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Syndicate 4000

Annual Report

Year ended
31 December 2022

CONTENTS

SYNDICATE 4000

DIRECTORS AND ADVISERS

Managing Agent

Hamilton Managing Agency Limited

Registered Office

Level 3, 8 Fenchurch Place, London, EC3M 4AJ

Registered Number

05832065

Directors

A. J. Baker	Executive
P. J. Barrett (resigned 30 April 2022)	Non-Executive
M. J. Beacham (resigned 28 February 2022)	Independent Non-Executive
M. J. Beane	Independent Non-Executive
A. J. Daws	Executive
K. Forte (appointed 1 November 2022)	Independent Non-Executive
H. M. Goodhew (appointed 2 February 2022; resigned 1 September 2022)	Independent Non-Executive
P. C. F. Haynes	Independent Non-Executive, Chairman
R. S. Vetch	Executive

Company Secretary

P. Longville

Syndicate

Active Underwriter

M. E. Colaço-Osorio

Bankers

Barclays plc
Citibank N.A.
HSBC
Royal Bank of Canada

Investment Managers

Conning Asset Management Limited

Auditor

Ernst & Young LLP
25 Churchill Place
London, E14 5EY

MANAGING AGENT'S REPORT

The Directors of Hamilton Managing Agency Limited ("HMA") present the Managing Agent's Report for Syndicate 4000 ("the Syndicate") for the year ended 31 December 2022.

Principal Activity

The principal activity of the Syndicate continues to be the underwriting of general insurance and reinsurance business at Lloyd's.

The Syndicate's allocated capacity for the 2022 year of account was £385m (2021 year of account: £350m). The capacity for the 2023 year of account is £490m. Capital to support the underwriting of the Syndicate is provided by Hamilton Corporate Member Limited ("HCM"). HCM is ultimately owned by Hamilton Insurance Group, Ltd (collectively with its subsidiaries, "the Hamilton Group").

Prior to the acquisition of HMA (formerly Pembroke Managing Agency Limited) in August 2019, the Hamilton Group underwrote in the Lloyd's market through Syndicate 3334. In late 2019, an executive decision was made to renew underwriting business into the newly acquired Syndicate 4000 from 1 January 2020 and place Syndicate 3334 into run-off. On the closure of its 2019 year of account, Syndicate 3334 was reinsured to close into Syndicate 4000, with an effective date of 1 January 2022. The assets and liabilities of Syndicate 3334, including net technical provisions at the closing balance sheet date of £61.9m, were transferred to Syndicate 4000's 2020 underwriting year of account. In addition, funds in syndicate assets of £22.8m provided by HCM were transferred into the Syndicate and used during the year to discharge the closing losses of Syndicate 3334.

In the prior year, on 1 January 2021, the assets and liabilities of the Syndicate's 2018 year of account were transferred to the 2019 underwriting year of account of Syndicate 3500 (managed by RiverStone Managing Agency Limited) via an external reinsurance to close contract. Under this agreement, net technical provisions at the closing balance sheet date of £355.8m were transferred out of the Syndicate.

Accordingly results for the year ended 31 December 2022 comprise Syndicate 4000's pure underwriting years of 2020 to 2022 (open years), 2019 (closed year) and Syndicate 3334's closed years of 2015 to 2019. The results for the year ended 31 December 2021 comprise Syndicate 4000's pure underwriting years of 2019 to 2021 (all open years).

HMA also manages Syndicate 1947 and Syndicate 6125. The capital to support the underwriting of these syndicates is provided by third parties that are unrelated to the Hamilton Group; Syndicate 4000 has acted as the host syndicate for Syndicate 6125 (see page 6). Transactions between these syndicates and entities within the Hamilton Group are conducted on a normal commercial basis.

Business of the Syndicate

The Syndicate continues to be a provider of specialist insurance and reinsurance products and aims to write a low volatility portfolio of niche Specialty, Casualty and Property classes of business. The portfolio is built around business which has a high technical barrier to entry. The underwriting risk selection process is supported by robust premium rating models. During the 2022 financial year gross written premium by product area was as follows:

	2022 **£000**	**2021** **£000**
Specialty	105,193	103,066
Casualty	219,915	168,332
Property	30,291	23,350
Treaty	101,688	125,016
Run-off Lines	(2,892)	(5,715)
Total	454,195	414,049

The 2021 analysis has been amended to meet product definitions now used in the Syndicate's reporting. Further details of the product areas are provided below.

Speciality

This product area predominantly consists of Accident and Health ("A&H"), Political Risks, Political Violence, Selected Specialty Lines ("SSL") and Marine/Energy classes.

The A&H product area includes individual and group accidental death and disability, worldwide excess of loss, medical expenses and kidnap and ransom cover.

The Political Risks / Political Violence product area includes cover for confiscation and contract frustration, trade credit and war & terrorism. The account is written on a worldwide basis.

Specie & Fine Art / High Value Cargo written via a selective number of specialist partners and also through Hamilton's consortium, where capacity is required.

The Marine Liability book includes both traditional marine liability and energy liability (predominantly offshore). This product area includes an international onshore & offshore energy book.

Marine Hull is a new line of business planned for relatively modest premium in the first year. The book will consist of mainly Brown Water (as opposed to Blue Water risks) domiciled in the US. Other coverages include Marine War, limited Builders Risks and Mortgages impairment cover.

SSL now comprises some miscellaneous lines, predominantly Nuclear Pool contracts. Given Hamilton now has an in-house team of environmental underwriters, this class has been removed from SSL and is reported separately.

Casualty

This product area consists of Professional Lines, Financial Institutions, Cyber, Mergers & Acquisitions ("M&A") and Environmental business.

The Professional Lines and Financial Institutions accounts are diverse portfolios, designed to minimise economic correlation between the two accounts. The accounts comprise crime, professional indemnity, directors' & officers' liability and medical malpractice products. The Financial Institutions account targets institutional facing business rather than retail exposure.

The Cyber division has developed a diverse portfolio of exposure by geography and sector, predominantly on an excess basis.

The M&A account predominantly comprises non-US based deals in Europe and the UK. Alongside the core business, the account supports the Certa Tax MGA which has the necessary expertise in this area.

The Environmental account (which started underwriting in 2021) offers custom risk management solutions on predominantly US business although there are plans to expand into select alternative countries. Cover is mainly in respect of pollution and land reclamation but there is also an element of other Casualty coverages.

Property

The Property book has global exposures, written on both a Direct and Facultative basis as well as through a specialist Property Binders division. The underwriting strategy of the book is to minimise catastrophe exposure. Risks written include retail risks, office blocks and other government buildings.

Treaty

The UK Treaty team write a combination of War & Terror Treaty, Energy Treaty (both onshore and offshore but excluding Gulf of Mexico) and Marine Treaty. The focus is on short-tail lines supported by detailed analysis and cat modelling.

In addition to underwriters located in the UK, underlying policies are also distributed by the Hamilton Group owned coverholder based in the US.

Run-off Lines

Lines in run-off include Agriculture, Property Treaty, Product Recall, Patria Property & Marine Treaty and certain casualty & specialty classes.

