

## **Important information about Syndicate Reports and Accounts**

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The Syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The Syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the Syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any Syndicate of Lloyd's, and no offer to join Lloyd's or any Syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a Syndicate in any Syndicate year is not predictive of the related Syndicate's performance in any subsequent Syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the Syndicate reports and accounts. You also agree that you will not provide any person with a copy of any Syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.



**SYNDICATE 3002**

**ANNUAL REPORT AND ACCOUNTS**

**YEAR ENDED 31 DECEMBER 2022**

## CONTENTS

	<b>Page</b>
Syndicate Information	1
Financial Highlights	2
Strategic Report of the Managing Agent	3
Managing Agent's Report	7
Independent Auditor's Report to the Member of Syndicate 3002	9
Statement of Profit or Loss: Technical Account - Long Term Business	12
Statement of Profit or Loss: Non-Technical Account	13
Statement of Changes in Member's Balances	13
Statement of Financial Position - Assets	14
Statement of Financial Position - Capital and Liabilities	15
Statement of Cash Flows	16
Notes to the Financial Statements	17

## SYNDICATE INFORMATION

## MANAGING AGENT:

**Managing agent** AXA XL Underwriting Agencies Limited ("AXUAL")  
*formerly Catlin Underwriting Agencies Limited ("CUAL")*

**Managing agent's company number** 01815126

**Directors**

M Cummings  
S McGovern  
L Prato Jaen  
M Cantor-Grable (Non-Executive)  
N Hinshelwood (Non-Executive)  
B Joseph (Non-Executive)  
B Poupart-Lafarge (Non-Executive)  
J Weatherstone (Non-Executive)

**Company secretary** A M Bond

**Registered office** 20 Gracechurch Street  
London  
EC3V 0BG

## SYNDICATE:

**Active underwriter** S Hearn

**Independent Auditor** Ernst & Young LLP  
25 Churchill Place, Canary Wharf  
London  
E14 5EY

## FINANCIAL HIGHLIGHTS

<b>Key Performance Indicators (KPI's)</b>	<b>2022</b>	<i>2021</i>
Syndicate capacity (£'m)	<b>26</b>	32
Gross premiums written (£'m)	<b>30</b>	26
Net premiums written (£'m)	<b>26</b>	25
Net Premiums earned (£'m)	<b>26</b>	25
Underwriting result (£'m)	<b>(4)</b>	9
<b>(Loss)/Profit for the financial year (£'m)</b>	<b>(5)</b>	10
Claims ratio (%)	<b>85</b>	30
Expense ratio (%)	<b>28</b>	33
Combined ratio (%)	<b>113</b>	63

Claim ratio is the percentage of net incurred claims in relation to the net earned premiums.

Expense ratio is the percentage of net operating expenses in relation to the net earned premiums.

The combined ratio is the sum of the ratios of net operating expenses and net incurred claims to net earned premiums. A combined ratio of less than 100% represents an underwriting profit.

## STRATEGIC REPORT OF THE MANAGING AGENT FOR THE YEAR ENDED 31 DECEMBER 2022

Catlin Underwriting Agencies Limited was renamed as AXA XL Underwriting Agencies Limited ("AXUAL" or the "Company"), with effect from 3 February 2022. The name change aligns the company more closely to AXA and is consistent with the AXA XL brand.

The Directors of AXUAL, the managing agent, present their strategic report and audited financial statements for the year ended 31 December 2022.

### Principal activities

The principal activity of Syndicate 3002 ("the Syndicate") is to underwrite term life insurance business within the Lloyd's of London market. The Syndicate trades through the Lloyd's worldwide licenses, rating and brand. Lloyd's has an A (Excellent) rating through A.M. Best, A+ (Strong) rating from S&P and AA- (Very Strong) rating from Fitch. AXA which backs the Syndicate has an AA- rating from S&P, Aa3 rating from Moody's and AA- rating from Fitch.

The Syndicate's strategy is to focus on developing UK and International life insurance and reinsurance solutions, both on a standalone basis and in conjunction with the Accident and Health policies offered by Syndicate 2003.

### Results and performance

The Syndicate reported a loss for the year of £5.4m (2021: profit of £9.6m), as set out on pages 12 and 13. The overall investment return for the year was a loss of £173k (2021: profit of £32k).

The underwriting result (net earned premiums minus net claims incurred and net operating expenses) for 2022 was a loss of £3.4m (2021: £9.4m profit).

During the year, the Syndicate wrote £30m in gross premiums, a 15% increase compared to the previous year (2021: £26m). This increase is largely driven by the increase of International Binder Business for the 2021 Year of Account. The Syndicate's combined ratio has deteriorated from 63.1% to 113.2%.

The 2020 year of account will be closed at the end of 2022 with a loss of £3.8m which is equivalent to a negative return equal to (8.6)% of capacity.

### Strategy and future outlook

AXUAL's strategy is to leverage the inherent strengths of the Lloyd's market to write a portfolio of business that provides a better return than the market over the underwriting cycle. We aim to differentiate ourselves through offering underwriting excellence in specialised areas of insurance and reinsurance. Our objective to support our underwriters with a flexible underwriting environment, superior analytics, efficient claims handling and a robust Enterprise Risk Management framework continues.

The Syndicate's focus is to continue sustainable and disciplined growth across the business it writes. An enhanced focus is being placed on portfolio analysis and optimization actions to exit or re-underwrite poor performers and grow better performing lines. The Syndicate is an important part of the AXA business model transformation to anticipate the evolving needs of the customer and match this through its preferred segments. The Syndicate continues to provide AXA with a diversified and scalable operation to service international based risks and clients.

The Syndicate will continue to transact term life insurance business. Disciplined development of the business will continue to be encouraged and supported by the Board.

For the 2023 underwriting year, the Syndicate will continue to purchase intra group reinsurance with XL Bermuda Ltd.

**STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

### Risk Management

The Syndicate faces strategic, financial and operational risks related to, among others: underwriting activities, financial reporting, changing macroeconomic conditions, investment, reserving, changes in laws or regulations, information systems, business interruption and fraud. An enterprise view of risk is required to identify and manage the consequences of these common risks and risk drivers on our profitability, capital strength and liquidity which is managed by the Managing Agent's Risk Management (RM) function who implement the Risk Management Framework ("RMF").

The RMF is reviewed and approved by the Board, at least annually. The RMF would be reviewed more regularly if the Company was subject to a major change in regulatory requirements, strategy or organisational structure.

The aim of the RMF is to:

- Support business objectives and strategy;
- Provide management information to facilitate the identification and understanding of material risks including related mitigants;
- Contribute to the Company's overall internal control framework by helping to manage the inherent complexity within the business; and
- Support regulatory risk management requirements.

### Key risks and uncertainties facing the Syndicate are:

<i>Risk</i>	<i>Description</i>	<i>Mitigation</i>
Insurance risk	Insurance risk arises from the Syndicate's general insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection.	The Syndicate seeks to maintain a diversified and well-balanced portfolio of risks. The Syndicate's underwriting and reinsurance strategies are set within the context of the overall AXA XL strategies, approved by the AXUAL Board and communicated clearly throughout the business through policy statements and guidelines.
Market risk	Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.	Restrictions are placed upon external investment managers' strategies, and close monitoring is performed of activity.
Liquidity risk	Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Syndicate is the obligation to pay claims as they fall due.	The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Syndicate manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.
Operational risk	Operational risk is the risk of loss, resulting from inadequate or failed internal processes, or from people and systems, or from external events	The Managing Agent manages this risk through a formal disaster recovery plan, monitoring of risk, and by the Syndicate's inclusion in AXA XL's Internal Control Framework.
Credit risk	Credit risk is the risk that a counterparty will be unable to pay amounts in full when due. This includes reinsurance counterparty and investment counterparty risk.	Credit risk is identified through the business planning process, counterparty creditworthiness reviews, regulator monitoring, and limits to exposure on a single counterparty.

**STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

### **Ukraine and Russia Conflict**

On 24 February 2022, Russia invaded Ukraine and the war between the two countries continues to evolve as military activity proceeds and additional sanctions are imposed. In addition to the human toll and impact of the events on entities that have operations in Russia, Ukraine, or neighbouring countries (e.g. Belarus) or that conduct business with their counterparties, the war is affecting economic and global financial markets and exacerbating ongoing economic challenges, including issues such as rising inflation and global supply-chain disruption.

The Syndicate does not insure/reinsure any risks in Russia, Ukraine or any neighbouring countries that may or may not give rise to claims depending on a number of factors including the evolution of the conflict and its geographic scope, as well as the nature and scope of international sanctions imposed and the consequent damages. The Company will continue to closely monitor the situation for any impacts from the conflict.

### **The Community and Environment**

The Company adopts the AXA Purpose “Act for human progress by protecting what matters”, delivering through its values to put the customer first, act with integrity, have the courage to speak our mind and act as “One AXA” to make things happen. As part of the AXA XL Division, the Company also has a mission “To be your trusted expert and global partner in complex risk, protecting what matters to our customers, our colleagues and society”.

Striving to achieve a balance between environmental, social and governance (“ESG”) activity is in the long-term interests of the Company, the wider AXA XL Division, and the communities in which the Company operates. In alignment with other entities in the AXA XL Division, the Company has regard for the impact its operations have on the community and the environment.

- As part of the AXA Group, the Company contributes to the AXA for Progress Index, a tool to measure progress and reinforce the impact of the AXA Sustainability strategy built around climate and inclusive protection with seven measurable commitments:
  - Achieve Carbon Neutrality by 2025.
  - Make employees leaders of the transformation by training our teams in Climate issues by 2025.
  - Increase our share of green insurance products.
  - Promote inclusive insurance for vulnerable populations.
  - Reach EUR 25Bn in green investments by 2023.
  - Decrease the carbon footprint of AXA's general account assets by 20% by 2025.
  - Maintain AXA's position in the Dow Jones Sustainability Index.
- The Company is contributing to the commitment to have an increased share of green insurance products<sup>1</sup> which will encompass a framework for measuring green insurance products and setting growth targets for these.
- The Company focusses on understanding and providing risk management solutions to complex issues including climate change, water security and financial resilience, which contribute to the AXA Group priorities of Climate Leadership and Inclusive Protection. This not only enables the Company to best serve clients but also to help make a sustainable impact on the future.

The UK & Lloyd's Business Unit implemented the UK & Lloyd's ESG Forum comprising of members from the UK leadership team and assigned colleagues, which is responsible for setting, monitoring and managing the UK & Lloyd's ESG strategy, and is accountable for its execution. The Forum covers the business operations of the business unit across all functions and business underwritten on the Company.

- The Company has adopted AXA Group consistent restrictions and exclusions within its underwriting and investment portfolios and its statements of intent on appetite for carbon intensive industries, such as the 2021 AXA Oil and Gas Policy Statement. The Company is working with clients and seeking to offer appropriate risk transfer and services to those that need support as they transition on their own ESG

---

<sup>1</sup> Green products are defined by AXA as P&C insurance coverage and services, which have a positive impact on the environment by contributing to at least one of the following four objectives: Climate Change Mitigation, Climate Change Adaptation, Transition to a circular economy and / or Limitation of biodiversity loss and pollution. For more information, please see [https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com/befe0836-b990-4709-a04b-90b8266e8ab8\\_Green\\_Insurance\\_Memo\\_External\\_vf.pdf](https://www-axa-com.cdn.axa-contento-118412.eu/www-axa-com/befe0836-b990-4709-a04b-90b8266e8ab8_Green_Insurance_Memo_External_vf.pdf)



**STRATEGIC REPORT OF THE MANAGING AGENT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**The Community and the Environment (continued)**

journeys and is increasingly engaging with clients on these topics as the Company considers the clients it wants to service, while clients consider their insurance companies as part of their supply chains and the ESG credentials of their partners.

- The following initiatives demonstrate the Company's commitment to its local communities:
  - The annual "AXA Week for Good", event brings colleagues across all AXA entities together to support social and environmental causes. In 2022, this included AXA XL's Global Day of Giving, where colleagues are encouraged to donate time and skills in support of non-profit organisations in their communities and around the globe. In 2022, 415 UK colleagues took part in 31 Global Day of Giving projects.
  - The colleague-led "Hearts in Action" charity working groups empower colleagues to manage charitable giving for their locations, including grant-giving, fundraising and awareness raising. The UK Committee awarded USD \$95,000 in 2022 to charities supporting young people with diverse needs as well as senior citizen care.
  - AXA XL's Matching Gifts programme offers colleagues the opportunity to have their donations to non-profit organizations matched up to a total of USD \$800 per colleague per year.
  - The Company also has a Volunteering Leave Policy, designed to enable colleagues to donate time and skills to local communities at a time of their choosing. Colleagues are entitled to take time to volunteer in addition to annual participation in the company's volunteering day (Global Day of Giving).

**Maintaining a reputation for high standards of business conduct**

The reputation of the Company is fundamental to its long-term success. The Company is committed to maintaining the highest standards of ethical conduct, and this is reflected in the AXA Values: Customer First, Integrity, Courage and One AXA. Having a clear set of values and ethics guide behaviours, which drive good outcomes for all stakeholders.

The Company's commitment to ethical conduct is set out in more detail in the AXA Group Compliance and Ethics Code and AXA XL Division's Code Supplement ("Code of Conduct") which is reviewed by the Board of Directors on a regular basis. Policies contained in the Code of Conduct include treating customers fairly and professionally, anti-bribery and corruption, speaking up (whistleblowing) and dignity at work. Code of Conduct violations, or other misconduct, is taken very seriously and may result in disciplinary action, including dismissal.

**Managing Agent**

AXUAL, the managing agent of the Syndicate, is a company registered in England and Wales. AXUAL is a wholly-owned subsidiary of its ultimate parent AXA SA ("AXA"), a company registered in France. Copies of the financial statements of AXA SA can be obtained from 25 Avenue Matignon FR-75008, Paris, France.

The Syndicate is wholly-aligned with capital provided by AXA XL, a division of AXA SA, through a subsidiary Catlin Syndicate Limited.

**Auditor**

In accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) (the 2008 Regulations) a Syndicate AGM was held in 2022 to appoint EY as the Syndicate's registered auditor.

**Stamp capacity of the Syndicate**

The stamp capacity for the 2023 underwriting year has been increased to £31m (2022 underwriting year: £26m). Catlin (One) Limited is the sole member of the Syndicate from the 2014 underwriting year onwards.

This report was approved by the Board and signed on its behalf by:

**S McGovern**  
Director  
27 February 2023

**M Cummings**  
Director  
27 February 2023

**MANAGING AGENT'S REPORT  
FOR THE YEAR ENDED 31 DECEMBER 2022**

The Directors of the managing agent present their report together with the audited financial statements for the year ended 31 December 2022.

The annual accounts are prepared using the annual basis of accounting as required by Regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations"), as well as in compliance with United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102") and Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103"). The Syndicate continues to adopt the going concern basis in preparing the syndicate annual accounts.

The managing agent has received, in writing, agreement from Catlin (One) Limited, the sole member of Syndicate 3002 that no underwriting year's accounts need to be prepared. . This is in accordance with Section 6, Paragraph 1b of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations").

Future developments and strategy are discussed within the strategic report.

**Member's balance**

The member's balance as at 31 December 2022 is a deficit of £7.8m (2021: surplus of £1.9m).

**Directors**

The Directors of AXUAL who held office during the year and up to the date of signing the annual accounts were:

M Cummings		
R Littlemore		(Resigned 9 February 2022)
S McGovern		
L Prato Jaen		
M Cantor-Grable	(Non-Executive)	(Appointed 1 December 2022)
N Hinshelwood	(Non-Executive)	(Appointed 7 September 2022)
C Ighodaro	(Non-Executive)	(Resigned 31 December 2022)
B Joseph	(Non-Executive)	
B Poupart-Lafarge	(Non-Executive)	
J Weatherstone	(Non-Executive)	

None of the Directors of the managing agent were underwriting participants on the Syndicate.

