IMPORTANT INFORMATION ABOUT THE SYNDICATE REPORT AND ACCOUNTS

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

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

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

CONTENTS

DIRECTORS AND ADMINISTRATION

Managing Agent

Managing agent

Probitas Managing Agency Limited (PMA) is the managing agent of Probitas Syndicate 1492. PMA is a wholly owned subsidiary (indirectly held) of Probitas Holdings Bermuda Limited.

Directors

Directors who served at PMA during the year or up until the date the Report & Annual Accounts were signed are as follows:

N C Bacon – Managing Director
M J Bale – Chief Operations Officer
A M Bathia - Chief Executive Officer
D P Brignell - Chief Risk Officer
S P Burns – Independent Non-Executive Chairman
A L Dodson – Chief Underwriting Officer
M E L Goddard - Independent Non-Executive Director
J-L R Gourgeon - Non-Executive Director
B Matthews – Chief Financial Officer (*appointed 22 February 2023*)
N O R Pieries - Non-Executive Director
W Scott – Chief Financial Officer (*resigned 30 March 2023*)
H J Weaver - Independent Non-Executive Director

Company secretary

F Jaiyeola

Managing agent's registered office

88 Leadenhall Street
London
England
United Kingdom
EC3A 3BP

Managing agent's registered number

12242600

DIRECTORS AND ADMINISTRATION (continued)

Syndicate

Active underwriter
A L Dodson

Bankers

Barclays Bank plc	London
Citibank NA	London and New York
RBC Investor & Treasury Services	Toronto

Investment Managers
Lloyd’s Treasury & Investment Managers (LTIM)
Payden & Rygel Global Limited
Conning Asset Management Limited

Statutory auditor
Deloitte LLP

Statement of actuarial opinion signing actuary
Deloitte MCS Limited

REPORT OF THE ACTIVE UNDERWRITER

2023 Summary

2023 was another successful year for Probitas Syndicate 1492, not only from a financial performance perspective, but also because of the capabilities we have developed to best position the business for the future.

The UK GAAP net combined ratio for 2023 was 79.8%, the third successive year this key performance barometer has been below 80%. In addition, the increases in global interest rates in 2022 are now feeding through to greater investment returns on underwriting. Taken together, these have driven the 2023 insurance profit to £57.0m, 111% higher than 2022.

In addition, we further enhanced our global office network and diversified our business through our underwriting partnership and hosting of Special Purpose Arrangement (SPA) AdA Syndicate 2024. I have provided more detail on these initiatives later in my report.

2023 Market Conditions

Renewal rate increases were more modest in 2023 as was anticipated at the end of last year. The overall risk adjusted rate change (net of exposure inflation) was +5% across all classes of business. The directional dynamics by product line were more nuanced than has generally been the case in the last five years, rate increases were achievable on property and general liability whilst financial lines and cyber recorded decreases.

Property catastrophe activity within the Syndicate's exposure footprint was more elevated than in previous years. However, incurred losses from cyclones and flooding in New Zealand, Canadian wildfires and Hurricane Otis were broadly within property catastrophe budgets.

Reinsurance conditions, especially property catastrophe, remained challenging in 2023. However, our main property programme renewed on 1 July with only a modest increase in retention - the first since the programme took on its current form in 2019. The treaty renewals at 1 January 2024 (casualty, cyber and Caribbean & Mexico windstorm) were more orderly, with broadly similar coverage and limits purchased.

REPORT OF THE ACTIVE UNDERWRITER (continued)

Underwriting Strategy

The Syndicate's core underwriting strategy remains unchanged, being:

- practising active portfolio management and underwriting discipline across the cycle,
- a limited appetite for net US domiciled exposures and full delegated underwriting authorities relative to peers,
- enhancing underwriting decisions by investing in data capture, data analytics and management information, and
- building strategic distribution relationships with carefully selected partners (both locally or via London wholesale) including providing 'quote-to-bind' electronic trading capability.

I am very pleased that the current forecast ultimate net combined operating ratios (NCOR) for the five most recent years of account are each below 90%, which endorses the current strategy and demonstrates the Syndicate's commitment to bottom line profitability:

Pure Year of Account	NCOR
2019	83.6%
2020	74.4%
2021	74.2%
2022	82.5%
2023	88.3%

Strategic Developments

Our Sydney office was built out significantly during the year, growing from one to seven staff and delivering appreciable business volumes in 2023. Australia is a key territory for Probitas across multiple product lines. Whilst it was not envisaged to be material in our original plans, it was pleasing to see traction in property at this early stage of the office's maturity. We are currently developing more products, wordings and bespoke e-trade solutions from this regional hub.

Continuing this strategy, we have initiated a project to establish a regional presence in Toronto, Canada to supplement our other local offices in the UK, Brussels and Mexico City. Canada is another significant territory for the Syndicate and the office will provide similar access to business and distribution optionality as our other regional centres.

2023 also saw the formation of the AdA SPA Syndicate beginning with the 2024 Year of Account. The AdA SPA is hosted by Probitas 1492 and managed by Probitas Managing Agency. AdA is a marine & specialty focused business which provides Probitas 1492 access to these products (via its underwriting participation), underwritten by an experienced underwriting team with a proven track record in the sector.

We began writing this business in 2023, supported by conventional reinsurance partners who now form the core capital support for the SPA in 2024.

2024 Underwriting Year High Level Syndicate Business Plan

The Syndicate's approved GWP for 2024 is £400m of which £86m relates to business planned in respect of the AdA SPA. Syndicate 1492 ultimately cedes approximately 75% of this business to the SPA, resulting in a comparable increase of approximately 23% from the pre-empted 2023 SBF of £273m (all at 2024 SBF FX rate £1 = $1.27).

As mentioned above, the Syndicate also has plans to expand its distribution footprint in Canada to access local business which would not ordinarily find its way to London. We do not expect top line from the Canadian office to be material in 2024, with the first meaningful contribution in 2025. As with all Probitas business, this will be underpinned by robust risk selection and pricing. Performance is of paramount importance over premium growth.

The geographical split of planned income remains broadly unchanged from previous years, with the UK, Ireland, Australia, Canada and Central America & Caribbean being key regions for the business.

Closing Comments

Overall, I am delighted that the Syndicate has delivered a UK GAAP 79.8% net combined operating ratio for 2023 together with meaningful positive investment returns in the period. Taken with our track record in previous years, this result is testament to the effort and dedication shown by the Probitas team and makes us well placed to take advantage of future opportunities.