Strategic Partnerships Through Special Purpose Arrangements ("SPAs")

The HMA Strategic Partnership Team forms and develops SPAs and syndicates supported by third party capital.

For the 2016 year of account, HMA entered into a strategic partnership agreement with Patria Re S.A. ("Patria") which resulted in the formation of an SPA, Patria Syndicate 6125 which is a wholly aligned Special Purpose Arrangement. The capital to support underwriting is provided by Patria Corporate Member Limited, a company within the same group as Patria. As is the case with all SPAs, Patria Syndicate 6125 sourced its underwriting by way of quota share reinsurance cessions from its host, which is Syndicate 4000. Syndicate 6125 was placed into run-off in November 2020**.** Effective 1 January 2021, the 2018 and prior years of account of Syndicate 4000 were closed into a third-party syndicate, Syndicate 3500. Accordingly, the 2016 to 2018 year of account cession arrangements transferred to Syndicate 3500 as the host syndicate. Syndicate 6125 has been closed as at 31 December 2022. Effective 1 January 2023 the assets and liabilities of the 2020 and prior underwriting years have been transferred to Syndicate 3500's 2021 underwriting year of account, under the terms of an external reinsurance to close agreement.

Review of Financial Performance

The Syndicate's key financial indicators are as follows:

	2022 £000	**2021 £000**
Syndicate capacity	385,000	350,000
Gross written premium	454,195	414,049
Profit for the financial year	17,973	6,382
Total comprehensive income for the financial year	20,707	7,868
Net loss ratio	51.7%	58.5%
Net expense ratio	37.9%	38.0%
Combined ratio (being total of net loss ratio and net expense ratio)	89.6%	96.5%
Investments, cash and deposits	470,550	214,634

The Syndicate reports a profit for the year of £18.0m (2021: £6.4m). This includes £15.0m of net underwriting losses in respect of the Ukraine conflict (total of net claims and associated net reinstatement premiums), £9.3m of underwriting losses on the legacy Syndicate 3334 underwriting years and net investment losses of £10.8m (resulting mainly from mark-to-market unrealised losses). Therefore, there is a strong performance within Syndicate 4000's underlying and go-forward business.

The current inflationary environment impacted the Syndicate's results and is reflected in the reserving results, as well as leading to short-term volatility in investment returns.

Year of Account Development

The history for each of the Syndicate's underwriting years of account (excluding funds in syndicate) is set out below:

Year of account	**2019 £000**	**2020 £000**	**2021 £000**	**2022 £000**	**Three year funded adj. £000**	**Profit / (loss) to member £000**
2019	(25,554)	5,993	(1,680)		464	(20,777)
2020		(21,166)	17,383	(4,862)	5,028	(3,617)
2021			(7,835)	26,043		18,208
2022				(2,082)		(2,082)
Financial year result	(25,554)	(15,173)	7,868	19,099		

Gross Written Premiums

The Syndicate reports gross written premiums for the financial year of £454.2m (2021: £414.0m), representing an increase of 10% on the prior year. This increase is due additional writing capacity obtained for the 2022 underwriting year and growth in our core classes within Speciality and Casualty.

Claims Incurred

The much improved net loss ratio of 51.7% (2021: 58.5%) is after including £12.5m of net claims reserves from the Ukraine conflict. Both 2022 and 2021 witnessed market-wide catastrophe ('CAT') losses above the ten-year average. Net CAT losses were £21.0m (2021: £38.7m). The Syndicate has reduced CAT volatility through the withdrawal from Property Treaty books resulting in a net CAT loss ratio of 7.8% (2021: 16.4%). Improved portfolio management, pricing and terms has also ensured the attritional loss ratio remains within expectations.

Net Operating Expenses

Net operating expenses in 2022 were £102.7m (2021: £89.7m). The net expense ratio was stable at 37.9% compared to 38.0% in the prior year.

Investment Return

Investment return in 2022 was a loss of £10.8m (2021: loss of £0.9m), mainly as a result of unrealised losses due to higher government bond yields and the widening of credit spreads.

Balance Sheet

Syndicate assets have increased by £514.3m to £1,215.6m (2021: £701.3m) and the total liabilities have increased by £474.0m to £1,208.1m (2021: £734.1m) as a result of the RITC of the 2019 and prior years of Syndicate 3334, profits in the year, strong cashflow and general increase in provisions following increased premium base. The members' balances is a surplus of £7.5m (31 December 2021: a deficit of £32.9m), reflecting settlement of 2019 year of account losses and current financial year profits.

Future Prospects

The stamp capacity has increased by £105.0m (or 27.3%) to £490.0m for 2023.

As the inflationary environment is expected to continue, the Syndicate is exposed to additional insurance and market risks, which management consider within its overall risk framework.

Research and Development

The Syndicate has not participated in any research and development activity during the period.

Staff Matters

HMA believes that its staff members are key to its success and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. There have been no significant injuries to staff in the workplace during the year or any significant actions taken by any regulatory bodies regarding staff matters. Human resources' key performance indicators are reviewed periodically by committees of the Board, and all such indicators are in line with the expectations of the Directors.

HMA has entered into a service agreement with Hamilton UK Services Limited to provide services in relation to its role as managing agent, including for Syndicate 4000. HMA and Hamilton UK Services Limited are both wholly owned subsidiaries of Hamilton UK Holdings Limited.

The Board ensures that the interests of its staff members are appropriately considered when making decisions. In 2022 this included:

- A comprehensive Performance Management process (including peer feedback and consistency meetings)
- Regular Employee Town Halls where senior management facilitated discussion on key business developments in an open forum, complemented by frequent email and MS Teams-based communication
- Two staff engagement surveys with appropriate follow up action taken
- An active Diversity & Inclusion Forum, including communications on days of recognition
- Introduction of a comprehensive learning & development programme including training for staff members on various topics such as software, leadership, management, soft skills and occupational-specific training

Staff Matters (continued)

HMA is committed to supporting the health and well-being of its staff members and has partnered with a leading online workplace mental health platform as part of its Employee Wellbeing Programme. Hamilton is committed to creating an inclusive workspace where all employees thrive and can bring themselves to work. HMA embraces all backgrounds, perspectives, experiences and talents – without discrimination.

Environmental Matters

HMA is dedicated to being a responsible business and taking care of its community and the environment. HMA's approach is to use its position of strength to create a positive change for the people and communities with which the Company interacts. HMA seeks to leverage its expertise and enable employees to support the communities around us.

Business Relationships

HMA is committed to being a conscientious business and doing the right thing for its customers and business partners. The Board recognises that relationships with stakeholders are key to the delivery of the strategy. As such, HMA looks to conduct business with like-minded firms by undertaking the appropriate due diligence to ensure they have good prospects for future and longevity in the market. HMA ensures compliance with all applicable laws and has in place various internal policies, processes and procedures covering all aspects of the business to ensure outcomes of business practice achieve consistently high business and ethical standards. These policies, procedures and processes are reviewed and renewed, where applicable, regularly.

Business Conduct

The Board recognises that a commitment to a high standard of business conduct is critical to the delivery of the strategy and aspires to complete honesty and transparency in all activity. Among key documents reviewed and approved by the Board annually are the Conduct Management Framework, Whistleblowing Policy, Financial Crime Prevention Policy, and the Code of Conduct & Ethics. The Board further monitors conduct management at each meeting and is committed to maintaining high ethical standards.