**Financial instruments and risk management**

Information on the use of financial instruments by the Syndicate and its management of financial risk and in particular its exposure to interest rate risk, equity price risk, currency risk, credit risk and liquidity risk is disclosed in note 2 to the financial statements.

**Statement of managing agent's responsibilities**

The directors of the managing agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Principles (GAAP), including Financial Reporting Standard 102 - "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103 - "Insurance Contracts" ("FRS 103"), both issued by the Financial Reporting Council.

**MANAGING AGENT'S REPORT (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**Statement of managing agent's responsibilities (continued)**

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") require the managing agent to prepare Syndicate annual accounts for the Syndicate at 31 December each year. The directors must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period.

In preparing these Syndicate annual accounts, the directors of the managing agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and accounting estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- prepare the financial statements on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that there will be future years of account of the Syndicate.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time, the financial position of the Syndicate and enable it to ensure that the Syndicate's annual accounts comply with the Regulations and the relevant provisions of the Companies Act 2006. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The Directors confirm that they have complied with the above requirements in preparing the financial statements.

**Statement of disclosure of information to the auditors**

Each of the persons who are directors at the date of this report confirms that:

- so far as each director is aware, there is no relevant audit information for which the Syndicate's auditors are unaware; and
- each director has taken all the steps that he ought to have taken in his duty as a director in order to make himself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Approved by the Board of AXA XL Underwriting Agencies Limited and signed on its behalf by:

**S McGovern**

Director

27 February 2023

**M Cummings**

Director

27 February 2023

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3002**

## Opinion

We have audited the syndicate annual accounts of syndicate 3002 ('the syndicate') for the year ended 31 December 2022 which comprise the Statement of Profit or Loss, the Statement of Changes in Member's Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 19, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

## Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

## Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for a period of 12 months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

## Other information

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

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3002 (Continued)****Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008**

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on pages 7 and 8, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

***Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud***

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Our approach was as follows:

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

**INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 3002 (Continued)**

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- 
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. The fraud risk was considered to be higher within the valuation of gross and net incurred but not reported (IBNR) reserves and determination of estimated premium income.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of gross and net long term business provisions and the determination of estimated premium income.
- Evaluating the business rationale for significant and/or unusual transactions.
- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including gross and net long term business provisions and estimated premium income.

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

**Use of our report**

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

Michael Purrington (Senior statutory auditor)  
for and on behalf of Ernst & Young LLP, Statutory Auditor  
London  
27 February 2023

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

		2022	2021
	Note	£000's	£000's
<b>TECHNICAL ACCOUNT - LONG TERM BUSINESS</b>			
Gross premiums written	4	29,782	25,973
Outward reinsurance premiums		<u>(3,337)</u>	<u>(475)</u>
Net premiums written		26,445	25,498
Change in the gross provision for unearned premiums	9	(1,379)	1,432
Change in the provision for unearned premiums, reinsurers' share	9	717	<u>(1,480)</u>
Change in the net provision for unearned premiums		<u>(662)</u>	<u>(48)</u>
<b>Earned premiums, net of reinsurance</b>		<b>25,783</b>	<b>25,450</b>
Allocated investment return transferred from the non-technical account	8	<u>(173)</u>	<u>32</u>
<b>Total technical income</b>		<b><u>25,610</u></b>	<b><u>25,482</u></b>
<b>Claims paid</b>			
Gross amount		(18,373)	(13,559)
Reinsurers' share		<u>9,120</u>	<u>3,888</u>
		<b>(9,253)</b>	<b>(9,671)</b>
<b>Change in the provision for claims</b>			
Gross amount	9	1,599	(186)
Reinsurers' share		<u>—</u>	<u>—</u>
		<b>1,599</b>	<b>(186)</b>
<b>Claims incurred, net of reinsurance</b>		<b>(7,654)</b>	<b>(9,857)</b>
<b>Change in the long term business provisions</b>			
Gross amount	9	(7,923)	6,864
Reinsurers' share	9	<u>(6,420)</u>	<u>(4,690)</u>
		<b>(14,343)</b>	<b>2,174</b>
Net operating expenses	6	<u>(7,186)</u>	<u>(8,370)</u>
<b>Balance on the long term business technical account</b>		<b><u>(3,573)</u></b>	<b><u>9,429</u></b>

**STATEMENT OF PROFIT OR LOSS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
<b>NON-TECHNICAL ACCOUNT</b>		
Balance on the long term business technical account	<b>(3,573)</b>	9,429
Investment income	8 <b>(173)</b>	32
	<b>(3,746)</b>	9,461
Allocated investment income transferred to the general business technical account	8 <b>173</b>	<i>(32)</i>
Foreign exchange (losses)/gains	<b>(1,800)</b>	183
<b>(Loss)/Profit for the financial year</b>	<b><u>(5,373)</u></b>	<u>9,612</u>

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts, therefore no statement of other comprehensive income has been presented.

**STATEMENT OF CHANGES IN MEMBER'S BALANCES  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
<b>Opening member's balance 1 January</b>	<b>1,887</b>	<i>(9,505)</i>
(Loss)/Profit for the year	<b>(5,373)</b>	9,612
Cash (distribution)/call - 2019 Year of Account / 2018 Year of Account	<b>(4,296)</b>	1,780
	<b>(9,669)</b>	11,392
<b>Closing member's balances</b>	<b><u>(7,782)</u></b>	<u>1,887</u>



**STATEMENT OF FINANCIAL POSITION - ASSETS**  
**AS AT 31 DECEMBER 2022**

	Note	2022 £000's	2021 £000's
<b>Financial Investments</b>			
Shares and other variable yield securities and unit trusts		<u>582</u>	<u>789</u>
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	9	1,040	306
Long term business provision	9	<u>644</u>	<u>6,507</u>
		<b>1,684</b>	<b>6,813</b>
<b>Debtors - amounts falling due within one year</b>			
Debtors arising out of direct insurance operations	11	25,254	24,239
Debtors arising out of reinsurance operations		11,112	1,594
Other debtors	12	<u>106</u>	<u>35</u>
		<b>36,472</b>	<b>25,868</b>
<b>Other assets</b>			
Cash at bank and in hand		19,036	22,732
Overseas deposits	14	<u>3</u>	<u>36</u>
		<b>19,039</b>	<b>22,768</b>
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	13	2,946	2,247
<b>TOTAL ASSETS</b>		<u><b>60,723</b></u>	<u><b>58,485</b></u>

**STATEMENT OF FINANCIAL POSITION - CAPITAL AND LIABILITIES  
AS AT 31 DECEMBER 2022**

	Note	2022 £000's	2021 £000's
<b>Capital and reserves</b>			
Member's balances		<u>(7,782)</u>	<u>1,887</u>
<b>Technical provisions</b>			
Provision for unearned premiums	9	14,357	12,049
Long term business provision	9	<u>35,813</u>	<u>26,214</u>
		<b>50,170</b>	<b>38,263</b>
<b>Creditors - amounts falling due within one year</b>			
Creditors arising out of direct insurance operations		38	41
Creditors arising out of reinsurance operations		13,105	13,136
Other creditors	15	252	1,336
Amounts owed to credit institutions		<u>4,793</u>	<u>3,788</u>
		<b>18,188</b>	<b>18,301</b>
Accruals and deferred income		<u>147</u>	<u>34</u>
<b>TOTAL CAPITAL AND LIABILITIES</b>		<u><b>60,723</b></u>	<u><b>58,485</b></u>

The notes on pages 17 to 39 form part of these financial statements.