Antony Dodson
Active Underwriter
Syndicate 1492
27 February 2024

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of Probitas Managing Agency Limited (PMA), the managing agent, present their report for Syndicate 1492 ('the Syndicate') for the year ended 31 December 2023. This report includes the strategic report.

Basis of Preparation

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103').

The Syndicate

Since its approval on 30 September 2015, Probitas Syndicate 1492 has seen steady growth from a 2015 GWP of £3m up to 2024 approved SBF GWP of £400m. Syndicate 1492 remains focused on non-US property and casualty insurance and facultative reinsurance business. It has become a consistent top-decile performing Lloyd's Syndicate. The Syndicate continues to be backed by a mix of corporate member capital.

The Managing Agent

Probitas Managing Agency Limited (PMA) has been the managing agent of Syndicate 1492 since 1 September 2021.

Geo-political Climate

Our thoughts and prayers are with the families of thousands of people who have lost their loved ones and many more who have endured unimaginable hardships as a result of the tragic conflicts in Ukraine-Russia and in the Middle East.

From a business perspective whilst recognising the wider potential future geo-political impact of these conflicts, PMA management has reviewed 1492's underwriting and investment portfolios and considers that at this stage, any direct impact to the Probitas business arising from this is not material. The Syndicate has minimal live exposure in these territories. Further, 1492 does not provide insurance cover relating to War or Aviation risks.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Overview

The Directors are delighted to report that Syndicate 1492 has delivered a top tier underwriting result for the sixth Underwriting year in succession.

Syndicate 1492 has demonstrated remarkable resilience and resolve in the face of some significant adversity during the early phases of its development and in meeting the more recent and unprecedented impact of the global pandemic, volatile geo-political landscape and economic uncertainty posing challenges on both underwriting as well as investment returns. All of this is a great testament to the hard work, discipline and resolve of the Probitas team.

PMA continues to scale up and diversify the business whilst remains resolute in its pursuit of Syndicate 1492 maintaining its ability to deliver both strong and sustainable underwriting results underpinned by access to: high quality data on demand; strong actuarial and analytics capability and a robust underwriting performance monitoring and portfolio optimisation framework.

Set out below is a summary showing the pure year of account forecast ultimate results as at 31 December 2023:

- 2019 pure year of account ultimate result: £17.9m
- 2020 pure year of account ultimate result: £32.9m
- 2021 pure year of account ultimate result: £42.7m
- 2022 pure year of account ultimate result: £41.3m
- 2023 pure year of account ultimate result £38.6m

Based upon the 2019 to 2022 pure year of account results, and further positive rate change achieved in 2023, we consider that we have good reason to be optimistic about the eventual outcome of the 2023 year of account forecast result at 36 months.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Results

The amounts disclosed for UK GAAP reporting purposes represent the combination of the 2023 calendar year earned movements for the 2023 and 2022 naturally open years of accounts; and the closing 2021 & prior years of account.

The result for Syndicate 1492 for the year ended 31 December 2023 is a profit of £53,296,000 (2022: £30,093,000):

Profit / (loss) attributable to underwriting years of account:	**2023** **£000**	2022 £000
2023	**2,905**	
2022	**32,891**	3,352
2021 & prior	**17,500**	27,065
2020 & prior	**-**	(324)
Total	**53,296**	30,093

Profit is after Investment gains of £11,952,000 (2022 Investment loss: £6,112,000).

The 2021 & prior year of account is closing by Reinsurance to close (RITC) after 36 months with a cumulative GAAP profit of £45,413,000 (2020 & prior years of account – £4,603,000) and a distributable profit of £45,568,000.

The 2023 year of account profit arising in the year includes all administrative and operating expenses, including Names personal expenses, incurred during the year and no deferral of any underwriting or marketing expenses; only brokerage, commissions and other acquisition costs are deferred in the ordinary course of business and in accordance with UK GAAP. The profits / losses arising from the 2022 and 2021 & prior years of account, in their second and third years of development respectively, result from underwriting and investment activities with little administrative and operating expense impact.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Results (continued)

The Syndicate’s key UK GAAP financial performance indicators during the period were as follows:

	2023	2022	2022 -Excluding LPT
	£000	£000	£000
Gross premiums written	**288,243**	210,874	210,574
Gross premiums earned	**251,947**	200,225	199,924
Net premiums earned	**204,961**	117,123	168,843
Net claims incurred	**(79,368)**	(20,701)	(69,823)
Technical result	**41,344**	36,205	38,327
Profit for the financial year	**53,296**	30,093	32,215

Net Combined Operating Ratio

	2023 (UK GAAP)	2022 (adjusted for LPT)
Net Loss Ratio	**38.7%**	41.4%
Net Commission Ratio	**20.8%**	20.2%
Net Expense Ratio	**18.5%**	17.6%
NCOR (Excluding FX and LPT)	**78.0%**	**79.2%**
FX impact	**1.8%**	(1.9%)
Net LPT cost	**-**	1.3%
NCOR (Including FX and LPT)	**79.8%**	**78.6%**

In the table above the NCOR analysis for 2022 (adjusted for LPT) excludes the impact of the 2018 & prior Loss Portfolio Transfer (LPT) for both premium and claims and instead includes the net cost of £2,122,000 of that transaction as its own individual component. Management consider this a more useful and comparable approach as the LPT otherwise distorts the NCOR. The adjusted NCOR was 78.6%.

NCOR is calculated with each component line item expressed as a percentage of net earned premium.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

2023 Underwriting Year Update

Syndicate 1492 has delivered a sixth successive year of market leading performance. The Syndicate was granted approval for a mid-year pre-emption for inclusion of the AdA Energy portfolio of approximately £19.7m, resulting in revised Gross Ultimate Premium estimated at around £277m at foreign exchange rates based on 2023 syndicate business forecast.

Other key performance metrics to highlight are:

- Gross Premium up from £230m to £277m (20% growth)
- Renewal Retention 86.0%
- Risk Adjusted Rate Change (net of exposure inflation) 4.9%
- Acquisition costs 17.9%
- Administrative expenses, excluding accrued profit commission, 9% of Gross Written Premium

The net combined operating ratio for the 2023 pure year of account is forecast at 88.3%. This is on the back of the 2022 pure year of account forecast to ultimate NCOR of 82.5%; 2021 closed pure year of account forecast ultimate NCOR of 74.2%; 2020 closed pure year account of 74.4% and 2019 closed pure year of account NCOR at 83.6%.