Regulators

HMA has transparent communication with its key regulators which is facilitated through the compliance team. Any significant regulatory engagements are reported to the Board of HMA.

Principal Risks and Uncertainties

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. HMA has established a Risk Committee which meets at least quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. An Own Risk and Solvency Assessment ("ORSA") report is completed annually and reviewed on a quarterly basis. The ORSA is used to monitor changes in the risk profile of HMA and to ensure that HMA meets its current and future capital requirements.

The principal risks and uncertainties facing the Syndicate are set out in note 2 to the Annual Report.

Directors and Officers Serving During the Year

The Directors who served during the year ended 31 December 2022 and up to the date of this report (and the current Company Secretary) are detailed on page 3.

Going Concern Basis

These financial statements are prepared on a going concern basis. Further details on this are set out in note 1 to the Annual Report.

Annual General Meeting

The Directors do not propose to hold an annual general meeting for the Syndicate.

Auditor

Ernst & Young LLP has signified its willingness to continue in office as auditor.

Disclosure of Information to the Auditor

The Directors who held office at the date of the approval of this Managing Agent's Report confirm that, so far as they are individually aware, there is no relevant audit information of which the Syndicate's auditor is unaware and each director has taken all the steps that they ought to have taken as director to make them aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Board Approval

Approved by order of the Board of Hamilton Managing Agency Limited.

A. J. Daws
Chief Executive Officer
24 February 2023

SYNDICATE 4000

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the Syndicate Annual Accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations) require the managing agent to prepare Syndicate Annual Accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate Annual Accounts, the managing agent is required to:

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

The managing agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the 2008 Regulations. 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 managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business's website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF SYNDICATE 4000

Opinion

We have audited the syndicate annual accounts of Syndicate 4000 ('the Syndicate') for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 18, 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 profit 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 set out on pages 4 to 9, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report. Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the course of the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10, 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').
- 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.

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

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The Syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk. The risk of fraud was considered to be higher in respect of inadequate reserving for gross claims liabilities and improper revenue recognition in relation to insurance premiums. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were free from fraud or error.

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

Use of our report

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

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

SYNDICATE 4000

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	2022 £000	2021 £000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	454,195	414,049
Outward reinsurance premiums		(179,291)	(148,948)
Net premiums written		274,904	265,101
Change in the provision for unearned premiums			
Gross amount		(18,648)	(40,452)
Reinsurers' share		14,535	11,654
Change in the net provision for unearned premiums		(4,113)	(28,798)
Earned premiums, net of reinsurance		270,791	236,303
Allocated investment return transferred from the non-technical account		(9,615)	(897)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(147,393)	(95,005)
Reinsurers' share		75,349	30,054
Net claims paid		(72,044)	(64,951)
Change in the provision for claims			
Gross amount		(131,910)	(159,052)
Reinsurers' share		63,929	85,686
Change in the net provision for claims		(67,981)	(73,366)
Claims incurred, net of reinsurance		(140,025)	(138,317)
Net operating expenses	5	(102,716)	(89,738)
Balance on the technical account for general business		18,435	7,351
NON-TECHNICAL ACCOUNT			
Investment income on Syndicate investment assets	9	5,181	690
Realised gains/(losses) on Syndicate investment assets	9	(1,437)	(1,435)
Unrealised gains/(losses) on Syndicate investment assets	9	(13,110)	(29)
Investment expenses and charges	9	(250)	(122)
Allocated investment return transferred to the technical account	9	9,615	896
Investment return on Funds in Syndicate	9	(1,216)	-
Foreign exchange gains / (losses)		755	(969)
Profit for the financial year		17,973	6,382
Other comprehensive income – currency translation differences		2,734	1,486
Total comprehensive income for the financial year		20,707	7,868

All the amounts above are in respect of continuing operations.

SYNDICATE 4000

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2022

	Profit and loss account £000	**Funds in syndicate £000**	**Total members' balances £000**
Balance at 1 January 2022	**(32,859)**	**-**	**(32,859)**
Profit for the financial year	19,189	(1,216)	17,973
Effect of currency translation differences	(90)	2,824	2,734
Total comprehensive income for the financial year	**19,099**	**1,608**	**20,707**
Release of funds-in-syndicate	-	(1,608)	(1,608)
Payments of losses to members' personal reserve funds	20,777	-	20,777
Other	464	-	464
Balance at 31 December 2022	**7,481**	**-**	**7,481**

The funds in syndicate movements relate to the net release of the funds in syndicate assets taken on effective 1 January 2022 when assets and liabilities relating to Syndicate 3334 were transferred into Syndicate 4000.

	Profit and loss account £000	**Available for sale reserve £000**	**Total members' balances £000**
Balance at 1 January 2021	**(69,635)**	**3,747**	**(65,888)**
Underlying profit for the financial year	6,382	-	6,382
Other movements	3,747	(3,747)	-
Profit for the financial year	**10,129**	**(3,747)**	**6,382**
Effect of currency translation differences	1,486	-	1,486
Total comprehensive income for the financial year	11,615	(3,747)	7,868
Payments of losses to members' personal reserve funds	25,161	-	25,161
Balance at 31 December 2021	**(32,859)**	**-**	**(32,859)**

The available for sale reserve related to the investment accounting policy applied to the 2018 & prior underwriting years of account only. All assets and liabilities relating to these years were transferred to Syndicate 3500 effective 1 January 2021.

SYNDICATE 4000

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2022

	Note	2022 £000	2021 £000
ASSETS			
Financial investments	10	369,549	175,443
Reinsurers' share of technical provisions			
Provision for unearned premiums	14	90,436	65,414
Claims outstanding	14	358,660	150,132
		449,096	215,546
Debtors due within one year			
Debtors arising out of direct insurance operations		163,235	170,220
Debtors arising out of reinsurance operations	11	53,094	34,376
Other debtors – due from other syndicates	12	6,670	7,214
		222,999	211,810
Debtors due after one year			
Debtors arising out of reinsurance operations	11	7,970	-
Other debtors – due from other syndicates	12	-	6,180
		7,970	6,180
Other assets			
Cash at bank and in hand		57,785	17,324
Other assets	10	43,216	21,867
		101,001	39,191
Prepayments and accrued income			
Deferred acquisition costs	13	62,877	52,637
Other prepayments & accrued income		2,124	468
		65,001	53,105
TOTAL ASSETS		1,215,616	701,275
MEMBERS' BALANCES AND LIABILITIES			
Members' balances		7,481	(32,859)
Technical provisions			
Provision for unearned premiums	14	235,637	194,647
Claims outstanding	14	738,807	374,414
		974,444	569,061
Creditors due within one year			
Creditors arising out of direct insurance operations		2,323	14,726
Creditors arising out of reinsurance operations		122,456	69,703
Other creditors		6,157	737
		130,936	85,166
Creditors due after one year			
Creditors arising out of reinsurance operations		79,070	64,878
Accruals and deferred income		23,685	15,029
TOTAL MEMBERS' BALANCES AND LIABILITIES		1,215,616	701,275

