in the year of account's second year of development.

Gross

Underwriting year	2013 and prior years £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**	Total £m
At end of underwriting year		7,650	7,383	8,983	17,213	13,915	10,593	12,195	15,218	15,353	12,369	
One year later		14,509	15,190	19,710	27,509	25,207	23,350	22,119	27,572	25,711	-	
Two years later		15,381	16,128	21,212	29,429	27,549	24,143	22,952	27,996	-	-	
Three years later		15,232	16,986	22,013	29,614	28,058	23,618	22,496	-	-	-	
Four years later		16,435	17,312	22,233	30,157	28,525	23,673	-	-	-	-	
Five years later		16,403	17,524	22,489	30,346	28,833	-	-	-	-	-	
Six years later		16,423	17,500	22,674	30,567	-	-	-	-	-	-	
Seven years later		16,374	17,559	22,928	-	-	-	-	-	-	-	
Eight years later		16,306	17,690	-	-	-	-	-	-	-	-	
Nine years later		16,245	-	-	-	-	-	-	-	-	-	
Cumulative payments		15,170	15,869	20,036	26,621	23,127	17,141	13,876	13,259	7,566	1,244	
Estimated balance to pay	4,241	1,075	1,821	2,892	3,946	5,706	6,532	8,620	14,737	18,145	11,125	78,840

Net

Underwriting year	2013 and prior years £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	**2023 £m**	Total £m
At end of underwriting year		6,156	5,898	6,909	9,700	8,991	7,568	8,567	11,200	10,406	9,687	
One year later		11,723	12,041	14,709	16,985	16,700	16,464	15,342	19,386	18,783	-	
Two years later		12,139	12,682	15,600	18,347	18,154	16,620	15,681	19,815	-	-	
Three years later		12,033	13,590	16,237	18,582	18,390	15,843	15,487	-	-	-	
Four years later		12,864	13,455	16,134	18,757	18,274	15,654	-	-	-	-	
Five years later		12,713	13,541	16,202	18,635	18,456	-	-	-	-	-	
Six years later		12,741	13,469	16,232	18,769	-	-	-	-	-	-	
Seven years later		12,637	13,407	16,283	-	-	-	-	-	-	-	
Eight years later		12,492	13,466	-	-	-	-	-	-	-	-	
Nine years later		12,479	-	-	-	-	-	-	-	-	-	
Cumulative payments		11,863	12,469	14,804	16,522	15,237	11,720	9,806	10,298	5,934	1,092	
Estimated balance to pay	2,393	615	997	1,479	2,247	3,219	3,934	5,681	9,517	12,849	8,595	51,526

3. Risk management continued

Financial risk – credit risk

Credit risk is the exposure to loss if a counterparty fails to perform its contractual obligations.

The market's principal credit risk is that the reinsurance purchased to protect the syndicates' gross losses does not respond as expected. Syndicates are also exposed to credit risk in their premium debtors. Credit risk in respect of premium debt is controlled through broker approval and regular monitoring of premium settlement performance. Syndicates and members are exposed to credit risks in their investment portfolios. PRA and Lloyd's investment guidelines are designed to mitigate credit risk by ensuring diversification of holdings.

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure.

The table below shows the exposure to credit risk for the components of the balance sheet. The exposure is shown gross before the effect of mitigation through collateral agreements and the use of credit derivatives.