The Syndicate financial statements were approved by the Board of Directors of AXA XL Underwriting Agencies Limited and were signed on its behalf by:

**M Cummings**

Director

27 February 2023

**STATEMENT OF CASH FLOWS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

	2022	2021
	£000's	£000's
<b>Reconciliation of Profit/(Loss) to net cash flow from operating activities</b>		
(Loss)/Profit for the financial year	(5,373)	9,612
Decrease/(Increase) in net technical provisions	15,390	(1,880)
(Increase)/Decrease in debtors	(8,748)	3,740
(Increase) in creditors	(2,006)	(6,850)
Investment return	173	(32)
Decrease in overseas deposits	33	28
<b>Net cash (outflow) / inflow from operating activities</b>	<u>(531)</u>	<u>4,618</u>
<b>Cash flow from investing activities</b>		
Investment return	34	32
<b>Net cash generated from/(used in) investing activities</b>	<u>34</u>	<u>32</u>
<b>Cash flow from financing activities</b>		
Cash (Distribution)/call	<u>(4,296)</u>	<u>1,780</u>
<b>Net (Decrease) / Increase in cash and cash equivalents</b>	<u>(6,061)</u>	<u>6,428</u>
<b>Cash and cash equivalents at the beginning of the year</b>	<u>18,943</u>	<u>12,515</u>
Foreign exchange result on cash and cash equivalents	1,361	—
<b>Cash and cash equivalents at end of the year</b>	<u><u>14,243</u></u>	<u><u>18,943</u></u>
Cash at bank and in hand	19,036	22,732
Amounts owed to credit institutions	(4,793)	(3,789)
<b>Cash and cash equivalents at end of the year</b>	<u><u>14,243</u></u>	<u><u>18,943</u></u>

**NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**1 ACCOUNTING POLICIES**

**A Basis of preparation**

The Syndicate accounts have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS 102"), Financial Reporting Standard 103, "Insurance Contracts" ("FRS 103") and the Companies Act 2006. The Syndicate accounts have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("IAD"), and reflect the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) as modified by the IAD.

The principal accounting policies applied in the preparation of these financial statements are set out below. These policies have been consistently applied to all the previous years presented, unless otherwise stated. The Syndicate has adopted FRS 102 and FRS 103 in these financial statements.

The functional and presentational currency of the Syndicate is Sterling. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The preparation of these financial statements required the management to make judgments, estimates and assumptions that affect the application of accounting policies and reported amounts of assets, liabilities, income and expenses. The actual results may differ from these estimates.

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 period affected. In particular, information about significant areas of estimation uncertainty and critical judgements in applying accounting policies that have the most significant effect on the amounts recognised in the financial statements are described in this statement of accounting policies and specifically in the following notes:

Note 5: movement in prior year's provision for claims outstanding; and

Note 9: insurance liabilities and reinsurance assets (estimates for losses incurred but not reported),

Capital supporting the business of the Syndicate, referred to as Funds at Lloyd's ("FAL") is, in part, held in separate trust funds administered by Lloyd's in addition to amounts held within the Syndicate Premium Trust Funds. The amounts held by the Corporate Member outside the Syndicate Premium Trust Funds are available to meet the underwriting obligations of the Syndicate, if required. However, these funds are not included in the Syndicate's balance sheet because they are not owned by the Syndicate. The Lloyd's central fund arrangements are available in the event that an individual member's funds are exhausted.

Separate underwriting year accounts have not been prepared, as the Syndicate has taken advantage of the exemption under paragraph 6 of the Regulations.

**B Basis of accounting**

The financial statements have been prepared on a going concern basis, under the accrual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance, as follows:

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**1 ACCOUNTING POLICIES (continued)**

**B Basis of accounting (continued)**

*(a) Premiums written*

Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

For contracts with duration of greater than one year and payable in annual instalments, generally, only the initial annual installment is included as premiums written at policy inception due to the ability of the (re)insured to commute or cancel coverage during the term of the policy. The remaining annual instalments are included as premiums written at each successive anniversary date within the term.

Gross written premiums include an estimate of the total premiums expected to be received under each insurance and reinsurance contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is estimated in full at the inception of such contracts and, therefore, this estimate is judgmental. Further adjustments to estimates from previous years are also included in the reported premiums for the relevant underwriting years. Premium estimation uses expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Gross written premium estimates are reviewed regularly using underwriter estimates and actuarial projections. At the end of 2022 the estimates held in the balance sheet were £5.7m (2021: £8.4m)

*(b) Unearned premiums*

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

*(c) Acquisition costs*

Acquisition costs, comprise commission and other internal and external costs related to the acquisition of new business and renewing existing contracts. The proportion of acquisition costs in respect of unearned premiums is deferred at the reporting date and recognised in periods when the related premiums are earned.

*(d) Ceded Reinsurance*

These are contracts entered into by the Syndicate with reinsurers under which the Syndicate is compensated for losses on contracts issued by the Syndicate and that meet the definition of an insurance contract. Insurance contracts entered into by the Syndicate under which the contract holder is another insurer (inwards reinsurance) are included with insurance contracts

Any benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets. These assets consist of balances due from reinsurers and include reinsurers' share of provisions for claims. These balances are based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts having regard to the reinsurance programme in place for the class of business, the claims experience for the period and the current security rating of the reinsurer involved. The Syndicate assesses its reinsurance assets for impairment. If there is objective evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit or loss account.

Reinsurance liabilities are primarily premiums payable for reinsurance contracts and are recognised as an expense when due.

*(e) Claims incurred*

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**1 ACCOUNTING POLICIES (continued)**

**B Basis of accounting (continued)**

*(f) Claims provisions and related recoveries*

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

Notified claims are estimated on a case by case basis. In estimating the cost of these the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in a previous period. Large claims impacting each relevant business class are generally assessed separately, being measured on a case by case basis or projected separately in order to allow for the possible distortion of the development and incidence of these large claims.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. 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. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility.

The provision for claims includes amounts in respect of internal and external claims handling costs.

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

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

Allowance is made, however, for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

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

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

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**1 ACCOUNTING POLICIES (continued)**

**B Basis of accounting (continued)**

Provision is made at the year-end for the estimated cost of claims incurred but not settled at the Balance Sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established. Any differences between provisions and subsequent settlements are dealt with in the general business technical account of later years.

*(g) Unexpired risks provision*

A provision for unexpired risks is made where claims and related expenses, likely to arise after the end of the financial year in respect of contracts concluded before that date, are expected to exceed the unearned premiums after the deduction of any acquisition costs deferred. The expected claims relate to policies in force at the year-end, having regard to events that occur prior to the balance sheet date.

Unexpired risk surpluses and deficits are offset when business risk classes are managed together and a provision is made only when an aggregate deficit arises. The URR held at 2022 was nil (2021: nil).

*(h) Reinsurance to close (RITC)*

Each Lloyd's Syndicate underwriting account is normally closed at the end of the third year by means of reinsurance into the following year, which reinsures all future liabilities for the closed year and all previous years in return for a premium which is approved by the managing agent. The payment of a reinsurance to close premium does not eliminate the liability of the closed year for outstanding claims. If the reinsuring Syndicate was unable to meet its obligations, and other elements of Lloyd's chain of security were to fail, then the closed underwriting account would have to settle the outstanding claims.

The directors consider that the likelihood of such a failure of the reinsurance to close is extremely remote, and consequently the reinsurance to close has been deemed to settle liabilities outstanding at the closure of an underwriting account.

**C Investment return**

Investment return consisting of bank interest and the Lloyd's loan impairment is credited to the technical account. A transfer is made to the non-technical account.

**D Foreign currency**

Items included in the financial statements are measured using the currency of the primary economic environment in which the Syndicate operates, which is sterling. The Syndicate's financial statements are presented in thousands of pounds sterling.

With the adoption of FRS 102 and FRS 103, all assets and liabilities arising from insurance contracts should be treated as monetary items. At each period end foreign currency monetary items are re-translated into pounds sterling at the rate of exchange at the balance sheet date. 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 exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**1 ACCOUNTING POLICIES (continued)**

**E Taxation**

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct income tax from trading income. UK basic rate income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the Statement of Financial Position under the heading "other debtors".

**F Investments and Overseas Deposits**

Investments and overseas deposits are stated at current value at the balance sheet date. For this purpose listed investments are stated at bid value and deposits with credit institutions are stated at cost. All other financial instruments are designated as at fair value through profit and loss. In line with normal Lloyd's market practice, the Syndicate writes business in certain jurisdictions that require the deposit of cash and investments in locally held trust funds therefore preventing the free transfer of cash between currencies and locations.