The Syndicate Annual Accounts on pages 14 to 38 were approved by the Board of Hamilton Managing Agency Limited on 24 February 2023 and were signed on its behalf by:

R. S. Vetch
Chief Financial Officer

SYNDICATE 4000

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2022

	Note	**2022 £000**	**2021 £000**
Cash flow from operating activities			
Operating result		**17,973**	**6,382**
Adjustments:			
Increase/(decrease) in gross technical provisions		405,383	(265,075)
(Increase)/decrease in reinsurers' share of gross technical provisions		(233,550)	4,312
(Increase)/decrease in debtors		(23,102)	18,157
Increase in creditors		68,617	12,081
Movement in other assets and liabilities		(21,077)	(3,961)
Investment return		10,831	897
Net cash flow from operating activities		**225,075**	**(227,207)**
Cash flows from investing activities			
Purchase of equity and debt instruments		(341,418)	(208,646)
Sale of equity and debt instruments		144,656	400,507
Investment income received		2,279	(868)
Net cash flow from investing activities		**(194,483)**	**190,993**
Cash flows from financing activities			
Funds in Syndicate released to member		(1,608)	-
Other		20,777	25,160
Net cash flow from financing activities		19,169	**25,160**
Net increase/(decrease) in cash and cash equivalents		**49,761**	**(11,054)**
Cash and cash equivalents at 1 January		61,424	73,032
Foreign exchange on cash and cash equivalents		771	(554)
Cash and cash equivalents at 31 December		**111,956**	**61,424**
Comprises:			
Cash at bank and in hand		57,785	17,324
Short term deposits with financial institutions	10	54,171	44,100
Cash and cash equivalents at 31 December		**111,956**	**61,424**

1. Statement of Accounting Policies

General Information

The Syndicate's corporate member is detailed on page 4. The Syndicate underwrites insurance and reinsurance business in the London market at the Society of Lloyd's on behalf of its corporate member. The registered address of the managing agent is Level 3, 8 Fenchurch Place, London, EC3M 4AJ.

Compliance with Accounting Standards

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. There were no material departures from those standards.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

The financial statements are presented in pounds sterling, which is the Syndicate's reporting currency, in order for them to be consistent with returns provided to Lloyd's. The Syndicate's functional currency is US dollars, in order to better reflect the underlying business of the Syndicate. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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

Going Concern Basis

These financial statements are prepared on a going concern basis. Syndicates by their nature only underwrite for single underwriting years on behalf of their supporting members. However, this is within a context of not finalising results until after 36 months so that typically there are three underwriting years in progress at any given time. In addition, syndicates will normally expect to continue to trade for more underwriting years into the future.

The Syndicate has capacity for the 2023 year of account and is continuing to underwrite. The Syndicate's business activities, together with the factors likely to affect its future development are set out in the Business Review contained within the Managing Agent's Report. In addition, note 2 to the Annual Report provides details of the financial risks the Syndicate is exposed to and how those risks are managed.

The Syndicate has considerable financial resources together with long term relationships with a number of brokers and policyholders across different classes of business and geographical areas. As a consequence, the Directors believe that the Syndicate is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Syndicate has adequate resources including the Funds at Lloyd's of the members supporting the Syndicate (as detailed in note 16) to continue in operational existence for the foreseeable future and for at least 12 months from the date of authorising these accounts for issuance.

Use of Judgements and Estimates

In preparing these financial statements, the Directors of the managing agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis.

1. Statement of Accounting Policies (continued)

<u>Use of Judgements and Estimates (continued)</u>

Provision for Claims Outstanding

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported ("IBNR") to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate managing agent's actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. 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 business accepted and assessments of underwriting conditions.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 2.

Estimated Premium Income

For certain insurance contracts, premium is initially recognised based on an estimate. Where premium is sourced through delegated underwriting, the premium estimate is pro-rated across the facility period. This is calculated on a straight-line basis unless the underlying writing pattern is understood to differ materially from this. Underwriters adjust the premium estimates as the year of account matures and after a set period, the premiums are adjusted to match the actual signed premium. These estimates are judgemental and could result in revisions in future accounting periods. The use of expert judgements and historical development patterns are the principle means by which the potential for revisions is minimised.

<u>Basis of Accounting</u>

The underwriting results are determined on an annual basis of accounting. Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance. The significant accounting policies are detailed below.

Premiums Written

Premiums written comprise direct and inwards reinsurance premiums on contracts incepted during the financial year. Premiums are shown gross of brokerage payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified; these estimates are subsequently updated based on underwriting experience and contract performance.

Unearned Premiums

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

Reinsurance Premiums Ceded

Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured.

1. Statement of Accounting Policies (continued)

Basis of Accounting (continued)

Acquisition Costs

Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date; this is then earned in future periods in line with the associated premium income.

Claims Provisions and Related Recoveries

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

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

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

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred. To the extent we do not believe this to be true in specific areas, adjustments are made by the actuarial team.

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

Unexpired Risks Provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition cost deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return. As at 31 December 2022 and 31 December 2021, the Syndicate did not have an unexpired risk provision.

Foreign Currencies

The Syndicate's functional currency is US dollars. The financial statements are presented in pounds sterling, which is the Syndicate's reporting currency, in order for them to be consistent with returns provided to Lloyd's. Transactions in pounds sterling, Canadian dollars, Australian dollars and euros are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

Foreign Currencies (continued)

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisitions costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year are recorded in the non-technical account. Exchange differences arising on the retranslation from functional to presentational currency are recorded in other comprehensive income.

The rates of exchange used to translate foreign currency monetary balances at year end to pounds sterling are as follows:

	31 December 2022	31 December 2021
US dollar	1.21	1.35
Canadian dollar	1.63	1.71
Euro	1.13	1.19
Australian dollar	1.77	1.86

Financial Investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

The Syndicate classifies its financial investments as financial assets at fair value through profit or loss (“FVPL”).

FVPL assets comprise two sub-categories: financial assets held for trading and those designated as FVPL at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, where applicable net of outstanding bank overdrafts.

Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest recognised in the income statement. Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are held to support underwriting liabilities.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

Investment Return (continued)

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

Unrealised and realised gains and losses in financial investments are recognised based on the appropriate classification of financial investments and are covered under the accounting policy for financial investments.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members is 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 are included in the Statement of Financial Position under the heading members' balances.

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

Pension Costs

The Hamilton Group operates a defined contribution scheme for its UK staff. Pension contributions relating to syndicate staff are charged to the Syndicate and included within net operating expenses.

Profit Commission

Profit commission payable to Lloyd's coverholders or producing brokers has been provided for on all years of account and recognised within acquisition costs in the income statement. Profit commission accruals are calculated based on the expected profit or loss of qualifying premium and are included within creditors on the balance sheet. Profit commissions are calculated at the minimum value of underwriting profits whilst there is uncertainty over the amounts due. As such this is an estimation based on the level of information available at a point in time.