2023	**Neither past due nor impaired £m**	**Past due £m**	**Impaired £m**	**Total £m**
Debt securities	46,679	-	-	46,679
Participation in investment pools	861	-	-	861
Loans with credit institutions	49	-	-	49
Deposits with credit institutions	4,740	-	-	4,740
Derivative assets	29	-	-	29
Other investments	129	-	-	129
Deposits with ceding undertakings	668	-	-	668
Reinsurers' share of claims outstanding	27,321	-	(7)	27,314
Cash at bank and in hand	3,096	-	-	3,096
Total	**83,572**	**-**	**(7)**	**83,565**

2022	Neither past due nor impaired £m	Past due £m	Impaired £m	Total £m
Debt securities	40,163	–	–	40,163
Participation in investment pools	536	–	–	536
Loans with credit institutions	113	–	–	113
Deposits with credit institutions	4,958	–	–	4,958
Derivative assets	91	–	–	91
Other investments	113	–	–	113
Deposits with ceding undertakings	1,099	–	–	1,099
Reinsurers' share of claims outstanding	30,664	–	(6)	30,658
Cash at bank and in hand	3,461	–	–	3,461
Total	81,198	–	(6)	81,192

In aggregate, syndicates have no financial assets that would be past due or impaired whose terms have been renegotiated.

In aggregate, syndicates held no material debt and fixed income assets that were past due or impaired beyond their reported fair values, either for the current period under review or on a cumulative basis. For the current period and prior period, syndicates, in aggregate, did not experience any material defaults on debt securities.

Assets held as collateral comprise cash and debt securities, received as collateral against reinsurance assets transferred from syndicate reinsurers.

3. Risk management continued

Financial risk – credit risk continued

The table below provides information regarding the credit risk exposure at 31 December 2023 by classifying assets according to the credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as other. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated. This table is the sum of assets neither past due nor impaired.

2023	**Rated AAA £m**	**Rated AA £m**	**Rated A £m**	**Rated BBB £m**	**Other £m**	**Total £m**
Debt securities	12,861	14,862	12,691	5,432	833	46,679
Participation in investment pools	171	116	197	260	117	861
Loans with credit institutions	-	-	3	-	46	49
Deposits with credit institutions	2,205	588	769	294	884	4,740
Derivative assets	-	-	10	-	19	29
Other investments	-	1	3	-	125	129
Deposits with ceding undertakings	9	6	531	-	122	668
Reinsurers' share of claims outstanding	344	8,882	15,923	42	2,130	27,321
Cash at bank and in hand	124	183	2,717	14	58	3,096
Total credit risk	**15,714**	**24,638**	**32,844**	**6,042**	**4,334**	**83,572**

2022	Rated AAA £m	Rated AA £m	Rated A £m	Rated BBB £m	Other £m	Total £m
Debt securities	13,913	11,143	10,204	4,133	770	40,163
Participation in investment pools	157	163	96	21	99	536
Loans with credit institutions	8	44	10	–	51	113
Deposits with credit institutions	2,168	766	821	333	870	4,958
Derivative assets	–	–	5	–	86	91
Other investments	2	3	2	–	106	113
Deposits with ceding undertakings	12	128	817	–	142	1,099
Reinsurers' share of claims outstanding	501	8,905	18,826	337	2,095	30,664
Cash at bank and in hand	237	313	2,814	45	52	3,461
Total credit risk	16,998	21,465	33,595	4,869	4,271	81,198

3. Risk management continued

Financial risk – liquidity risk

Liquidity risk arises where a syndicate has insufficient funds to meet its liabilities, particularly claims. Managing agents are expected to manage the cash needs of their syndicates on an ongoing basis and to avoid becoming forced sellers of assets. Generally, syndicates have a high concentration of liquid assets, namely cash and government securities.

The Society centrally monitors syndicate liquidity and conducts stress tests to monitor the impact on liquidity of significant claims events.

The table below summarises the maturity profile of the financial liabilities for the market.