Strategic Update

In last year's Report the Directors had set out a number of key priorities and are pleased to report that the majority of these objectives were achieved:

- Scaled up the distribution platforms in Manchester and Australia.
- Significant progress has been made to enhance Syndicate 1492's Cyber proposition and capability by building a fully integrated ecosystem - Probitas Cyber Labs
- Delivered growth and diversification through establishment of the AdA Energy portfolio.
- Further invested in the technology infrastructure to facilitate efficient electronic distribution both internally and with our broker partners. A number of key strategic accounts were moved on to the platform in 2023 and this will continue in 2024 and beyond.
- Maintained focus on development of our people and creating an inclusive, empowering and inspiring place to work and building on our strong values and culture.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

In addition to this, since its approval as a managing agent on 1st September, 2021; PMA has maintained a robust compliance and governance framework. Based on this and the consistent delivery of top quartile underwriting performances, the Directors are pleased to report that Lloyd's has continued to rate PMA as a 'high performing' business.

PMA's priorities for 2024 are:

- Whilst further scaling up our distribution platforms in Manchester, Australia and Brussels; also establish a local presence in Canada
- Formally launch Probitas Cyber Labs
- Focus on further growth and diversification through greater penetration on existing core classes of business; expanding ADA's Energy business to other Specialist areas and exploring other new portfolio opportunities
- Extend deployment of the Electronic Trading Platform
- Retain Lloyd's designation of 'high performing' business

Outlook for 2024

Syndicate 1492's SBF was approved for a Gross Premium of £400m which represents around a 39% increase on the pre-empted 2023 SBF.

The Directors expect stable market conditions on most classes of business underwritten by the Syndicate.

Investment Performance Review

Consistent with the PMA investment strategy's core principles of preservation of capital and maintaining high liquidity, Syndicate 1492 funds were invested at various points during the year with:

- Conning - Bespoke mandate bond portfolios for both the Lloyd's Canadian Trust Fund (LCTF) and the majority of the Syndicate's non-regulated premium trust fund investments
- Lloyd's Treasury & Investment Management (LTIM) – Overseas Deposits
- Payden & Rygel - Global Short Bond Fund (UCITS) for each of the GBP, USD, AUD and EUR premium trust funds

During the year ending 31 December 2023, the syndicate experienced positive investment returns, both before and after investment management fees.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Investment Performance Review (continued)

The year featured much higher yields throughout, compared to recent history. Furthermore, with market consensus moving towards lower interest rate expectations in the near future, the year ended with a dip in yields. These factors have combined to drive a strong mix of both income and mark-to-market gains across all currencies and portfolios.

Note 7 on page 56 contains further details of the Syndicate's £11,952,000 investment gain (2022: £6,112,000 investment loss).

Investment Outlook

The Syndicate's growth and profitable underwriting have continued to provide surplus funds for investment. Total cash and investment assets at 31 December 2023 were £324m, the highest balance in the Syndicate's history. This provides the opportunity for larger investment income contributions to overall profitability going forward.

The funds ended the year with yields-to-maturity remaining at much higher rates than recent years, thus providing higher income potential to help offset any further mark-to-market pricing volatility. A portion of the mark-to-market gains enjoyed in the closing months of 2023 reversed in early 2024, but this is expected to be more than offset by the higher income.

The geopolitical environment remains a source of market volatility with tensions high across multiple spheres and conflict zones. This will be further compounded with 2024 seeing more voters than ever in history heading to the polls – more than 60 nations, and the European Union, are holding elections in the coming year, representing approximately half of the world's population.

After the conclusion of a tender process in late 2021, management had appointed Conning as the Syndicate's primary investment managers, whilst retaining relationships with Barclays, Payden & Rygel and LTIM. The full migration and rebalancing of funds was concluded as expected in early 2023. This enables the syndicate to benefit from a more bespoke mandate arrangement and economies of scale within the consolidated portfolio.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Activities

The principal activity of Syndicate 1492 is the transaction of general insurance and reinsurance business.

The Syndicate underwrites a range of classes of business concentrating on Property and Casualty business written on both a direct and facultative reinsurance basis.

Gross written premium on a GAAP Basis.

	Gross Written Premium		Gross Written Premium	
	2023	**2023**	2022	2022
	£000	**%**	£000	%
Property D&F	**101,010**	**35%**	80,828	38.4%
Contractor All Risks	**5,093**	**2%**	4,073	1.9%
Property	**106,104**	**37%**	84,901	40.3%
Financial Institutions	**59,996**	**21%**	54,879	26.0%
Casualty UK & Ireland	**40,202**	**14%**	22,465	10.7%
Casualty International	**54,385**	**19%**	44,955	21.3%
Casualty	**154,583**	**54%**	122,299	58.0%
Cyber	**9,323**	**3%**	3,674	1.7%
Energy	**18,234**	**6%**	-	-
Total	**288,243**	**100%**	210,874	100%

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Activities (continued)

It is planned that the developing underwriting portfolio will continue to be focused on Property and Casualty classes of business.

Set out below is the planned portfolio development for the 2024 year of account, based upon the 2024 Syndicate Business Forecast (SBF):

	Gross Written Premium	
	2024	2024
	£000	%
Property D&F	100,645	25%
Contractor All Risks	2,620	1%
Property	103,265	26%
Financial Institutions	84,496	20%
Casualty UK & Ireland	47,483	12%
Casualty International	54,141	14%
Casualty	186,120	46%
Cyber	24,691	6%
Cargo	12,246	3%
Marine Liability	28,753	7%
Ports & Terminals	4,787	1%
Marine	45,786	11%
Satellite	7,210	2%
Energy GOM wind	2,175	1%
Energy excluding GOM wind	31,140	8%
Energy	33,315	9%
Total	400,387	100%

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Risks and Uncertainties

The major risks and uncertainties that the Syndicate faces are presented below. The PMA Board sets the risk appetite for each of these via risk appetite statements, adherence to which is closely monitored.