Direct Insurance and Reinsurance Receivables

Direct insurance and reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of these receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Debtors arising out of direct insurance and reinsurance operations are therefore stated net of specific provisions against doubtful debts which are made on the basis of reviews conducted by management on pipeline premium balances, which form part of the direct insurance receivables. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Direct Insurance and Reinsurance Payables

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

1. Statement of accounting policies (continued)

Basis of accounting (continued)

Insurance Payables (continued)

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Syndicate retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either (a) the Syndicate has transferred substantially all the risks and rewards of the asset; or (b) the Syndicate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Derecognition of Financial Assets (continued)

When the Syndicate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Syndicate's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Syndicate could be required to repay. In that case, the Syndicate also recognises an associated liability.

Reinsurance to close ("RITC") received

The syndicate accepted a reinsurance to close of Syndicate 3334 effective 1 January 2022. It recorded the assets and liabilities transferred at the fair value on the date the RITC agreement was effective. The Syndicate had net losses on closure of its 2019 underwriting year of account. The members' balances including funds in syndicate were also transferred, and the closing losses for the 2019 were discharged to Syndicate 4000 in June 2022. Thus, the RITC transaction had no impact on the Syndicate's profit or net assets at the time that it was first recorded.

2. Risk Management

Risk Framework

The primary objective of the Syndicate's Risk Management Framework is to protect the Syndicate's capital providers, from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Board recognises the critical importance of having efficient and effective risk management systems in place.

HMA has an established risk management function for the Syndicate with a clear remit from the Board. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board. The Risk Management Framework sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations. It is reviewed annually and any changes are approved by the Board.

The Risk Committee and the Board approve the risk management policies and meet regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment and documentation of existing and emerging risks and controls, including the articulation of risk appetite.

Insurance Risk - Underwriting

Insurance Risk is a core aspect of the Syndicate's business model and it is recognised that uncertainty associated with the frequency and severity of claims is inherent to general insurance. The Syndicate accepts a measured amount of this risk in exchange for underwriting profit, relying on the skills and experience of our underwriters and a robust control framework to reduce the likelihood and impact of this risk as far as is practicable and without unreasonable expense.

HMA's Board approves the risk appetite limit, considering the relativity between willingness to lose and potential forecast profitability for each year of account. The risk appetite will therefore reflect the view of forecast profitability, utilising the Syndicate's latest business plan assumptions.

2. Risk Management (continued)

Insurance Risk – Underwriting (continued)

Principal Risks

The principal risk the Syndicate faces under insurance contracts is that the actual claims and payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and the development of long term claims liabilities. The objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities. Management consider that this risk is heightened in the current inflationary environment.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical segments. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. In light of the current inflationary environment, specific premium rates have been increased based on inflation projections, with input from across HMA's functions and utilising market benchmarks.

Reinsurance

Reinsurance allows the Syndicate to manage capital exposure to both frequency and severity of claims. This includes the management of any systemic issues impacting a particular area of the account, as well as catastrophic losses across all business areas.

Underwriting Committee

The Syndicate organises underwriting through product areas. The Underwriting Committee provides direct oversight for each underwriting unit, and ultimately reports to the HMA Board via the Chief Underwriting Officer Reports.

Underwriting authorities, underwriting peer reviews of all risks, independent review procedures, and the audit and review of delegated arrangements all contribute to the strength of the underwriting control environment.

HMA records and monitors individual risk exposures to ensure they remain within the policies and guidelines set.

Diversification

Risks usually cover twelve months' duration, with longer duration risks of up to ten years written in selected accounts such as Political Risks and Mergers & Acquisitions. Risks deliberately emanate from a diverse range of sources. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical segmentation.

Claims Management

To reduce the risk exposure of the Syndicate, HMA has put in place strict claim review policies to assess all new and ongoing claims. HMA performs regular detailed reviews of claims handling procedures and conducts frequent investigations of possible fraudulent claims.

The following table gives an indication of the likely quantum and scale of the largest (on a gross basis) Realistic Disaster Scenarios estimated for 2022 (the highest gross event loss for year ended 31 December 2021 was Terrorism – Rockefeller Centre at £147.3m).

Realistic Disaster Scenarios	**Gross event loss £000**	**Net event loss £000**
Terrorism – Rockefeller Centre	179,782	29,542
Terrorism – One World Trade Centre	178,376	22,290
California Earthquake – San Francisco	87,484	26,009

The Syndicate monitors exposures through a combination of deterministic modelling as part of the Realistic Disaster Scenarios Framework and stochastic modelling as part of Lloyd's catastrophe model reporting requirements.

2. Risk Management (continued)

Insurance Risk – Reserving

Principal Risk

HMA's reserving policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year. Booked reserves represent the level of reserves booked at syndicate level and provide the basis for the syndicate results and forecasts. Actuarial best estimate reserves are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning.

The following table illustrates the sensitivity of the financial year results to changes in the current year earned net loss ratio (negative movements reflect a decrease in results / members' balances).

Impact on result and members' balances (change in net reserves)	**2022 £000**	**2021 £000**
Net loss ratio - increase of 5%	(13,540)	(11,815)
Net loss ratio - increase of 10%	(27,079)	(23,630)

Mitigation

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios, reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to historical loss data. The use of independent external reserve assessments by professional services firms provides additional risk mitigation.

Management has considered the effects of the recent heightened inflation environment on claims reserves and has made appropriate allowance in the reserving analysis and results. Specific considerations were made around current economic circumstances, social inflation trends and the potential impact to business portfolio mix when setting reserving assumptions. In addition, the case reserves are being reviewed regularly to make sure they adequately allow for the latest inflation trends.

Regulatory Risk

HMA is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. HMA has a Compliance Officer, who monitors regulatory developments and assesses the impact on HMA policy. HMA also carries out a compliance-monitoring programme as documented in the Compliance Framework.

Capital Framework at 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. Lloyd's is subject to the capital regime determined by the PRA which is based upon the Solvency II capital regime. Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

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

Provision of Capital by Members

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

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the statement of financial position, represent resources available to meet members' and Lloyd's capital requirements.

2. Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The key aspect of credit risk is the risk of default by a reinsurer, insurance intermediary or debt holder. The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2022 by classifying assets according to Standard & Poor's credit ratings (or equivalents from other agencies) of the counterparties for assets not yet due. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB and below are classified as speculative grade and have not been rated.

As at 31 December 2022	**AAA**	**AA**	**A**	**BBB and below**	**Not rated**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Variable yield securities and shares	54,171	-	-	-	6,358	**60,529**
Debt securities	103,668	50,955	137,097	17,300	-	**309,020**
Overseas deposits	20,056	11,487	3,698	7,953	22	**43,216**
Reinsurers' share of outstanding claims	-	62,131	295,360	734	435	**358,660**
Reinsurance debtors not yet past due	-	3,462	57,516	75	11	**61,064**
Cash at bank and in hand	17,798	-	39,987	-	-	**57,785**
Total	**195,693**	**128,035**	**533,658**	**26,062**	**6,826**	**890,274**

As at 31 December 2021	**AAA**	**AA**	**A**	**BBB and below**	**Not rated**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Variable yield securities and shares	-	44,100	5,962	-	-	**50,062**
Debt securities	11,235	40,158	58,535	11,922	3,531	**125,381**
Overseas deposits	-	-	21,867	-	-	**21,867**
Reinsurers' share of outstanding claims	-	522	146,219	-	3,391	**150,132**
Reinsurance debtors not yet past due	-	74	34,302	-	-	**34,376**
Cash at bank and in hand	-	-	17,324	-	-	**17,324**
Total	**11,235**	**84,855**	**284,209**	**11,922**	**6,922**	**399,143**

The HMA Reinsurance Working Group monitors all reinsurer counterparties with whom the Syndicate conducts business and sets credit limits for the recoveries due from individual reinsurers. This includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, with the assistance of outside expertise, management of reinsurer credit risk follows active and regular review of credit ratings and financial exposure to all approved reinsurers.