2023	**No stated maturity £m**	**0-1yr £m**	**1-3yrs £m**	**3-5yrs £m**	**>5yrs £m**	**Total £m**
Claims outstanding	-	25,070	28,253	12,426	13,091	78,840
Derivatives	-	26	-	-	-	26
Deposits received from reinsurers	398	213	330	128	318	1,387
Creditors	1043	10377	1710	165	286	13,581
Other liabilities	202	158	21	-	-	381
Total	**1,643**	**35,844**	**30,314**	**12,719**	**13,695**	**94,215**

2022	No stated maturity £m	0-1yr £m	1-3yrs £m	3-5yrs £m	>5yrs £m	Total £m
Claims outstanding	–	27,326	29,077	12,504	12,982	81,889
Derivatives	–	25	–	–	–	25
Deposits received from reinsurers	377	282	382	147	357	1,545
Creditors	1,103	11,802	1,600	171	313	14,989
Other liabilities	164	167	5	1	–	337
Total	1,644	39,602	31,064	12,823	13,652	98,785

Financial risk – market risk – overview

Market risk is the risk of loss, or of adverse change in financial situation resulting from fluctuations in the level of the market prices of assets and liabilities arising from exposure to economic variables and market forces such as inflation, interest rates and rates of foreign exchange.

Syndicate assets are held in premium trust funds and are subject to the asset rules contained in the PRA's handbook and must comply with Lloyd's Membership & Underwriting Requirements. Managing agents manage asset risk through their investment strategy.

Oversight of market risk includes the monitoring of investment management. Lloyd's Society monitors assets across the full chain of security to ensure the asset disposition of the market and Society remains appropriate, closely monitoring global economic and market trends.

The potential financial impact of changes in market value is additionally monitored through the capital setting process, and the asset mix must be reported to the Society on a quarterly basis, including credit rating analysis of fixed income portfolios.

Market risk comprises three types of risk:

(a) currency risk;
(b) interest rate risk; and
(c) equity price risk.

3. Risk management continued

Financial risk – currency risk

Managing agents must identify the main currencies in which each syndicate transacts its business. For the market overall, the US dollar is the largest currency exposure. Assets are then held in each of those currencies to match the relevant liabilities. Managing agents must ensure that assets match liabilities and take corrective action where a mismatch arises. The Society also reviews the matching of assets to liabilities at the syndicate level as well as at the market level. In addition, many members seek to match their capital disposition by currency against their peak exposures. At 31 December 2023, 69% (2022: 70%) of all assets deployed at the market level were provided in US dollars.

The profile of the aggregate of syndicate assets and liabilities, categorised by currency at their translated carrying amounts was as follows:

2023	**Sterling £m**	**US dollar £m**	**Euro £m**	**Canadian dollar £m**	**Australian dollar £m**	**Other £m**	**Total £m**
Financial investments	7,068	39,453	2,878	7,350	696	395	57,840
Reinsurers' share of technical provisions	4,506	24,538	1,563	1,338	512	45	32,502
Insurance and reinsurance receivables	3,871	18,737	962	734	652	332	25,288
Cash at bank and in hand	722	1,344	403	135	266	226	3,096
Other assets	2,326	5,658	667	1,363	1,512	616	12,142
Total assets	18,493	89,730	6,473	10,920	3,638	1,614	130,868
Technical provisions	(16,765)	(71,163)	(6,196)	(6,409)	(2,857)	(667)	(104,057)
Insurance and reinsurance payables	(1,479)	(8,427)	(463)	(401)	(245)	(70)	(11,085)
Other creditors	(1,401)	(3,037)	(313)	(444)	(55)	(149)	(5,399)
Total liabilities	**(19,645)**	**(82,627)**	**(6,972)**	**(7,254)**	**(3,157)**	**(886)**	**(120,541)**
Total capital and reserves	**(1,152)**	**7,103**	**(499)**	**3,666**	**481**	**728**	**10,327**