INSURANCE RISK:

Insurance risk can be viewed as comprising three main elements: underwriting, claims and reserving. Each of these can be defined as:

UNDERWRITING RISK:

An underwriting risk includes the risk that an insurance policy might be written for insufficient premium and/or provide inappropriate cover.
The Syndicate's underwriting models, aggregation tools and policy wordings do not of themselves prevent unplanned concentrations of risk, either in geographical regions or types of policy. Consequently, various risk management and loss mitigation techniques have been developed to manage and reduce this risk.
The Syndicate competes against major international groups and there will be occasions when some of these groups may choose to underwrite for cash flow or market share purposes and at prices that sometimes fall short of the Syndicate's minimum acceptable technical price. In common with all insurers, the Syndicate is exposed to this potential price volatility. Any extended periods of low premium rating levels and/or high levels of competition in the insurance markets are likely to have a negative impact on the Syndicate's ability to write business profitably and consequently its financial performance. Therefore, the Syndicate monitors pricing levels and is committed to rejecting any business that is unlikely to generate a positive underwriting result over time.

CLAIMS AND RESERVING, GROSS AND NET OF REINSURANCES, RISK:

Insurance risk includes the risks that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The PMA Board manages these risks through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The PMA Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Syndicate actuary, the Reserving Committee and the Audit Committee. It is also reviewed by an independent firm of actuaries (Deloitte) as part of their work in providing the Syndicate's Statement of Actuarial Opinion (SAO).

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Risks and Uncertainties (continued)

OPERATIONAL RISK:

Operational Risk is the risk that errors caused by people, processes and/or systems might lead to financial losses to the Syndicate. PMA manages this risk by reference to and use of a risk register, including a regular review process with those executives who have authority and responsibility for identifying, assessing and controlling operational risks effectively.
PMA has developed and implemented a risk reporting and risk governance system to ensure that effective risk management of operational risk is embedded. Management receives regular operational risk updates, and the Risk Committee reviews the operational risk dashboard at least on a quarterly basis.

PMA has entered into a number of outsourcing arrangements, the performance of which are overseen by the Outsource Working Group with critical or important outsourcing arrangements being a matter reserved for the PMA Board.

It is critical for the Syndicate that the key resources required to support its underwriting and other essential business activities continue to be available. Contingency plans are in place to mitigate against any loss of key resources from disrupting the ongoing operations of the Syndicate.

PMA has been actively evaluating Operational Resilience of Important Business Services in line with UK regulatory requirements for the market.

MARKET RISK (including interest rate and currency):

This is the risk of financial loss which arises from any fluctuations in market factors, including:

1. The value of investment holdings themselves.
2. Movements in interest rates.
3. Movements in foreign exchange rates.

As the Syndicate develops, its exposure is likely to increase in respect of each of the above. PMA will seek to mitigate any such exposure and therefore reduce any associated risk by reviewing investment performance on a regular basis and seeking to reduce as far as is practicable any currency assets / liabilities mismatches which arise. The Syndicate mitigates foreign exchange risks through the use of currency hedging particularly with respect to the regulatory requirements for Canadian Trust Fund assets.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Risks and Uncertainties (continued)

CREDIT RISK:

This is the risk of financial loss if another party fails to honour its financial obligations, including failing to meet them in a timely manner. Credit risk can arise from the failure to receive inwards premium and the failure to collect outwards reinsurance claims recoveries. Syndicate premium receivable balances are reported on an ongoing basis to enable the PMA Executive committee to assess their recoverability. Bad debts are provided for only where information is available to suggest that that a debtor may be unable or unwilling to settle its debt to the Syndicate, such as insolvency or balances more than 365 days overdue.

The Syndicate purchases reinsurance protection to contain exposure from single claims and the aggregation of claims from catastrophic events. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is therefore regularly reviewed throughout the year. The Syndicate currently has no actual or direct experience of bad debt losses arising from its reinsurance arrangements. The Syndicate makes use of PMA's Broker and other intermediary vetting process & its own Reinsurance Security policy.
Other areas of exposure to credit risk include:

1. Amounts due from insurance intermediaries;
2. Counterparty risk due to currency hedging arrangements; and,
3. Counterparty risk with respect to investments and other deposits.

PMA seeks to actively manage and reduce the Syndicate's exposure to this risk by introducing limits on its exposure to either a single counterparty, or groups of counterparties, and to geographical and industry segments wherever practicable or considered appropriate. Such limits will be subject to an annual or more frequent review as appropriate. It is considered that the current levels of concentration of credit risk are acceptable given the Syndicate's short period of operation. This area of risk will continue to be monitored closely.

LIQUIDITY RISK:

Liquidity risk arises where cash may not be available to enable the Syndicate to pay its obligations as they fall due and at a reasonable cost. The Syndicate is exposed to daily cash demands on its available cash resources, including the settlement of claims, the payment of reinsurance premiums and also various operating and Names' personal expenses. PMA's core investment strategy principles are the preservation of capital and the maintenance of high liquidity. During 2023 the Syndicate retained a shock loss trade loan facility to provide additional liquidity in the event that a major loss creates a liquidity strain.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Risks and Uncertainties (continued)

REGULATORY AND COMPLIANCE RISK:

This is the risk of a financial loss owing to a breach of regulatory requirements and/or a failure to respond to a regulatory change. Management receives frequent regulatory and compliance risk updates and the Risk Committee reviews and monitors these risks on a quarterly basis.
The Syndicate is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US and Canadian Situs business.

Reinsurance

The Syndicate's gross claims exposures are protected by effective and efficient treaty reinsurance programs which provide significant levels of both vertical and sideways coverage with high quality security. This is further complemented by a specific reinsurance protection to significantly de-risk the Syndicate's gross exposures to Atlantic windstorm and Mexico Pacific windstorm risks, as well as some significant facultative reinsurance coverages for specific accounts or classes of business.

Rating Agencies

All Lloyd's syndicates benefit from Lloyd's central resources, including the Lloyd's brand, its network of global licences and the Central Fund. The Central Fund is available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met by the resources of any member. As all Lloyd's policies are ultimately backed by this common security, a single market rating is applicable to all syndicates post-1992.

Syndicate 1492 does not have its own security rating; however, it does benefit from the Lloyd's single market ratings as follows: AA- (Very Strong) rating from Standard and Poor's; AA- (Very Strong) from Fitch; A (Excellent) rating from A.M. Best and AA- (Strong) from Kroll Bond rating agency.