Investment credit risk is managed through investment management guidelines and monitored by the HMA Finance and Investments Committee.

2. Risk Management (continued)

Credit Risk (continued)

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of any mitigation arrangements.

As at 31 December 2022	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due over six months £000	Greater than one year £000	Total £000
Variable yield securities and shares	60,529	-	-	-	-	60,529
Debt securities	309,020	-	-	-	-	309,020
Overseas deposits	43,216	-	-	-	-	43,216
Reinsurers share of outstanding claims	358,660	-	-	-	-	358,660
Reinsurance debtors	61,064	-	-	-	-	61,064
Cash at bank and in hand	57,785	-	-	-	-	57,785
Insurance debtors	98,513	36,537	2,393	17,470	8,322	163,235
Other debtors	162,107	-	-	-	-	162,107
Total	1,150,894	36,537	2,393	17,470	8,322	1,215,616

As at 31 December 2021	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due over six months £000	Greater than one year £000	Total £000
Variable yield securities and shares	50,062	-	-	-	-	50,062
Debt securities	125,381	-	-	-	-	125,381
Overseas deposits	21,867	-	-	-	-	21,867
Reinsurers share of outstanding claims	150,132	-	-	-	-	150,132
Reinsurance debtors	34,376	-	-	-	-	34,376
Cash at bank and in hand	17,325	-	-	-	-	17,325
Insurance debtors	118,816	22,056	-	-	29,348	170,220
Other debtors	131,913	-	-	-	-	131,913
Total	649,872	22,056	-	-	29,348	701,276

As at the balance sheet date, all financial assets of the Syndicate are unimpaired (2021: all unimpaired), amounts due after more than one year are not overdue and have no indication of being impaired.

Liquidity Risk

Liquidity Risk is the risk that the Syndicate, although solvent, either does not have available sufficient financial resources to enable it to meet its obligations as they fall due or can secure such resources only at excessive cost. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. HMA operates and maintains procedures designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business. The procedures set limits for cash required to meet expected cash flows. Contingency arrangements exist to meet liquidity requirements in extreme circumstances.

2. Risk Management (continued)

Liquidity Risk (continued)

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

As at 31 December 2022	No stated maturity £000	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	-	202,313	279,539	127,152	129,803	738,807
Creditors	130,945	-	79,061	-	-	210,006
Total	130,945	202,313	358,600	127,152	129,803	948,813

As at 31 December 2021	No stated maturity £000	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	-	115,699	142,968	70,088	45,659	374,414
Creditors	85,398	-	64,646	-	-	150,044
Total	85,398	115,699	207,614	70,088	45,659	524,458

Market Risk

Investment Risk

The Syndicate's investments are exposed to two key risks: interest rate risk and credit risk. Interest rate risk is driven by changes in the value or future cash flows of a financial instrument due to changes in market interest rates. Credit risk is driven by the change in the value of an instrument due to either a change in the market's view of its credit worthiness or alternatively due to a default – the risk of a default on instrument is described in the credit risk section above. Since the syndicate holds investments in government and corporate bonds, it is exposed to these risks.

The below sets out the impact of a 50 basis point movement in interest rates. Note insurance liabilities are not discounted in these accounts and therefore are not exposed to interest rate risk, although they are under the Solvency II regime used under the Lloyd's capital framework.

Interest rate risk	2022 £000	2021 £000
Impact of 50 basis point increase on result	(4,194)	(1,701)
Impact of 50 basis point decrease on result	4,259	1,701
Impact of 50 basis point increase net assets	(4,194)	(1,701)
Impact of 50 basis point decrease net assets	4,259	1,701

The current inflationary environment has resulted in short term volatility in the investment return. The Syndicate's investment strategy of a high credit quality and relatively short duration portfolio mitigates against this in the medium term, HMA management has considered its investment approach and has not made any adjustments as a result.

Currency Risk

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

The Syndicate writes a significant proportion of insurance business in currencies other than US dollars, which creates an exposure to currency risk. The Syndicate seeks to manage this exposure by matching foreign currency assets and liabilities. The table below summarises the exposure of financial assets and liabilities to foreign currency exchange risk at the balance sheet date.

2. Risk Management (continued)

Market Risk (continued)

Currency Risk (continued)

As at 31 December 2022	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	6,358	326,137	-	37,054	-	369,549
Reinsurers' share of technical provisions	81,225	336,442	16,596	6,343	8,490	449,096
Insurance assets	18,730	174,360	19,555	4,521	5,237	222,403
Cash and overseas deposits	31,909	20,250	20,460	7,676	20,706	101,001
Other assets	15,331	43,513	9,589	4,571	563	73,567
Total assets	153,553	900,702	66,200	60,165	34,996	1,215,616
Technical provisions	170,719	673,582	66,163	34,893	29,087	974,444
Insurance liabilities	(528)	188,445	9,490	1,836	4,606	203,849
Other creditors	(2,367)	27,999	3,678	447	85	29,842
Total liabilities	167,824	890,026	79,331	37,176	33,778	1,208,135
Currency (deficiency)/surplus	(14,271)	10,676	(13,131)	22,989	1,218	7,481

As at 31 December 2021	GBP £000	USD £000	EUR £000	CAD £000	AUD £000	Total £000
Financial investments	5,962	147,682	-	21,799	-	175,443
Reinsurers' share of technical provisions	21,528	178,777	7,203	2,879	5,159	215,546
Insurance assets	27,620	154,953	14,719	1,416	5,888	204,596
Cash and overseas deposits	11,616	1,776	6,320	4,945	14,534	39,191
Other assets	18,249	36,770	7,011	3,719	750	66,499
Total assets	84,975	519,958	35,253	34,758	26,331	701,275
Technical provisions	82,848	394,384	44,984	21,391	25,454	569,061
Insurance liabilities	11,994	125,951	5,407	1,733	4,222	149,307
Other creditors	449	14,457	707	77	76	15,766
Total liabilities	95,291	534,792	51,098	23,201	29,752	734,134
Currency (deficiency)/surplus	(10,316)	(14,834)	(15,845)	11,557	(3,421)	(32,859)

The table below gives an indication of the impact on the result of a percentage change in the relative strength of pounds sterling against the value of the US dollar, Canadian dollar, Australian dollar and euro simultaneously.

	2022 £000	2021 £000
Sterling weakens		
10% against other currencies	2,417	(2,505)
20% against other currencies	5,438	(5,636)
Sterling strengthens		
10% against other currencies	(1,977)	2,049
20% against other currencies	(3,625)	3,757

Operational Risk

The Syndicate is potentially exposed to direct or indirect losses resulting from inadequate or failed internal processes, systems, or people, or from external events. HMA seeks to manage this risk with detailed procedure manuals and a structured programme of testing of processes and systems by internal audit.