2022	Sterling £m	US dollar £m	Euro £m	Canadian dollar £m	Australian dollar £m	Other £m	Total £m
Financial investments	6,766	33,933	2,218	6,516	534	381	50,348
Reinsurers' share of technical provisions	4,706	27,858	1,483	1,277	517	60	35,901
Insurance and reinsurance receivables	3,087	18,826	915	847	643	351	24,669
Cash at bank and in hand	784	1,674	424	118	258	203	3,461
Other assets	2,155	5,755	628	1,275	1,619	548	11,980
Total assets	**17,498**	**88,046**	**5,668**	**10,033**	**3,571**	**1,543**	**126,359**
Technical provisions	(16,351)	(73,528)	(5,991)	(6,183)	(2,708)	(752)	(105,513)
Insurance and reinsurance payables	(1,354)	(9,630)	(508)	(468)	(248)	(75)	(12,283)
Other creditors	(1,328)	(3,469)	(250)	(336)	(70)	(97)	(5,550)
Total liabilities	(19,033)	(86,627)	(6,749)	(6,987)	(3,026)	(924)	(123,346)
Total capital and reserves	(1,535)	1,419	(1,081)	3,046	545	619	3,013

3. Risk management continued

Sensitivity analysis

A 10% strengthening or weakening of sterling against the following currencies at 31 December would have increased/(decreased) the result before tax and members' balances for the financial year by the amounts shown below. This analysis assumes that all other variables, in particular interest rates, remain constant.

2023	**Impact on result before tax £m**	**Impact on members' balances £m**
Strengthening of US dollar	253	253
Weakening of US dollar	(207)	(207)
Strengthening of euro	(55)	(55)
Weakening of euro	45	45

2022	Impact on result before tax £m	Impact on members' balances £m
Strengthening of US dollar	184	184
Weakening of US dollar	(150)	(150)
Strengthening of euro	(120)	(120)
Weakening of euro	98	98

Financial risk – interest rate risk

Interest rate risk is the risk that the value and future cash flows of a financial instrument will fluctuate because of changes in interest rates. Lloyd's syndicates operate a generally conservative investment strategy with material cash and short-dated bonds portfolios, which reduces the interest rate risk exposure.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on the result before tax and equity of the effects of changes in interest rates.

2023	**Impact on result before tax £m**	**Impact on members' balances £m**
+ 50 basis points	(604)	(604)
– 50 basis points	610	610

2022	Impact on result before tax £m	Impact on members' balances £m
+ 50 basis points	(533)	(533)
– 50 basis points	529	529

3. Risk management continued

Financial risk – equity price risk

This is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

Syndicates' equity price risk exposure relates to financial assets and financial liabilities whose values will fluctuate as a result of changes in market prices, principally investment securities.

Syndicates manage such risks by setting and monitoring objectives and constraints on investments, diversification plans, limits on investments in each sector and market.

For syndicates, in aggregate there is no significant concentration of equity price risk.

The analysis below is performed for reasonably possible movements in market indices on financial instruments with all other variables held constant, showing the impact on the result before tax due to changes in fair value of financial assets and liabilities (whose fair values are recorded in the profit and loss account) and members' balances (that reflects adjustments to the result before tax and changes in fair value of available for sale financial assets that are equity instruments).

2023	**Impact on result before tax £m**	**Impact on members' balances £m**
5% increase in equity markets	144	144
5% decrease in equity markets	(144)	(144)

2022	Impact on result before tax £m	Impact on members' balances £m
5% increase in equity markets	128	128
5% decrease in equity markets	(128)	(128)

Concentration risk

The Society closely monitors concentrations of risk across the market and tests risk exposure against clearly defined risk appetites as established by the Board. Specialist supervisory teams across the Society monitor concentrations across the following areas: region perils, line of business, geographical location, method of distribution in insurance and investment counterparties, among others.

While syndicates define the type of business that they write, at the market level the Society seeks to avoid an inappropriate concentration of premium sources, monitoring concentration of business in poorly performing lines, material sources of premium by method of placement as well as coverholder concentration, which feature in metrics reported quarterly to the Board. Managing agents controlling more than 10% of overall market gross written premium are also subject to Council review. Any reported metrics outside of appetite are reported to and discussed by the Risk Committee and Council. Specific and targeted actions can then be agreed, which will be discussed with specific managing agents or the market as a whole, as appropriate. These actions can vary considerably depending on the nature of the risk or the line of business impacted, with different levels of the requirements placed on syndicates, which forms part of the Society's oversight role of the market.