Syndicate Working Capital

PMA monitors the Syndicate's actual cash flows against projections. This helps to identify potential future working capital strains and thereby assist in actively managing and remedying any such occurrence. PMA seeks to have in place at all times various 3rd party borrowing facilities which can act as a back-up to support any such issues.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Member Capital Support

The Syndicate continues to receive strong support from both new and existing capital providers underpinned by significant support from Probitas' cornerstone minority equity partner. Based on the recent historical underwriting performance of the Syndicate and the future positive outlook there was very strong interest from a number of new investors in the course of the 2023 Coming into Line process. The Directors would like to take this opportunity to thank all participating underwriting corporate capital partners for their continued support of Probitas.

Directors

Probitas Managing Agency Limited (PMA) has been the Lloyd's managing agent for Syndicate 1492 since 1 September 2021.

Directors who served at PMA until the date on which the Report & Annual Accounts were signed were as follows:

N C Bacon – Managing Director
M J Bale – Chief Operations Officer
A M Bathia - Chief Executive Officer
D P Brignell - Chief Risk Officer
S P Burns – Independent Non-Executive Chairman
A L Dodson – Chief Underwriting Officer
M E L Goddard - Independent Non-Executive Director
J-L R Gourgeon - Non-Executive Director
B Matthews – Chief Financial Officer (*appointed 22 February 2023*)
N O R Pieries - Non-Executive Director
W Scott – Chief Financial Officer (*resigned 30 March 2023*)
H J Weaver - Independent Non-Executive Director

Covid-19

The landscape for Covid-19 is now clearer than during or immediately after the pandemic. Claims are now expected to be reported and various coverage considerations have progressed, though legal ruling on some contract wordings remains outstanding. The economic impact of Covid-19 is less uncertain and the current inflation environment is considered specifically as part of PMA inflation analysis. Syndicate 1492's provision for Covid-19 is a gross and net ultimate loss of £3.7m, of which £1.3m has been paid.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Environment, Social & Governance (ESG)

Environmental, Social, and Governance (ESG) matters continue to represent a key emerging risk that is driving change in the insurance markets that Probitas Syndicate 1492 operates in, as well as Probitas own corporate strategy.

The impact of climate change is becoming more apparent directly in the risks and claims that the business takes on and is exposed to. This in turn impacts the results of catastrophe and capital modelling and exposure monitoring, consequently influencing the price and availability of outwards reinsurance which ultimately makes the business model viable. It is therefore of paramount importance that the business continues to monitor and manage these exposures appropriately and effectively.

Changes in the legal and regulatory environment relating to corporate social responsibility and corporate governance agendas represent further systemic threats. The business recognises the importance of staying abreast of the latest developments in managing its exposure to the changing landscape of its financial risks with respect to matters relating to poor corporate behaviours in these areas.

The consideration of ESG risks are an important part of the underwriting process of every risk that Probitas underwrites both in terms of risk pricing, and risk acceptance.

Alongside the direct relevance to insurance carriers of the changing nature of the insurance exposure to climate and other ESG risks, the business recognises the need to establish its position on climate transition in relation to its own operations in order to move towards Task Force on Climate-related Financial Disclosures (TCFD) reporting created by the Financial Stability Board. This will drive change within the organisation to meet agreed targets relating to managing that transition. Of particular relevance is the management of the investment portfolio, where opportunities for diversification are likely to decrease.

Reputational risk, particularly around environmental and social issues, is becoming an important consideration in the underwriting of certain risks. PMA has seen evidence of market dislocations as companies move to protect ESG strategies by refusing to offer terms on certain risks, or portfolios.

PMA implemented a new ESG policy in March 2022 in order to manage its position in relation to ESG risks and the development of improved portfolio reporting around ESG related matters. This policy aims to ensure that the Company carries out its business:

- In a socially responsible manner;
- With due regard to its impact on the environment; and,
- In a manner that is consistent with the UN Declaration of Human Rights and the Modern Slavery Act 2015.

In so doing, we ensure that our business makes a positive contribution to society at large.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Syndicate Annual General Meeting

PMA does not propose to hold an annual general meeting of members of the Syndicate. Members are asked to note that any objections to this proposal should be submitted, in writing, to the PMA Compliance Officer within 21 days of this notice

Related Party Transactions

The Syndicate did not enter into any related party transactions which were not concluded under normal market conditions. For a full listing of related party transactions please refer to note 19 of the accounts.

Disclosure of Information to the Auditor

The Directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each 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 a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditor

The managing agent proposes the re-appointment of Deloitte LLP as the Syndicate auditor.

Summary

In conclusion the Directors are once again delighted to report that Syndicate 1492 has delivered a top tier underwriting result for the sixth year in succession, being a 2023 GAAP result: Profit before tax £53.3m; NCOR 79.8%. It is a real testament to the discipline, dedication and commitment of our people.

Based on these strong foundations and the strength of PMA's brand, franchise and culture; the Directors are looking forward to delivering further profitable growth and diversification in 2024.

Approved by the Board of Directors.

Ash Bathia
Chief Executive Officer
27 February 2024

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the Syndicate annual report and financial statements 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 for each financial year. Under that law the managing agent has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the result or loss of the Syndicate for that period.

In preparing those Syndicate annual accounts, the managing agent is required to:

1. Select suitable accounting policies which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year,
2. make judgements and estimates that are reasonable and prudent,
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
4. prepare the annual 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 proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492

Report on the Audit of the Syndicate Annual Financial Statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 1492 (the 'syndicate'):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2023 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicate annual financial statements which comprise:

- the income statement;
- the statement of financial position – assets;
- the statement of financial position –members' balances and liabilities;
- the statement of changes in members' balances;
- the statement of cash flows; and
- the related notes 1 to 21.

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

Basis for opinion

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

Responsibilities of managing agent

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

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

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

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

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

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

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

As a result of performing the above, we identified the greatest potential for fraud in the following area, and our specific procedures performed to address it are described below:

- Estimation of pipeline premiums requires significant management judgement and therefore there is potential for management bias through manipulation of core assumptions. In response, we understood and tested the key controls over the estimation process. Our testing included reviewing management's model and on a sample basis, we challenged the accuracy of management's estimates by comparing actual premiums received to historical experience or to third party support.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. In response to these risks, we have understood the key controls over the reserving process and have tested the design and implementation of those controls. We performed a detailed risk assessment, pinpointing our significant risk to the most judgemental classes of business and involved our actuarial specialists to develop independent estimates of the technical provisions for these classes.