2. Risk Management (continued)

Climate Change

HMA undertakes assessments of the Syndicate's exposure to climate change risk. Within market risk, it is possible that the Syndicate's investments could be exposed to climate change risk, this is monitored using various metrics in conjunction with the Syndicate's investment managers which suggests that there is only marginal exposure to climate change risk. Within underwriting risk, climate change is relevant for a number of product areas, and HMA assesses current and future climate change risk in a variety of ways, including stress and scenario testing, over short and long term time horizons. HMA does not believe that these financial statements are subject to material uncertainty arising from climate change risk.

3. Segmental Analysis

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

2022	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident & health	34,722	35,913	(20,444)	(13,714)	(450)	1,305
Marine aviation and transport	23,100	26,550	(20,203)	(6,513)	529	363
Fire and other damage to property	58,497	56,961	(47,756)	(25,476)	8,237	(8,034)
Third party liability	216,232	181,959	(93,162)	(49,089)	(6,742)	32,966
Miscellaneous	15,685	16,097	(13,182)	(4,368)	838	(615)
	348,236	317,480	(194,747)	(99,160)	2,412	25,985
Reinsurance	105,959	118,067	(84,556)	(36,541)	5,095	2,065
Total	454,195	435,547	(279,303)	(135,701)	7,507	28,050

2021	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross Operating Expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident & health	31,504	25,791	(12,290)	(12,008)	(3,531)	(2,038)
Marine aviation and transport	15,214	13,411	(18,397)	(4,788)	8,598	(1,176)
Fire and other damage to property	48,298	50,409	(42,988)	(17,958)	3,298	(7,239)
Third party liability	158,764	132,206	(88,693)	(40,916)	(101)	2,496
Miscellaneous	34,198	25,779	(16,589)	(9,959)	(2,694)	(3,463)
	287,978	247,596	(178,957)	(85,629)	5,570	(11,420)
Reinsurance	126,071	126,001	(75,100)	(33,472)	2,239	19,668
Total	414,049	373,597	(254,057)	(119,101)	7,809	8,248

Commissions on direct insurance gross premiums during 2022 were £89.2m (2021: £70.0m).

The reinsurance balance is the aggregate total of all those items in the technical account which relate to outwards reinsurance transactions including items recorded as reinsurance commission and profit participations.

All premiums were concluded in the UK.

3. Segmental Analysis (continued)

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

	2022 £000	2021 £000
UK, Channel Islands and Isle of Man	124,564	115,464
Rest of Europe	45,091	39,572
US	189,203	193,332
Other	95,337	65,681
Total	454,195	414,049

4. Claims Incurred, Net of Reinsurance

In setting claims provisions, the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus. Claims incurred, net of reinsurance, include favourable prior year development of £15.0m (2021: £2.3m). Prior year claims development is analysed by line of business in the table below.

	2022 £000	2021 £000
Accident & health	2,101	150
Marine aviation and transport	9,448	67
Fire and other damage to property	(1,245)	338
Third party liability	3,906	779
Miscellaneous	1,391	157
Reinsurance	(575)	852
Favourable development	15,026	2,343

Gross Claims Development

Pure underwriting year	**2015 £000**	**2016 £000**	**2017 £000**	**2018 £000**	**2019 £000**	**2020 £000**	**2021 £000**	**2022 £000**	**Total £000**
Estimate of cumulative claims incurred									
At the end of the underwriting year	1,228	16,954	53,810	49,643	130,882	117,329	106,814	**112,539**	
One year later	2,404	48,867	105,390	110,724	253,756	255,280	**253,094**		
Two years later	2,114	56,652	132,067	117,217	296,211	**259,031**			
Three years later	1,537	59,775	135,135	134,172	**308,978**				
Four years later	2,056	64,668	172,403	1**47,730**					
Five years later	1,594	66,502	**168,782**						
Six years later	1,603	**69,577**							
Seven years later	**1,603**								
Less: cumulative payments to date	(1,603)	(51,309)	(111,672)	(95,264)	(173,822)	(111,228)	(34,702)	(2,927)	
Gross claims outstanding provision	-	18,268	57,110	52,466	135,156	147,803	218,392	109,612	738,807

4. Claims Incurred, Net of Reinsurance (continued)

Net Claims Development

Pure underwriting year	**2015**	**2016**	**2017**	**2018**	**2019**	**2020**	**2021**	**2022**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**	**£000**
Estimate of cumulative claims incurred									
At the end of the underwriting year	1,228	12,110	36,191	39,077	102,362	74,464	67,980	**65,077**	
One year later	2,262	44,147	78,123	82,914	202,685	151,238	**137,579**		
Two years later	1,979	49,252	92,972	55,128	212,206	**153,943**			
Three years later	1,403	49,768	77,623	49,975	**210,881**				
Four years later	1,922	43,615	85,383	**75,946**					
Five years later	1,459	46,233	**71,660**						
Six years later	1,469	**41,103**							
Seven years later	**1,469**								
Less: cumulative payments to date	(1,469)	(37,269)	(62,463)	(55,751)	(124,030)	(69,860)	(24,327)	(2,342)	
Net claims outstanding provision	-	3,834	9,197	20,195	86,851	84,083	113,252	62,735	380,147

5. Net Operating Expenses

	2022	**2021**
	£000	**£000**
Acquisition costs	121,811	104,262
Change in deferred acquisition costs	(4,419)	(11,101)
Administrative expenses	18,309	25,940
Gross operating expenses	135,701	119,101
Reinsurers’ commissions	(32,985)	(29,363)
Net operating expenses	102,716	89,738

6. Auditor’s Remuneration

	2022	**2021**
	£000	**£000**
Fees payable to the Syndicate’s auditor for:		
Audit of the Syndicate Annual Accounts	79	55
Other services pursuant to regulations and Lloyd’s byelaws	162	113
Other non-audit services	142	107
	383	275

Auditor’s remuneration is included as part of administrative expenses in note 5.

7. Staff Numbers and Costs

All staff were employed by Hamilton UK Services Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2022 £000	2021 £000
Wages and salaries	15,378	12,751
Social security costs	2,097	1,948
Other pension costs	1,294	1,129
Other	196	106
	18,965	15,934

The average number of employees employed by the managing agent or UK service company but working for the Syndicate during the year was as follows:

	2022 Number	2021 Number
Administration and finance	36	34
Underwriting	129	122
Claims	24	27
Compliance	35	35
Other	59	47
	283	265

8. Emoluments of the Directors of Hamilton Managing Agency Limited

The Directors of Hamilton Managing Agency Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2022 £000	2021 £000
Emoluments	975	770
Pension contributions	3	1
	978	771

This excludes a number of deferred awards which vested during the year, which would have been partially charged to the Syndicate (in this and prior years).

No other director related compensation or amounts considered to represent key management personnel compensation was charged to the Syndicate.