**G Long term business provision**

The long term business provision is determined in accordance with the requirements of the EU Third Life Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision.

The basis of the calculation is as follows:

Provision is made at year end for the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling plus a provision for future administrative expenses relating to existing business. The Syndicate takes all reasonable steps to ensure that it has appropriate information regarding its claims exposures. However, given the uncertainty in establishing claims provisions, it is likely that the final outcome will prove to be different from the original liability established.

**H Loans and receivables**

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, other than those that the Syndicate has designated at fair value through the statement of profit or loss. Loans and receivables are carried at amortised cost less any impairment losses.

Receivables arising from insurance contracts are also classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables. This basis of valuation is viewed by the directors as having prudent regard to the likely realisable value.

**I Cash and cash equivalents**

Cash and cash equivalents consist of cash held at bank, cash in hand, deposits held at call with banks, cash held in Lloyd's trust accounts and other short term highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value. These investments have less than three months maturity from the date of acquisition. Cash and cash equivalents are measured at fair value through the statement of profit or loss. Bank overdrafts, where applicable, are held within the current liabilities as amounts due to credit institutions.

**J Financial liabilities**

Creditors are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost determined according to the effective interest rate method.



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**1 ACCOUNTING POLICIES (continued)**

**K Pension costs**

Staff working on the Syndicate are employed by a divisional service company, XL Catlin Services SE ("XLCSSSE"), an approved Central Bank of Ireland regulated intermediary. The pension contributions relating to staff working on the affairs of the Syndicate are charged to the Syndicate as part of the AXA XL expense recharging model across the international network, which includes the Syndicate and the amount is captured within the net operating expenses on the Statement of Profit or Loss.

**L Member's balances**

Distributions and cash calls are made with the member in the year following the year a reporting year of account closes, which is generally three years after the inception of the reporting year of account.

**M Going concern**

Having assessed the principal risks, the Directors consider it appropriate to adopt a going concern basis of accounting in the preparation of these report and accounts.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

## **2 RISK MANAGEMENT**

### **Financial risk management objectives**

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

These risks arise from open positions in interest rate, currency and equity products, all of which are exposed to general and specific market movements. The risks that the Syndicate primarily faces due to the nature of its investments and liabilities are interest rate, equity price risk and currency risk.

The Syndicate's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Syndicate's financial performance. It manages these positions within a risk management framework ("the framework") that has been developed to ensure that investment proceeds and returns are in excess of obligations under insurance contracts. The Syndicate produces regular reports that are circulated to the management of the Managing Agency. The principal technique of the Syndicate's framework is to match assets and liabilities from insurance contracts by reference to the type of benefits payable to contract holders. The Syndicate's framework is also integrated with the management of the financial risks associated with the syndicate's other financial assets and liabilities not directly associated with insurance liabilities.

The notes that follow explain how financial risks are managed using the categories utilised in the Syndicate's framework.

#### **(a) Insurance risk**

Insurance risk arises from the Syndicate's general insurance business and refers to the risk of loss or of adverse change in the value of insurance liabilities due to inadequate pricing and reserving assumptions. Examples of such risks include unexpected losses arising from fluctuations in the timing, frequency and severity of claims compared to expectations and inadequate reinsurance protection. The Syndicate's underwriting and reinsurance strategies are set within the context of the overall Group strategies, approved by the AXUAL Board and communicated clearly throughout the business through policy statements and guidelines.

#### **Capital resource sensitivities**

The capital position is sensitive to market conditions due to changes in the value of the assets, and to assumptions and experience in respect of the value of the liabilities. The most significant risks to the Syndicate are as follows:

##### **Event risk**

The risk that individual risk losses or catastrophes lead to claims that are higher than anticipated in plans and pricing.

##### **Pricing risk**

The risk that the level of expected loss is understated in the pricing process.

##### **Reinsurance risk**

Reinsurance risk to the Syndicate occurs where reinsurance contracts put in place to reduce gross insurance risk do not perform as anticipated, prove inadequate in terms of the vertical or horizontal limits purchased or result in coverage disputes.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2 RISK MANAGEMENT (continued)**

**Cycle risk**

The risk that business is written in a soft market without full knowledge as to the adequacy of rates, terms and conditions.

**Expense risk**

The risk that the allowance for expenses and inflation in pricing is inadequate.

**(a) Insurance risk (continued)**

Underwriting risks are continually monitored through, for example, the established peer review process, underwriting authority limits imposed, round table review and audits, as well as via exception reporting. Formal price monitoring procedures form part of the standard monthly management information. These contribute to the quarterly actuarial review whereby the loss outcome of the underwriting activity is continually re-assessed and considered by the Reserving actuaries.

The Syndicate's management also recognises that insurance events are, by their nature, random, and the actual number and size of events during any one year may vary from those estimated using established statistical techniques.

Loss development tables providing information about historical claims development are included in note 10.

**(b) Market risk**

Market risk is the impact arising from the uncertainty of asset prices, interest rates, foreign exchange rates, and other factors related to financial markets and investment asset management.

AXA XL places restrictions on the external investment managers' investment strategies. Strict limits, by trust fund, are set for types of assets held, concentration limits and average investment grade ratings. Investments are typically investment grade bonds and investment grade asset backed securities. Guidelines and benchmarks are set annually and approved by the board.

The performance of the investment managers is monitored constantly by AXA XL investment specialists and reported monthly to AXUAL management and reviewed quarterly by the AXUAL Board of directors. The Syndicate aims to manage exchange rate exposure in US dollar terms and asset and liabilities are duration matched.

Market risk includes:

**(i) Interest rate risk**

The Syndicate holds no investments, only cash and a loan to Lloyd's, which are not materially sensitive to changes in interest rates. As such, Syndicate 3002 is not considered to be materially subject to interest rate risk.

**(ii) Equity price risk**

As the Syndicate holds no equities, it is not subject to equity price risk.

**(iii) Currency risk**

The Syndicate manages its foreign exchange risk against its functional currency. Foreign exchange arises when future commercial transactions or recognised assets and liabilities are denominated in a currency that is not the Syndicate's functional currency.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**2 RISK MANAGEMENT (continued)****(b) Market risk (continued)****(iii) Currency risk**

The Syndicate is primarily exposed to currency risk in respect of liabilities under policies of insurance denominated in currencies other than Pound Sterling. The most significant currencies to which the Syndicate is exposed are US Dollar and Euro. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

<b>2022</b>	<b>GBP</b>	<b>USD</b>	<b>EUR</b>	<b>TOTAL</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Financial investments (excluding overseas deposits)	582	—	—	582
Overseas deposits	2	1	—	3
Reinsurers' share of technical provisions	792	877	15	1,684
Insurance and Reinsurance receivables	3,183	32,637	546	36,366
Cash at bank and in hand	9,142	7,346	2,548	19,036
Other assets	1,016	2,020	16	3,052
<b>Total assets</b>	<b>14,717</b>	<b>42,881</b>	<b>3,125</b>	<b>60,723</b>
Technical provisions	(10,174)	(39,572)	(424)	(50,170)
Insurance and reinsurance payables	(3,164)	(9,768)	(211)	(13,143)
Other creditors	(102)	(4,901)	(189)	(5,192)
<b>Total Liabilities</b>	<b>(13,440)</b>	<b>(54,241)</b>	<b>(824)</b>	<b>(68,505)</b>
<b>2021</b>	<b>GBP</b>	<b>USD</b>	<b>EUR</b>	<b>TOTAL</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Financial investments (excluding overseas deposits)	789	—	—	789
Overseas deposits	35	1	—	36
Reinsurers' share of technical provisions	535	6,422	(144)	6,813
Insurance and Reinsurance receivables	6,791	18,957	85	25,833
Cash at bank and in hand	7,114	13,443	2,175	22,732
Other assets	992	1,265	24	2,281
<b>Total assets</b>	<b>16,256</b>	<b>40,088</b>	<b>2,140</b>	<b>58,484</b>
Technical provisions	(16,817)	(17,749)	(3,697)	(38,263)
Insurance and reinsurance payables	(4,613)	(8,299)	(265)	(13,177)
Other creditors	(1,965)	(3,130)	(62)	(5,157)
<b>Total Liabilities</b>	<b>(23,395)</b>	<b>(29,178)</b>	<b>(4,024)</b>	<b>(56,597)</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2 RISK MANAGEMENT (continued)**

**(b) Market risk (continued)**

**(iii) Currency risk (continued)**

**Sensitivity analysis**

Fluctuations in the Syndicate's trading currencies against the sterling would result in a change to the result and net assets value.