Further analysis of premiums, claims, expenses and underwriting result by line of business is included within note 4.

Regulatory risk

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. Managing agents monitor regulatory developments to ensure ongoing compliance and any impact on claims reserves. Additionally, given current developments in the global regulatory landscape, the Society closely monitors changes that may adversely impact the global licence network. The Society is actively working with the market to assist and adapt to the changes in the UK regulatory architecture and managing agents are now expected to deliver against the Principles for doing business at Lloyd's. Similarly, the Society monitors global political trends and is taking action at both a market and Society level in response to a growing geopolitical risk facing companies operating around the world.

Operational risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external events. Managing agents manage these risks through internal compliance monitoring and the use of detailed procedure manuals. The Society applies a principles-based oversight framework to agents and monitors delivery against these.

3. Risk management continued

Group risk

Group risk is the risk of loss resulting from risk events arising within a related entity. While Lloyd's is not a group, the Society monitors potential risks that could affect Lloyd's, for example arising from the activities of a parent company of a syndicate or managing agent. While, by its nature, group risk is difficult to control, the Society mitigates its potential impact through the implementation of controls, including the Principles for doing business at Lloyd's, limiting any material impairment to Lloyd's brand, reputation or strategic priorities.

4. Segmental analysis

The following segmental analysis is derived from the equivalent notes in the syndicate annual accounts. The syndicate annual accounts report the material direct lines of business and aggregates all other lines as 'other'. Consequently, aggregation of those figures is not meaningful. Syndicates have provided returns to Lloyd's, including segmental analysis and syndicate auditors have given audited opinions confirming that those returns have been prepared in accordance with instructions issued by Lloyd's and that they are consistent with the syndicate annual accounts. Those figures have been aggregated to provide the following tables:

2023	**Gross written premiums £m**	**Gross premiums earned £m**	**Gross claims incurred £m**	**Operating expenses £m**	**Reinsurance balance* £m**	**Under-writing result £m**
Accident and health	1,033	1,005	(560)	(394)	(34)	17
Motor (third-party liability)	211	205	(112)	(38)	(31)	24
Motor (other lines)	683	676	(361)	(212)	(96)	7
Marine, aviation and transport	6,304	5,942	(3,302)	(1,655)	(534)	451
Fire and other damage to property	13,123	11,993	(4,506)	(3,286)	(2,544)	1,657
Third-party liability	12,759	12,439	(7,125)	(3,308)	(1,446)	560
Pecuniary loss	1,772	1,578	(515)	(459)	(339)	265
Life	54	54	(32)	(16)	(3)	3
Other	21	21	(6)	(13)	(1)	1
Total direct insurance	35,960	33,913	(16,519)	(9,381)	(5,028)	2,985
Reinsurance acceptances	18,575	18,024	(8,741)	(3,920)	(2,813)	2,550
Total from syndicate operations	54,535	51,937	(25,260)	(13,301)	(7,841)	5,535
Allocated investment return transferred from the non-technical account						2,730
Balance on the technical account for general business						**8,265**

2022	Gross written premiums £m	Gross premiums earned £m	Gross claims incurred £m	Operating expenses £m	Reinsurance balance* £m	Under-writing result £m
Accident and health	948	910	(484)	(357)	2	71
Motor (third-party liability)	205	162	(92)	(28)	(21)	21
Motor (other lines)	761	729	(386)	(203)	(98)	42
Marine, aviation and transport	5,469	5,055	(3,662)	(1,412)	398	379
Fire and other damage to property	10,750	10,053	(6,238)	(2,779)	(574)	462
Third-party liability	12,526	11,582	(7,687)	(2,940)	(488)	467
Pecuniary loss	1,512	1,428	(844)	(411)	(100)	73
Life	57	55	(39)	(16)	(2)	(2)
Other	20	15	(5)	(9)	1	2
Total direct insurance	32,248	29,989	(19,437)	(8,155)	(882)	1,515
Reinsurance acceptances	16,376	16,107	(11,278)	(3,498)	(695)	636
Total from syndicate operations	48,624	46,096	(30,715)	(11,653)	(1,577)	2,151
Allocated investment return transferred from the non-technical account						(1,429)
Balance on the technical account for general business						722