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

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

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

Report on other legal and regulatory requirements

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

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

- the information given in The Report of the Directors of the Managing Agent for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- The Report of the Directors of the Managing Agent has been prepared in accordance with applicable legal requirements.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified any material misstatements in The Report of the Directors of the Managing Agent.

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Adam Knight (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
27 February 2024

INCOME STATEMENT
TECHNICAL ACCOUNT – GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Gross premiums written	2	**288,243**	210,874
Outward reinsurance premiums		**(57,448)**	(83,983)
Premiums written, net of reinsurance		**230,795**	126,891
Change in the provision for unearned premiums:			
Gross amount		**(36,296)**	(10,649)
Reinsurers' share		**10,462**	881
Change in the net provision for unearned premiums		**(25,834)**	(9,768)
Earned premiums, net of reinsurance		**204,961**	117,123
Allocated investment return transferred from the non-technical account		**11,952**	(6,112)
Claims paid:			
Gross amount		**(34,013)**	(44,960)
Reinsurers' share		**10,791**	18,260
Net claims paid		**(23,222)**	(26,700)
Change in claims outstanding:			
Gross amount		**(59,373)**	(53,735)
Reinsurers' share		**3,227**	59,734
Change in the net provision for claims	3	**(56,146)**	5,999
Claims incurred net of reinsurance		**(79,368)**	(20,701)
Net Syndicate operating expenses	4	**(80,559)**	(63,345)
Balance on the technical account for general business		**56,986**	26,965

INCOME STATEMENT
NON-TECHNICAL ACCOUNT – GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Balance on the technical account – general business		**56,987**	26,965
Investment income	7	**11,952**	(6,112)
Allocated investment return transferred to general business technical account		**(11,952)**	6,112
Foreign exchange (losses) / gains		**(3,691)**	3,128
Profit for the financial period		**53,296**	30,093

All operations relate to continuing activities. There is no other comprehensive income.

STATEMENT OF FINANCIAL POSITION – ASSETS
AS AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Investments			
Other financial investments	8	**252,665**	199,504
Deposits with ceding undertakings		**768**	349
Reinsurers' share of technical provisions			
Claims outstanding	9	**46,881**	119,477
Provision for unearned premium	9	**24,264**	15,607
		71,145	135,084
Debtors			
Debtors arising out of direct insurance operations	10	**55,319**	43,693
Debtors arising out of reinsurance operations	11	**33,161**	25,468
Other debtors	12	**5,453**	2,213
		93,933	71,374
Other assets			
Cash at bank and in hand		**30,236**	8,730
Overseas deposits		**40,479**	42,461
		70,715	51,191
Prepayments and accrued income			
Deferred acquisition costs	13	**20,431**	14,176
Other prepayments and accrued income		**1,474**	925
		21,905	15,101
Total assets		**511,131**	472,603

STATEMENT OF FINANCIAL POSITION – MEMBERS' BALANCES & LIABILITIES
AS AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Capital and reserves			
Total members' balances		**83,177**	54,655
Technical provisions			
Provision for unearned premiums	9	**130,401**	99,186
Claims outstanding	9	**240,164**	256,035
		370,565	355,221
Creditors			
Creditors arising out of direct insurance operations		**46**	198
Creditors arising out of reinsurance operations	14	**26,003**	47,516
Other creditors		**9,670**	1,310
		35,719	49,024
Accruals and deferred income	15	**21,668**	13,703
Total members' balances & liabilities		**511,129**	472,603

The financial statements on pages 31 to 79 were approved by the Board of Probitas Managing Agency Limited on 27 February 2024 and were signed on its behalf by:

Ash Bathia
Chief Executive Officer
27 February 2024

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Operating Activities			
Profit for the financial year		**53,296**	30,093
Adjustments for:			
Increase in gross technical provisions		**24,344**	64,211
Decrease /(increase) in reinsurers share of gross technical provisions		**59,871**	(61,544)
(Increase) in debtors		**(24,243)**	(15,228)
(Decrease)/ increase in creditors		**(4,180)**	30,430
Movement in other assets / liabilities		**(7,392)**	(9,444)
Investment return		**(11,952)**	6,112
Foreign Exchange		**2,492**	(1,522)
Net cash flow from operating activities		**92,236**	43,108
Cash flow from investing activities			
Purchase of debt instruments		**(58,333)**	(102,442)
Sale of debt instruments		**8,682**	72,427
Investment income received		**3,764**	1,946
Other		**(420)**	86
Net cash flow from investing activities		**(46,307)**	(27,983)
Cash flow from Financing activities			
Transfer to Members in respect of underwriting participations		**(24,484)**	(13,618)
Net cash flow from financing activities		**(24,484)**	(13,618)
Net increase in cash and cash equivalents		**21,445**	1,507
Cash and cash equivalents at beginning of period		**9,078**	7,275
Foreign exchange gains / (losses) on cash and cash equivalents		**(243)**	296
Cash and cash equivalents at the end of the period		**30,280**	9,078
Cash and cash equivalents consist of:			
Cash at bank and in hand		**30,236**	8,730
Short term deposits with credit institutions		**44**	348
Cash and cash equivalents at end of period		**30,280**	9,078

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Members' balances brought forward		**54,655**	39,983
Profit for the period		**53,296**	30,093
Distributable profit to Members		**(24,774)**	(15,421)
Members' balances carried forward		**83,177**	54,655

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2023

1. Accounting Policies

STATEMENT OF COMPLIANCE

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

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

BASIS OF PREPARATION

The financial statements for the year ended 31 December 2023 were approved by the Board of Directors on 26 February 2024.

The financial statements are prepared in £ Sterling which is the functional and presentational currency of the Syndicate and rounded to the nearest £000.

Having considered the risks and uncertainties, and the performance of the Syndicate as disclosed in the report of the directors, the managing agent has a reasonable expectation that the Syndicate will continue to write business for the foreseeable future. Moreover, the managing agent expects that continued capital support will be in place to do so. Accordingly, the financial statements have been prepared on the going concern basis.

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the carry value of assets and liabilities that are not readily available from other sources. There are no critical accounting judgements, apart from those involving estimates (which are dealt with separately below), in the process of applying the Syndicate's accounting policies. Estimates and underlying assumptions are regularly reviewed and revisions to these are recognised in the period in which the change in estimate is recognised and all future periods affected. The following are the Syndicate's key sources of estimation uncertainty, where a risk of causing material misstatement to the carrying value of assets and liabilities within the next financial year may exist.