The table below gives an indication of the impact on the result after tax and net assets of a percentage change in the relative strength of the Pound sterling against the value of the Euro, the Canadian dollar and the US dollar, simultaneously. The analysis is based on current information.

	Impact on result		Impact on net assets	
	2022 £000's	2021 £000's	2022 £000's	2021 £000's
GBP weakens 5% against other currencies	256	(458)	(442)	430
GBP weakens 10% against other currencies	488	(874)	(844)	821
GBP strengthens 5% against other currencies	(283)	506	489	(475)
GBP strengthens 10% against other currencies	(597)	1,068	1,031	(1,003)

**(c) Credit risk**

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

- reinsurers' share of insurance liabilities;
- amounts due from reinsurers in respect of claims already paid;
- amounts due from insurance contract holders; and
- amounts due from insurance intermediaries;

The Syndicate manages the levels of credit risk it accepts by placing limits on its exposure to a single counterparty, or groups of counterparties, and monitoring its exposure to regions, countries and industries. Such risks are subject to regular review.

Changes to the limits on the level of credit risk by category and territory are approved annually by the managing agency Board of Directors. Reinsurance is used to manage insurance risk. This does not, however, discharge the Syndicate's liability as primary insurer. If a reinsurer fails to pay a claim, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is considered on an ongoing basis by reviewing their financial strength prior to finalisation of any contract. In addition, management assesses the creditworthiness of all reinsurers and intermediaries by reviewing credit grades provided by rating agencies and other publicly available financial information. The recent payment history of reinsurers is also used to update the reinsurance purchasing strategy. In certain circumstances, deposits from reinsurers are also held as collateral.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**2 RISK MANAGEMENT (continued)**

**(c) Credit risk (continued)**

The table below provides information on the credit quality of financial assets of the Syndicate.

<b>2022</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB or less</b>	<b>Not rated</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Shares and other variable yield securities and unit trusts	—	—	582	—	—	582
Overseas deposits	1	1	1	—	—	3
Reinsurers' share of claims outstanding	—	—	641	3	—	644
Reinsurance debtors	—	—	9,775	438	—	10,213
Cash at bank and in hand	—	—	2,812	16,220	4	19,036
Insurance debtors	—	—	—	—	25,254	25,254
Other debtors	—	—	—	—	4,991	4,991
<b>Total</b>	<b>1</b>	<b>1</b>	<b>13,811</b>	<b>16,661</b>	<b>30,249</b>	<b>60,723</b>
<b>2021</b>	<b>AAA</b>	<b>AA</b>	<b>A</b>	<b>BBB or less</b>	<b>Not rated</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Shares and other variable yield securities and unit trusts	—	—	789	—	—	789
Overseas deposits	—	—	—	—	36	36
Reinsurers' share of claims outstanding	2,444	—	4,063	—	—	6,507
Reinsurance Debtors	293	—	341	—	—	634
Cash at bank and in hand	—	—	9,837	12,895	—	22,732
Insurance debtors	—	—	—	—	24,238	24,238
Other debtors	—	—	—	—	3,548	3,548
<b>Total</b>	<b>2,737</b>	<b>—</b>	<b>15,030</b>	<b>12,895</b>	<b>27,822</b>	<b>58,484</b>

The Syndicate has no reinsurance debtors that are past due but not considered to be impaired.

<b>2022</b>	<b>Neither past due nor impaired</b>	<b>Up to three months</b>	<b>Three to six months</b>	<b>Six months to one year</b>	<b>Greater than one year</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Shares and other variable yield securities and unit trusts	582	—	—	—	—	582
Overseas deposits	3	—	—	—	—	3
Reinsurers' share of claims outstanding	644	—	—	—	—	644
Reinsurance debtors	10,213	—	—	—	—	10,213
Cash at bank and in hand	19,036	—	—	—	—	19,036
Insurance debtors	24,639	425	—	191	—	25,254
Other debtors	4,991	—	—	—	—	4,991
<b>Total credit risk</b>	<b>60,108</b>	<b>425</b>	<b>—</b>	<b>191</b>	<b>—</b>	<b>60,723</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**2 RISK MANAGEMENT (continued)**

**(c) Credit risk (continued)**

2021	<i>Neither past due nor impaired</i>	<i>Up to three months</i>	<i>Three to six months</i>	<i>Six months to one year</i>	<i>Greater than one year</i>	<i>Total</i>
	£000's	£000's	£000's	£000's	£000's	£000's
<i>Shares and other variable yield securities and unit trusts</i>	789	—	—	—	—	789
<i>Overseas deposits</i>	36	—	—	—	—	36
<i>Reinsurers' share of claims outstanding</i>	6,507	—	—	—	—	6,507
<i>Reinsurance debtors</i>	634	—	—	—	—	634
<i>Cash at bank and in hand</i>	22,732	—	—	—	—	22,732
<i>Insurance debtors</i>	23,393	465	—	380	—	24,238
<i>Other debtors</i>	3,548	—	—	—	—	3,548
<b>Total credit risk</b>	<b>57,639</b>	<b>465</b>	<b>—</b>	<b>380</b>	<b>—</b>	<b>58,484</b>

In 2022, the Syndicate has no insurance and reinsurance debtors that are past due but not considered to be impaired (2021: nil).

**(d) Liquidity risk**

Liquidity risk is the risk that cash may not be available to pay obligations when due at a reasonable cost. The primary liquidity risk of the Syndicate is the obligation to pay claims as they fall due. The projected settlement of these liabilities is modelled, on a regular basis, using actuarial techniques. The Syndicate manages this risk by maintaining sufficient liquid assets to meet expected cash flow requirements.

The following tables analyse financial liabilities by maturity date:

2022	<b>No Stated maturity</b>	<b>0-1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	£000's	£000's	£000's	£000's	£000's	£000's
Creditors	—	18,188	—	—	—	18,188
Claims outstanding	—	24,396	9,860	1,061	496	35,813
<b>Financial liabilities</b>	<b>—</b>	<b>42,584</b>	<b>9,860</b>	<b>1,061</b>	<b>496</b>	<b>54,001</b>

2021	<i>No Stated maturity</i>	<i>0-1 year</i>	<i>1-3 years</i>	<i>3-5 years</i>	<i>&gt;5 years</i>	<i>Total</i>
	£000's	£000's	£000's	£000's	£000's	£000's
<i>Creditors</i>	—	18,301	—	—	—	18,301
<i>Claims outstanding</i>	—	17,636	7,015	1,022	542	26,215
<b>Financial liabilities</b>	<b>—</b>	<b>35,937</b>	<b>7,015</b>	<b>1,022</b>	<b>542</b>	<b>44,516</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2 RISK MANAGEMENT** continued)

**(e) Fair value estimation**

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The categorising of these assets is defined as follows:

Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

*Other assets and liabilities*

The fair values of cash and cash equivalents, premiums and other receivables, and accounts payable approximate their carrying value due to the immediate or short term maturity of these financial instruments.