* The reinsurance balance does not include certain reinsurance items, such as reinsurance commissions and profit participations £(1,750)m (2022: £(1,562)m) (refer to note 7), as it is impracticable to allocate them to the individual lines of business.

Notes to the Aggregate Accounts continued

(For the year ended 31 December 2023)

4. Segmental analysis continued

The syndicate returns to the Society provide additional information in respect of the lines of business which has been used to reconcile the balance on the technical account for general business to the additional analysis and market commentary disclosed in the 2023 Lloyd's Annual Report (pages 28 to 31). This reconciliation is disclosed in note 9 to the Pro Forma Financial Statements in the 2023 Lloyd's Annual Report (page 56).

The geographical analysis of gross direct insurance premiums by location of where contracts were concluded is as follows:

	2023 £m	2022 £m
United Kingdom	35,295	31,232
EU member states	5	4
Rest of the World	660	1,012
Total	**35,960**	32,248

5. Life business

The Aggregate Accounts include the results of all life and non-life syndicates transacting business during 2023. The results and net assets for life syndicates are not material and have not been separately disclosed in the profit and loss account and balance sheet. The results for life business are reported in the segmental analysis (note 4).

6. Prior year development

The aggregate of the prior year surpluses/deficiencies is a deterioration of £5m (2022: surplus of £484m). Deficits were reported for reinsurance (casualty and specialty) and aviation lines of business in the year, partially offset by favourable claims development compared with projections for the remaining lines of business.

7. Net operating expenses

	2023 £m	2022 £m
Acquisition costs	11,989	10,639
Change in deferred acquisition costs	(650)	(485)
Administrative expenses	3,750	3,082
Reinsurance commissions and profit participations	(1,750)	(1,562)
Total	**13,339**	11,674

Total commissions for direct insurance accounted for in the year amounted to £7,732m (2022: £6,924m).

Schedule 2 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, requires the disclosure of the remuneration receivable by the auditor of the Aggregate Accounts. This remuneration is not reflected in the profit and loss account of these Aggregate Accounts, all these amounts are borne by the Society of Lloyd's and its subsidiaries and are reported in the Society's accounts.

The proportion of remuneration payable by the Society to its auditors in respect of the audit of the Aggregate Accounts is set out below:

	2023 £000	2022 £000
Audit-related assurance services in respect of the Aggregate Accounts	144	130
Total	**144**	130

8. Investment return

	2023 £m	2022 £m
Income from financial instruments designated as at fair value through profit or loss	1,354	740
Income from available for sale investments	93	62
Dividend income	20	14
Interest on cash at bank	227	97
Other interest and similar income	57	23
Total investment income	**1,751**	936
Investment expenses	(71)	(61)
Realised losses on investments	(225)	(383)
Other relevant losses	(6)	(9)
Total investment expenses	**(302)**	(453)
Unrealised gains/(losses) on investments	**1,489**	(2,078)
Total investment return	**2,938**	(1,595)

9. Financial investments

	2023 £m	2022 £m
Shares and other variable yield securities	8,739	7,962
Debt securities and other fixed-income securities	46,679	40,163
Participation in investment pools	861	536
Loans and deposits with credit institutions	1,403	1,483
Other investments	158	204
Total	**57,840**	50,348

Disclosures of fair values in accordance with the fair value hierarchy

Fair value measurements have been classified using a fair value hierarchy that reflects the significance of the inputs used in making the measurements.