1. Accounting Policies (continued)

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty: *insurance contract claims provisions*

For insurance contracts, estimates are made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported (IBNR), at the reporting date. It can take a significant period before the ultimate claims cost can be established with certainty.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder method and Bornhuetter-Ferguson methods.

The main assumption underlying these standard actuarial claims projection techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims IBNR at the balance sheet date based on statistical methods.

The reserving uncertainty will be greatest for liability business which is described as long-tail, reflecting the time it takes for losses to be identified by claimants and settled. Long-tail classes make up approximately two thirds of the business written.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. Managerial judgement is applied when setting the initial expected loss ratio, gross claims' development patterns and the proportion of reinsurance recoverable thereon. These judgements are based on a combination of Syndicate specific and market benchmarks where available. The amount of salvage and subrogation recoveries is separately identified and when material, reported as an asset. Further details are provided in Note 21 (c).

1. Accounting Policies (continued)

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty: *premium income binder accrual*

Premium estimates are made in respect of binder accruals. Estimates are necessary where bordereaux containing actual written premiums have not been received on a timely basis. The estimate is determined with reference to the previous years binders or contracts and their submission patterns, the Estimated Premium Income (EPI) for the binder and discussions with the Underwriters about how much additional premium is expected to be reported.

SIGNIFICANT ACCOUNTING POLICIES

Insurance contracts: product classification

Insurance contracts are those contracts when the Syndicate (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the Syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with IAS 39 unless the embedded derivative is itself an insurance contract (i.e., the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a re-measurement of the initial premium. Gross written premiums are stated gross of brokerage payable and other relevant deductions.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or when the risk covered cannot be assessed accurately at the commencement of cover. When written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. When written premiums are subject to a reduction, a re-measurement taking account of such a reduction is made as soon as there is an obligation to the cover-holder.

Gross written premiums in respect of insurance contracts underwritten under facilities such as binding authorities or lineslips are recognised on a written declaration or bordereaux received basis. Where material, and provided a reliable estimate can be determined, a premium accrual is made to account for delays in receipt of bordereaux at quarter and year ends. Such accruals are estimated based on information provided by the broker, past underwriting experience and prevailing market conditions. Any such estimates are reviewed for subsequent actual experience and updated as appropriate.

Reinsurance premiums

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

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. When written premiums are subject to an increase retrospectively,

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance premiums (continued)

recognition of any potential increase is recognised as soon as there is an obligation to the policyholder.

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.

Profit commission

Profit commission is charged by the managing agent at a rate of 22.5% on profits and is subject to a one-year deficit clause. This amount is shared between the managing agent and Probitas 1492 Services Limited in accordance with the Third-Party Management Services Agreement (TPSMA).

Profit commission is charged to the Syndicate as incurred on the GAAP result and is presented within Members' Personal expenses.

Amounts due in respect of the profit commission are payable in instalments at each of 12, 24 and 36 months of development of each year of account.

Reinstatement premiums

Reinstatement premiums may arise on both inwards and outwards policies when a loss has been incurred on a policy and there is a clause which requires the reinstatement of the policy with the payment of a further premium by the policyholder. These amounts are generally recognised as written and earned in full, at the date of the event giving rise to the reinstatement premium. Outwards reinstatement premiums payable, in the event of a claim being made, are generally charged to year of account in the same proportions as that to which the recovery is credited.

Reinstatement premiums are accrued in respect of IBNR reserves as well as in respect of actual claims incurred.

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical provisions

Technical provisions comprise claims outstanding and provisions for unearned premiums.

Claims outstanding

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims, therefore the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

Provisions for unearned premiums

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

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred acquisition costs

Acquisition costs can comprise costs arising from the conclusion of insurance contracts, including direct costs, such as intermediary commissions and indirect costs, such as the administrative expenses connected with the processing of proposals and the issuing of policies. Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period, but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods. Deferred acquisition costs are amortised over the period in which the related premiums are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement. Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

Reinsurance assets

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

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

Insurance receivables

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

Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been met.

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs.

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 either financial assets at fair value through profit or loss or loans and receivables or available for sale. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. In general, financial assets are classified as fair value through profit or loss as the Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

Purchases and sales of financial assets are recognised on the trade date, i.e. the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the marketplace.

Financial assets at fair value through profit or loss has two sub-categories, namely financial assets held for trading and those designated at fair value through the profit and loss at inception. All the Syndicate's financial assets are held for trading. These investments are initially recorded at fair value. Subsequently 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.

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Derivative financial instruments

Derivative financial instruments are measured at cost for initial recognition, and subsequently at fair value, with changes recognised in the profit and loss. Transaction costs incurred in buying and selling derivative financial instruments are recognised in profit or loss when incurred. When derivatives are liabilities, they are reported with other creditors in the balance sheet.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks 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. Overdrafts are reported separately in creditors.

Fair value of financial assets

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

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

Analysis of the fair value of the Syndicate's investments is contained in note 21 *fair value estimation.*

Impairment of financial assets

For financial assets not held at fair value through profit or loss, the Syndicate assesses at each reporting date whether the financial asset or group of financial assets is impaired. The Syndicate first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment. If an available for sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income in members' balance to the income statement. Impairment losses recognised in the income statement in respect of an equity instrument are not subsequently reversed through the income statement. Reversals of impairment losses on debt instruments classified as available for sale are reversed through the income statement, if the increase in the fair value of the instruments can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

De-recognition of financial assets

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.

Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial liabilities

The Syndicate's financial liabilities include trade and other payables, borrowings and insurance payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

***Investment* return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the Balance Sheet date and their valuation at the previous Balance Sheet date, or purchase price, if acquired during the financial year, together with the reversal of unrealised gains and losses recognised in earlier financial years in respect of investment disposals in the current financial year.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account - general business. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Foreign currencies

The Syndicate's functional and also reporting currency is £ Sterling.

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency, measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange differences are recorded in the non-technical account

The following rates of exchange have been used in producing this annual report:

		US$	Can$	Euro	Au$
Closing rate of exchange	**31 December 2023**	**1.27**	**1.68**	**1.15**	**1.87**
Average rate of exchange	**Calendar year 2023**	**1.24**	**1.68**	**1.15**	**1.87**
Closing rate of exchange	31 December 2022	1.20	1.63	1.13	1.77
Average rate of exchange	Calendar year 2022	1.24	1.61	1.17	1.78

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 or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the statement of financial position under the heading 'other debtors'. No provision has been made for any overseas tax payable by members on underwriting results.