The following tables present the Syndicate's holdings of assets measured at fair value:

<b>2022</b>	<b>Level 1 £000's</b>	<b>Level 2 £000's</b>	<b>Level 3 £000's</b>	<b>Total £000's</b>
Shares and other variable yield securities and units in unit trusts	—	—	582	582
Overseas deposits	—	3	—	3
<b>Total</b>	<u>—</u>	<u>3</u>	<u>582</u>	<u>585</u>
<i>2021</i>	<i>Level 1 £000's</i>	<i>Level 2 £000's</i>	<i>Level 3 £000's</i>	<i>Total £000's</i>
<i>Shares and other variable yield securities and units in unit trusts</i>	—	—	789	789
<i>Overseas deposits</i>	27	9	—	36
<i>Total</i>	<u>27</u>	<u>9</u>	<u>789</u>	<u>825</u>

The loans to the Lloyd's central fund are fair valued based on a discounted cash flow model. Consideration is made to the credit and illiquidity risk, and a fair value adjustment has been applied to reflect such risk in an appropriate manner. The repayment of the loan and payment of interest is at the discretion of the Corporation of Lloyd's. An element of subjectivity is applied to the valuation of the Syndicate loans, and the approach includes significant unobservable inputs, which is why they have been classified as level 3.

A fair value adjustment of £0.2m has been recognised in relation to the value of the syndicate loan to the Lloyds Central Fund, where fair value is considered to be below the original cost (2021: £0.8m, held at par value as a proxy for fair value).



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**2 RISK MANAGEMENT** continued)

**(f) Sensitivity to insurance risk (claims reserves)**

A one percent increase or decrease in total claims reserves would have the following effect on profit or loss and equity.

Sensitivity to insurance risk (claims reserves)	1% increase in net claims reserves		1% decrease in net claims reserves	
	2022	2021	2022	2021
	£000's	£000's	£000's	£000's
Impact on profit and equity	(338)	(172)	338	172
<b>Total</b>	<b>(338)</b>	<b>(172)</b>	<b>338</b>	<b>172</b>

The syndicate also monitors its exposure to insurance risk by location. The below table provides an analysis of the geographical breakdown of its written premiums.

	2022	2021
	%	%
United Kingdom	35.2	42.9
EU countries	—	3.9
US	3.0	3.7
Latin America	54.4	40.6
Other Worldwide	7.4	8.9
	<b>100.0</b>	<b>100.0</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**3 MANAGEMENT OF CAPITAL**

**(a) Capital Framework at Lloyd's**

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation. The Syndicate is in compliance with the regulatory capital requirements.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's 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 applies at overall and member level respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 3002 is not disclosed in these financial statements. See note 17 for details of the Syndicate's FAL requirement.

**(b) Lloyd's Capital Setting Process**

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

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

**(c) Provision of capital by members**

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), held within and managed within a Syndicate (Funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates.

The level of FAL/FIS that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. The capital requirement is based on a number of factors including the nature and amount of risks to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

Resources available to meet members' and Lloyd's capital requirements are separately identified in the Statement of Changes in Member's Balances.

Lloyd's also retains the right to request a callable contribution equal to 3% of capacity from the Syndicate.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**4 SEGMENTAL ANALYSIS**

In the opinion of the directors, the Syndicate operates in a single business segment, being that of long-term insurance business.

<b>2022</b>	<b>Gross premiums written</b>	<b>Gross premiums earned</b>	<b>Gross claims incurred</b>	<b>Gross operating expenses</b>	<b>Reinsurance balance</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
Total	<u><b>29,782</b></u>	<u><b>28,403</b></u>	<u><b>(24,697)</b></u>	<u><b>(7,193)</b></u>	<u><b>87</b></u>	<u><b>(3,400)</b></u>
<b>2021</b>	<i>Gross premiums written</i>	<i>Gross premiums earned</i>	<i>Gross claims incurred</i>	<i>Gross operating expenses</i>	<i>Reinsurance balance</i>	<i>Total</i>
	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>	<i>£000's</i>
Total	<u><b>25,973</b></u>	<u><b>27,405</b></u>	<u><b>(6,881)</b></u>	<u><b>(8,376)</b></u>	<u><b>(2,750)</b></u>	<u><b>9,398</b></u>

All business written is considered to be single premium business and renewable on an annual basis.

The Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the UK.

The geographical analysis of gross premiums written by risk location is as follows:

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
United Kingdom	<b>10,467</b>	<i>11,130</i>
EU countries	<b>—</b>	<i>1,020</i>
US	<b>903</b>	<i>960</i>
Latin America	<b>16,199</b>	<i>10,550</i>
Other Worldwide	<b>2,213</b>	<i>2,313</i>
	<u><b>29,782</b></u>	<u><i>25,973</i></u>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**5 MOVEMENT IN PRIOR YEAR'S PROVISION FOR CLAIMS OUTSTANDING**

An unfavourable run off deviation (prior accident year strengthening driven by COVID-19 losses of £1.9m (2021: £4.1m release) was experienced during the year.

**6 NET OPERATING EXPENSES**

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
Acquisition costs	<b>7,217</b>	<i>7,700</i>
Change in deferred acquisition costs	<b>(568)</b>	<i>412</i>
Administration expenses	<b>544</b>	<i>264</i>
Reinsurers' commission	<b>(7)</b>	<i>(6)</i>
	<b><u>7,186</u></b>	<i><u>8,370</u></i>

Included within acquisition costs are amounts relating to commissions on direct insurance business of 3.7m (2021: £5.1m).

Administrative expenses include:

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
<b>Auditors' remuneration</b>		
Audit services:		
Fees payable to the Syndicate's auditors for the audit of the Syndicate annual accounts	<b>150</b>	<i>111</i>
<b>Other services</b>		
Fees payable to the Syndicate's auditors and its associates for other services:		
Other services pursuant to legislation are audit and review services relating to regulatory reporting to Lloyd's	<b>92</b>	<i>47</i>

The auditors' remuneration for the year has been recharged to the Syndicate by an AXA XL division company, XL Catlin Services SE ("XLCSSSE").

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**7 EMPLOYEES & DIRECTORS**

The Syndicate has no direct employees. Staff working on the affairs of the Syndicate are employed by a group service company. The recharge of the expenses from the service company to the Syndicate is through a recharge model across the international network, including UK domiciled entities and the recharge of the costs are dependent on the nature of the service performed for the Syndicate.

Directors' emoluments for the year are as follows:

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
Aggregate emoluments and other benefits	<b>23</b>	<i>26</i>
Pension contributions	<b>1</b>	<i>1</i>
	<b><u>24</u></b>	<i><u>27</u></i>

Emoluments of the highest paid director are:

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
Aggregate emoluments and other benefits	<b>10</b>	<i>12</i>
Pension contributions	<b>1</b>	<i>1</i>
	<b><u>11</u></b>	<i><u>13</u></i>

Emoluments of the active underwriter are:

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
Aggregate emoluments and other benefits	<b>53</b>	<i>44</i>
Pension contributions	<b>2</b>	<i>2</i>
	<b><u>55</u></b>	<i><u>46</u></i>

**8 INVESTMENT INCOME**

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
<b>Investment income</b>		
Income from Investments	<b>34</b>	<i>32</i>
Syndicate loan impairment	<b>(207)</b>	<i>—</i>
	<b><u>(173)</u></b>	<i><u>32</u></i>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**9 INSURANCE LIABILITIES AND REINSURANCE ASSETS**

<b>2022</b>	<b>Provision for unearned premium</b>	<b>Claims Outstanding</b>
	<b>£000's</b>	<b>£000's</b>
<b>Gross Technical Provisions</b>		
As at 1 January 2022	12,049	26,214
Movement in the provision	1,379	6,324
Foreign exchange movements	929	3,275
<b>As at 31 December 2022</b>	<b>14,357</b>	<b>35,813</b>
<b>Reinsurers' share of technical provisions</b>		
As at 1 January 2022	306	6,507
Movement in the provision	717	(6,420)
Foreign exchange movements	17	557
<b>As at 31 December 2022</b>	<b>1,040</b>	<b>644</b>
<b>Net technical provisions</b>		
As at 31 December 2021	11,743	19,707
<b>As at 31 December 2022</b>	<b>13,317</b>	<b>35,169</b>
<b>2021</b>	<i>Provision for unearned premium</i>	<i>Claims Outstanding</i>
	<i>£000's</i>	<i>£000's</i>
<i>Gross Technical Provisions</i>		
As at 1 January 2021	13,410	32,968
Movement in the provision	(1,432)	(6,678)
Foreign exchange movements	71	(76)
As at 31 December 2021	12,049	26,214
<i>Reinsurers' share of technical provisions</i>		
As at 1 January 2021	1,808	11,240
Movement in the provision	(1,480)	(4,690)
Foreign exchange movements	(22)	(43)
As at 31 December 2021	306	6,507
<i>Net technical provisions</i>		
As at 31 December 2020	11,602	21,728
As at 31 December 2021	11,743	19,707

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**10 CLAIMS DEVELOPMENT TRIANGLES**

The loss development tables below provide information about historical claims development by pure underwriting year.