The fair value hierarchy includes the following classifications:

- Level 1 – quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occur with sufficient frequency and volume to provide readily and regularly available quoted prices;
- Level 2 – inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset, either directly (ie as prices) or indirectly (derived from prices); and
- Level 3 – inputs to a valuation model for the asset that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

9. Financial investments continued

Disclosures of fair values in accordance with the fair value hierarchy continued

The level in the fair value hierarchy within which the fair value measurement is categorised in its entirety is determined on the basis of the lowest level input that is significant to the fair value measurement. The significance of an input is assessed against the fair value measurement in its entirety. If a fair value measurement uses observable inputs that require significant adjustment based on unobservable inputs, that measurement is categorised at Level 3. Assessing the significance of a particular input to the fair value measurement in its entirety requires judgement, considering factors specific to the asset.

2023	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Sub-total fair value £m**	**Assets held at amortised cost £m**	**Total £m**
Shares and other variable yield securities	3,620	3,324	1,794	8,738	1	8,739
Debt and other fixed income securities	14,257	32,413	9	46,679	-	46,679
Participation in investment pools	265	595	1	861	-	861
Loans and deposits with credit institutions	640	694	69	1,403	-	1,403
Other investments	6	21	131	158	-	158
Total investments	**18,788**	**37,047**	**2,004**	**57,839**	**1**	**57,840**
Derivative liabilities	(6)	(15)	(5)	(26)	-	(26)
Total liabilities	**(6)**	**(15)**	**(5)**	**(26)**	**-**	**(26)**

2022	Level 1 £m	Level 2 £m	Level 3 £m	Sub-total fair value £m	Assets held at amortised cost £m	Total £m
Shares and other variable yield securities	2,305	3,954	1,702	7,961	1	7,962
Debt and other fixed income securities	12,522	27,631	10	40,163	–	40,163
Participation in investment pools	241	294	1	536	–	536
Loans and deposits with credit institutions	586	812	85	1,483	–	1,483
Other investments	16	73	115	204	–	204
Total investments	15,670	32,764	1,913	50,347	1	50,348
Derivative liabilities	(17)	(7)	(1)	(25)	–	(25)
Total liabilities	(17)	(7)	(1)	(25)	–	(25)

10. Debtors arising out of direct insurance operations

	2023 £m	2022 £m
Due within one year	13,093	12,422
Due after one year	225	181
Total	**13,318**	12,603

11. Debtors arising out of reinsurance operations

	2023 £m	2022 £m
Due within one year	11,007	11,133
Due after one year	963	933
Total	**11,970**	12,066

Notes to the Aggregate Accounts continued

(For the year ended 31 December 2023)

12. Technical provisions and deferred acquisition costs

a) Provisions for unearned premiums

2023	**Gross £m**	**Reinsurers' share £m**	**Net £m**
At 1 January	23,624	5,243	18,381
Premiums written in the year	54,535	14,135	40,400
Premiums earned in the year	(51,937)	(13,964)	(37,973)
Exchange/other movements	(1,005)	(226)	(779)
At 31 December	**25,217**	**5,188**	**20,029**

2022	Gross £m	Reinsurers' share £m	Net £m
At 1 January	19,373	4,386	14,987
Premiums written in the year	48,624	13,185	35,439
Premiums earned in the year	(46,096)	(12,777)	(33,319)
Exchange/other movements	1,723	449	1,274
At 31 December	23,624	5,243	18,381

b) Deferred acquisition costs

	2023 £m	2022 £m
At 1 January	5,438	4,564
Change in deferred acquisition costs	650	485
Exchange movements	(192)	380
Other	-	9
At 31 December	**5,896**	5,438

c) Claims outstanding

2023	**Gross £m**	**Reinsurers' share £m**	**Net £m**
At 1 January	81,889	30,658	51,231
Claims paid during the year	(23,247)	(7,332)	(15,915)
Claims incurred during the year	25,260	6,123	19,137
Exchange movements	(3,324)	(1,295)	(2,029)
Other	(1,738)	(840)	(898)
At 31 December	**78,840**	**27,314**	**51,526**