The active underwriter received the following remuneration charged as a syndicate expense:

	2022 £000	2021 £000
Emoluments	602	257
Pension contributions	4	2
	605	259

9. Investment Return

Investment return on Syndicate investment assets

	2022 £000	2021 £000
Interest from fair value through profit or loss investments	3,994	571
Interest on cash at bank	1,074	13
Interest on overseas deposits	114	106
Investment income	5,181	690
Other income from investments designated as at fair value through profit or loss:		
Realised gains/(losses)	(1,437)	(1,435)
Unrealised gains/(losses)	(13,110)	(29)
	(14,547)	(1,464)
Investment management charges	(250)	(122)
Total investment return transferred to the technical account	(9,615)	(896)

Investment return on Funds in Syndicate

	2022 £000	2021 £000
Investment income	142	-
Other income from investments designated as at fair value through profit or loss:		
Realised gains/(losses)	(1,358)	-
	(1,216)	-

10. Financial Investments

	2022 Market Value £000	2022 Cost £000	2021 Market Value £000	2021 Cost £000
Short term deposits with financial institutions	54,171	54,171	44,100	44,100
Shares and other variable yield securities	6,358	6,358	5,962	5,962
Debt securities and other fixed income securities:				
- Fair value through profit or loss	309,020	253,789	125,381	126,467
	369,549	314,318	175,443	176,529

The Syndicate classifies its financial instruments held at fair value in the balance sheet using a fair value hierarchy, as follows:

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

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

Level 3 Included in the level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, observable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset. These inputs are developed based on the best information available, which might include the Syndicate's own data.

2022	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Short term deposits with financial institutions	54,171	-	-	54,171
Shares and other variable yield securities	-	-	6,358	6,358
Debt securities and other fixed income securities	-	309,020	-	309,020
Other assets: overseas deposits	8,669	34,547	-	43,216
Total	62,840	343,567	6,358	412,765

2021	Level 1 £000	Level 2 £000	Level 3 £'000	Total £000
Short term deposits with financial institutions	44,100	-	-	44,100
Shares and other variable yield securities	-	-	5,962	5,962
Debt securities and other fixed income securities	-	125,381	-	125,381
Other assets: overseas deposits	-	21,867	-	21,867
Total	44,100	147,248	5,962	197,310

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

The level 3 assets are loans provided by the Syndicate to the Lloyd's Central Fund and are carried at fair value using information provided by Lloyd's. These instruments are not tradeable and their valuation includes significant unobservable inputs.

11. Debtors Arising Out of Reinsurance Operations

	2022 £000	2021 £000
Due within one year	53,094	34,376
Due after one year	7,970	-
	61,064	34,376

12. Other Debtors

	2022 £000	2021 £000
Due within one year	6,670	7,214
Due after one year	-	6,180
	6,670	13,394

13. Deferred Acquisition Costs

	2022 £000	2021 £000
Balance at 1 January	52,637	47,600
Change in deferred acquisition costs	4,419	14,711
Effect of exchange rates	6,295	191
RITC from Syndicate 3334	(474)	-
RITC to Syndicate 3500	-	(9,865)
	62,877	52,637

14. Technical Provisions

Year ended 31 December 2022	**Provision for unearned premium £000**	**Claims Outstanding £000**
Gross technical provisions:		
Balance at 1 January	194,647	374,414
Movement in the provision	18,648	131,911
RITC of Syndicate 3334	2,878	181,247
Foreign exchange movements	19,464	51,235
Balance at 31 December	235,637	738,807
Reinsurers' share of technical provisions:		
Balance at 1 January	65,414	150,132
Movement in the provision	14,535	63,929
RITC of Syndicate 3334	2,585	119,821
Foreign exchange movements	7,902	24,778
Balance at 31 December	90,436	358,660
Net technical provision:		
Balance at 1 January	129,233	224,282
Balance at 31 December	145,201	380,147

14. Technical Provisions (continued)

Year ended 31 December 2021	Provision for unearned premium £000	Claims Outstanding £000
Gross technical provisions:		
Balance at 1 January	206,496	627,639
Movement in the provision	40,452	159,052
RITC to Syndicate 3500	(52,712)	(414,695)
Foreign exchange movements	411	2,418
Balance at 31 December	194,647	374,414
Reinsurers' share of technical provisions:		
Balance at 1 January	63,315	156,544
Movement in the provision	11,654	85,686
RITC to Syndicate 3500	(10,575)	(94,096)
Foreign exchange movements	1,020	1,998
Balance at 31 December	65,414	150,132
Net technical provision:		
Balance at 1 January	143,181	471,095
Balance at 31 December	129,233	224,282

15. Related Parties

Managing Agent

The Syndicate is managed by Hamilton Managing Agency Limited ("HMA"). The immediate parent company of HMA is Hamilton UK Holdings Limited.

Ada Re, Ltd

In 2020, the Hamilton Group established Ada Capital Management Limited, an insurance agent incorporated and regulated in Bermuda, which is authorised to underwrite on behalf of Ada Re, Ltd. Ada Re, Ltd is a special purpose insurer funded by third party investors and formed to provide fully collateralised reinsurance and retrocession to both the Hamilton Group and third party cedents. Business ceded to Ada Re by the Syndicate was as follows for the year ended 31 December 2022:

	2022 £000	2021 £000
Outward reinsurance premiums, net of acquisition costs	97	1,638
Reinsurers' share of claims incurred	964	859

Syndicate 6125

The Syndicate cedes business by way of variable rate quota share arrangements to Syndicate 6125, which is also managed by HMA. The creditor balance relating to this arrangement as at 31 December 2022 is £13.3m (2021: £42.0m), and the debtor balance is £17.2m (2021: £24.5m). Syndicate 6125 was closed as at 31 December 2022, these balances will be settled as part of the final loss distribution process in June 2023. In addition, the Syndicate also holds £5.2m of balances already received from Syndicate 6125 on closure of the 2019 underwriting year of account.

Syndicate 1947

The Syndicate manages Space consortia whose partners include Syndicate 1947, which is also managed by HMA. The management fees charged to Syndicate 1947 during the year were £0.3m (2021: £0.3m), with no balances outstanding at year end (2021: nil).

15. Related Parties (continued)

Capital

Capital to support the underwriting of the Syndicate is provided by HCM.

Ultimate Parent Company

The ultimate parent company of HMA and HCM is Hamilton Insurance Group, Ltd, a company registered in Bermuda.

Related Party Disclosure Exemption

The Syndicate has taken advantage of the exemption given by FRS 102 Section 33 Related Party Disclosures to wholly owned subsidiary undertakings, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties.

16. 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") and these funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these accounts by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

17. Off Balance Sheet Items

The Syndicate has not been a party to any arrangements which are not reflected in its Statement of Financial Position, where material risks and benefits arise to the Syndicate.

18. Subsequent Events

A loss distribution of $4.4m (£3.6m) will be settled direct into Syndicate 4000 in June 2023.

On 13 February 2023 HMA entered into an agreement with RiverStone Managing Agency Limited for the Reinsurance to Close ("RITC") of Syndicate 6125's 2020 underwriting year of account into the 2021 year of account of Syndicate 3500. The RITC covers all the business of the Syndicate and it has therefore ceased as at 31 December 2022.