Some business is not off risk after the first 12 months. Therefore we would anticipate cumulative claims to increase in the second year as this business is earned.

**Gross claims development**

	Prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's	£000's
12 months		3,488	1,639	15,448	9,294	11,136	13,344	12,442	10,978	10,048	8,936	
24 months		5,998	5,475	14,106	17,087	27,373	33,812	35,289	17,829	17,274		
36 months		5,243	4,885	14,719	18,623	31,510	34,719	19,645	20,278			
48 months		5,034	4,942	16,528	18,033	32,714	34,160	24,234				
60 months		5,180	4,804	15,734	18,811	36,849	33,437					
72 months		4,917	5,066	15,974	19,077	33,750						
84 months		4,927	5,259	15,546	18,413							
96 months		4,926	5,009	15,449								
108 months		4,909	5,018									
120 months		5,002										
Estimated total losses	8,533	5,002	5,018	15,449	18,413	33,750	33,437	24,234	20,278	17,274	8,936	190,324
<b>Paid claims</b>	(8,556)	(4,913)	(5,030)	(15,398)	(18,346)	(33,598)	(30,706)	(20,748)	(14,965)	(1,743)	(508)	(154,511)
<b>Gross reserves</b>	<b>(23)</b>	<b>89</b>	<b>(12)</b>	<b>51</b>	<b>67</b>	<b>152</b>	<b>2,731</b>	<b>3,486</b>	<b>5,313</b>	<b>15,531</b>	<b>8,428</b>	<b>35,813</b>

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**10 CLAIMS DEVELOPMENT TRIANGLES (continued)**

**Net claims**

	<b>Prior</b>	<b>2013</b>	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>	<b>2021</b>	<b>2022</b>	<b>Total</b>
	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>	<b>£000's</b>
12 months		3,483	1,615	6,512	6,784	6,051	7,806	6,547	9,063	9,614	8,936	
24 months		5,937	5,433	9,912	10,241	14,462	15,645	26,633	16,287	17,128		
36 months		5,229	4,899	10,939	10,985	13,765	17,474	13,091	18,259			
48 months		5,035	4,964	11,673	7,958	17,304	18,005	17,761				
60 months		5,183	4,826	10,713	9,297	19,844	17,452					
72 months		5,175	5,116	11,051	9,385	17,610						
84 months		4,927	5,264	10,629	9,797							
96 months		4,926	5,024	10,530								
108 months		4,910	5,032									
120 months		5,002										
Estimated total losses	8,533	5,002	5,032	10,530	9,797	17,610	17,452	17,761	18,259	17,128	8,936	136,040
<b>Paid claims</b>	(8,556)	(4,913)	(5,044)	(10,478)	(9,476)	(18,188)	(14,326)	(13,901)	(13,738)	(1,743)	(508)	(100,871)
<b>Net reserves</b>	<b>(23)</b>	<b>89</b>	<b>(12)</b>	<b>52</b>	<b>321</b>	<b>(578)</b>	<b>3,126</b>	<b>3,860</b>	<b>4,521</b>	<b>15,385</b>	<b>8,428</b>	<b>35,169</b>



**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**11 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS**

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
Due within one year	<u><b>25,254</b></u>	<u><i>24,239</i></u>

**12 OTHER DEBTORS**

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
Amounts owed from group undertakings	<b>36</b>	<i>12</i>
Other debtors	<b>70</b>	<i>23</i>
	<u><b>106</b></u>	<u><i>35</i></u>

**13 DEFERRED ACQUISITION COSTS**

	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
As at 1 January	<b>2,247</b>	<i>2,644</i>
Change in deferred acquisition costs	<b>568</b>	<i>(412)</i>
Foreign exchange movements	<b>131</b>	<i>15</i>
As at 31 December	<u><b>2,946</b></u>	<u><i>2,247</i></u>

**14 OVERSEAS DEPOSITS**

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and are managed by Lloyd's centrally or by investment managers on their behalf. Overseas deposits have not been included on the statement of financial position within investments or cash at bank or in hand as they are not under direct control of the Syndicate.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)**  
**FOR THE YEAR ENDED 31 DECEMBER 2022**

**15 OTHER CREDITORS**

<b>Amounts falling due within one year</b>	<b>2022</b>	<i>2021</i>
	<b>£000's</b>	<i>£000's</i>
Amounts owed to group undertakings	<b>250</b>	<i>1,310</i>
Other creditors	<b>2</b>	<i>26</i>
	<b><u>252</u></b>	<i><u>1,336</u></i>

**16 LONG TERM BUSINESS PROVISION**

The following methodology has been used in valuing the long term business provision:

- i) A development pattern based on historic reported claims has been used to determine the incurred but not reported claim provision. Reinsurance recoveries are separately recognised.
- ii) An explicit provision to cover future expenses of £1k (2021: £0.1m) has been set. This has been calculated by analysing the costs that are likely to be incurred in running off the current book of business.

**17 FUNDS AT LLOYD'S**

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). As at 31 December 2022, the value of assets supporting FAL for the 2022 underwriting year is £38.4m (2022 underwriting year at 31 December 2021: £39.5m). The FAL is held by Catlin (One) Limited, the corporate members of the Syndicate, on its behalf. These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating member's underwriting liabilities.

Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

**18 RELATED PARTY TRANSACTIONS**

AXA XL Underwriting Agencies Limited ("AXUAL") is the managing agent for Syndicate 3002. Under the standard managing agent's agreement, AXUAL receives an annual fee of £0.035m (2021: £0.035m).

Catlin (ONE) Limited is the sole member of Syndicate 3002.

AXA SA wholly owns a number of cover holders which underwrite on behalf of Syndicate 3002 and these are listed below:

XL Catlin Services SE Catlin Risk Solutions Limited

Recharge of the expenses from the service company, XL Catlin Services SE ("XLCSSSE"), an approved CBI regulated intermediary, is made on a monthly basis to the Syndicate through a Service Level Agreement. Quarterly full settlement is repaid in relation to the provision of services and other support costs provided by XLCSSSE.

The Syndicate has an intra-group reinsurance contract with XL Bermuda Ltd. The effect of this contract on the Statement of Profit or Loss in 2022 is a charge of £2.4m (2021: a charge of £1.5m). Amounts relating to these contracts of £3.9m (2021: £5.1m) were payable as at the year-end date.

Including in other debtors and other creditors which represent amounts owing to/from group undertakings is a net owed amount of £0.2m (2021 £1.3m)

Catlin Syndicate Limited is the corporate member for the 2013 and prior underwriting years, whilst Catlin (One) Limited is the corporate member for the 2014 and subsequent underwriting years.

**NOTES TO THE FINANCIAL STATEMENTS (CONTINUED)  
FOR THE YEAR ENDED 31 DECEMBER 2022**

**19 ULTIMATE PARENT UNDERTAKING**

For the 2014 and subsequent underwriting years, Catlin (One) Limited will be the sole member of the Syndicate.

Catlin (One) Limited is a wholly owned subsidiary of Catlin (North American) Holdings Ltd, a company registered in England and Wales.

The ultimate parent undertaking and controlling party is AXA SA, a company registered in France, which is the parent undertaking of the largest group to consolidate the financial statements of Catlin (One) Limited.

Copies of the financial statements of AXA SA ("AXA") are available from 25 Avenue Matignon FR-75008 Paris France.