2022	Gross £m	Reinsurers' share £m	Net £m
At 1 January	68,467	25,166	43,301
Claims paid during the year	(22,005)	(7,770)	(14,235)
Claims incurred during the year	30,715	11,199	19,516
Exchange movements	5,763	2,211	3,552
Other	(1,051)	(148)	(903)
At 31 December	81,889	30,658	51,231

13. Discounted claims

Discounting may be applied to claims provisions where there are individual claims with structured settlements that have annuity-like characteristics or for books of business with mean term payment greater than four years. Certain syndicates have elected to discount their claims provisions.

The claims have been discounted as follows:

	Average discounted rates		Average mean term of liabilities	
Line of business	**2023 %**	2022 (restated)* %	**2023 years**	2022 (restated)* years
Motor (third-party liability)	2.89	2.85	14.99	12.55
Motor (other lines)	3.00	3.00	33.00	25.00
Third-party liability	3.81	3.76	23.61	22.73

The period that will elapse before claims are settled is determined using impaired life mortality rates.

The claims provisions before discounting are as follows:

	Before discounting		Effect of discounting		Discounted provision	
	2023 £m	2022 (restated)* £m	**2023 £m**	2022 (restated)* £m	**2023 £m**	2022 (restated)* £m
Total claims provisions	1,234	1,227	(502)	(481)	732	746
Reinsurers' share of total claims	876	734	(331)	(255)	545	479

* Comparatives for 2022 have been restated as a result of the identification and correction of an error in a syndicate submission. This restatement has no impact on the balance sheet.

14. Creditors arising out of direct insurance operations

	2023 £m	2022 £m
Due within one year	1,047	989
Due after one year	8	27
Total	**1,055**	1,016

15. Creditors arising out of reinsurance operations

	2023 £m	2022 £m
Due within one year	8,193	9,273
Due after one year	1,837	1,994
Total	**10,030**	11,267

16. Note to the statement of cash flows

	2023 £m	2022 £m
Cash at bank and in hand	3,096	3,461
Short-term deposits with credit institutions	2,144	1,788
Overdrafts	(338)	(296)
Total	**4,902**	4,953

Of the cash and cash equivalents, £106m (2022: £344m) is held in regulated bank accounts in overseas jurisdictions and is not available for immediate use other than to pay claims in those jurisdictions.

17. Related party transactions

The annual accounts of each syndicate provide, where appropriate, the required disclosures on related parties. Syndicate level disclosures are specific to that syndicate and its managing agent. For 2023, there were no material related party transactions conducted outside normal market conditions reported in the syndicate annual accounts requiring disclosure in the Aggregate Accounts.

18. Off-balance sheet arrangements

Schedule 3 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, as amended by the Statutory Auditors and Third Country Auditors Regulations 2017, requires the disclosure of off-balance sheet arrangements where they have been disclosed in the syndicate annual accounts and where the information is necessary for enabling the financial position of the Lloyd's market to be assessed. No such off-balance sheet arrangements were reported in the 2023 syndicate annual accounts.

19. Members' funds at Lloyd's

Every member is required to hold capital at Lloyd's to support their underwriting, which until mid-2007 was all held in trust as members' funds at Lloyd's (FAL). In 2007, a rule change permitted any members that only participate on one syndicate to hold the capital supporting their underwriting in their syndicate's premium trust funds. These funds are known as funds in syndicate (FIS). At 31 December 2023, there was £3,225m (2022: £3,473m) of FIS within members' balances. Capital held in the syndicate premium trust funds is not reported as FAL.

The level of FAL/capital that Lloyd's requires a member to maintain is determined in accordance with Lloyd's capital setting framework. FAL are not dedicated to any specific syndicate year of account participation for any member and are not therefore reported in the Aggregate Accounts.