Pension costs

Probitas Managing Agency Limited operates a defined contribution scheme. Pension contributions relating to staff who act on behalf of the Syndicate are charged to the Syndicate and included within net operating expenses.

Bad debts

Bad debts are provided for only where information is available to suggest that that a debtor may be unable or unwilling to settle its debt to the Syndicate.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

2. Segmental Analysis

An analysis of the underwriting result before investment return and foreign exchange gains and losses is set out below:

2023	**Gross premiums written £000**	**Gross premiums earned £000**	**Gross claims incurred £000**	**Net operating expenses £000**	**Reinsurance balance £000**	**Total £000**
Direct Insurance:						
Fire and other damage to property	**86,158**	**76,585**	**(20,119)**	**(25,695)**	**(13,536)**	**17,235**
Third party liability	**130,123**	**114,657**	**(41,952)**	**(37,100)**	**(12,733)**	**22,872**
Marine, aviation and transport	**6,846**	**2,750**	**(1,394)**	**(260)**	**(868)**	**228**
	223,127	**193,992**	**(63,465)**	**(63,055)**	**(27,137)**	**40,335**
Reinsurance	**65,116**	**57,955**	**(29,921)**	**(17,504)**	**(5,831)**	**4,699**
Total	**288,243**	**251,947**	**(93,386)**	**(80,559)**	**(32,968)**	**45,034**

2022	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct Insurance:						
Energy	1,117	1,003	(582)	(1,206)	(3,829)	(4,614)
Fire and other damage to property	65,437	62,355	(33,773)	(21,616)	(10,198)	(3,232)
Third party liability	92,529	86,522	(44,590)	(26,816)	(10,808)	4,308
	159,083	149,880	(78,945)	(49,638)	(24,835)	(3,538)
Reinsurance	51,791	50,345	(19,750)	(13,707)	19,727	36,615
Total	210,874	200,225	(98,695)	(63,345)	(5,108)	33,077

All the £288,243,000 (2022: £210,874,000) gross premiums written were underwritten in the UK.

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

	Gross Written Premium			
	2023 £000	**2023 %**	2022 £000	2022 %
UK	**78,627**	**27.3**	61,846	29.3
Asia Pacific	**66,680**	**23.1**	51,530	24.4
Canada	**35,529**	**12.3**	27,394	21.6
W Europe (excl. UK)	**25,031**	**8.7**	14,976	13
Latin America & Caribbean	**68,233**	**23.7**	45,340	7.1
Rest of the World	**14,143**	**4.9**	9,788	4.6
Total	**288,243**	**100**	210,874	100

2. Segmental Analysis (continued)

Lloyd's Part VII Transfer

On 30 December 2020, the members and former members of the Syndicate, transferred all relevant policies, underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels' or "LIC"), in accordance with Part VII of the Financial Services and Markets Act 2000. Members of the Syndicate entered into a 100% Quota Share reinsurance arrangement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies through reinsurance to close of earlier years of account.

The scheme took effect on 30 December 2020 and the members and former members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels. On the same date, under the Quota Share reinsurance arrangement, Lloyd's Brussels reinsured the same risks back. The combined effect of the two transactions had no economic impact for the Syndicate.

Results relating to these risks are reported under the Inwards Reinsurance class of business, whether or not the original underlying policy is direct insurance or reinsurance.

3. Change in Net Provision for Claims

The change in net provision for claims is made up of the following:

	2023 **£000**	2022 £000
Change in gross provision for claims	**(58,646)**	(53,934)
Provision for unallocated loss adjustment expenses	**(727)**	199
Change in reinsurers' share of provision for claims	**3,227**	59,734
Total	**(56,146)**	5,999

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

4. Net Syndicate Operating Expenses

	2023 £000	2022 £000
Brokerage and commissions	**45,726**	30,372
Other acquisition costs	**3,794**	3,933
Gross acquisition costs	**49,520**	34,305
Change in net deferred acquisition costs	**(6,735)**	(520)
Earned acquisition costs	**42,785**	33,785
Reinsurers' commissions and profit participations	**(60)**	279
Net acquisition costs	**42,725**	34,064
Administrative expenses	**18,149**	16,756
Members' personal expenses	**19,685**	12,525
Total	**80,559**	63,345

Brokerage and commissions in respect of gross earned premium, derived from direct business amounted to £26,888,000 (2022: £25,322,000).

Members' personal expenses are analysed as follows:

	2023 £000	2022 £000
Managing agent's fee	**2,387**	2,464
Central Fund	**947**	683
Lloyd's Subscriptions	**974**	703
PPL rebate of Lloyd's Subscriptions	**-**	(62)
Profit commission	**15,377**	8,737
Total	**19,685**	12,525

For 2023 Central Fund contributions are levied at 0.35% of Gross Written Premium (GWP) (2022: 0.35%). Members' subscriptions charged at 0.36% of GWP (2022: 0.36%). Placing Platform Limited (PPL) is a not-for-profit company set up in 2016 to create a single market solution for electronic placing that would allow brokers and insurers to quote, negotiate and bind business electronically.

No interest was payable to any related party (2022: Nil).

4. Net Syndicate Operating Expenses (continued)

Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT)	**2023 £000**	2022 £000
Fees payable to the Syndicate's auditor for the audit of these financial statements	**293**	212
Non-audit fees:		
Other services pursuant to legislation	**107**	101
Statement of actuarial opinion	**98**	90
Total fees	**498**	403

Other services pursuant to legislation include fees for the Syndicate year end audit of Solvency II balance sheet and Quarterly Monitoring Return Part A (QMA) and Lloyd's half year reviews.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

5. Staff Numbers and Costs

In 2021 Probitas Management Agent Limited (PMA) entered into a secondment agreement with Probitas 1492 Services Limited (PSL), which employs all staff, including PMA executive directors, Underwriting and Claims staff in addition to other technical, administrative and finance. The monthly average number of employees employed by PSL and who worked either in part or whole for the Syndicate during the period until 31 December 2023 was as follows:

	2023	2022
Underwriting, Claims & Reinsurance	**55**	42
Administration including Underwriting support	**43**	33
Total	**98**	75

The costs associated with these staff are charged to the Syndicate in aggregate as part of an overall fee and are not clearly separable. They are included within Net Syndicate Operating expenses in the Income Statement. PSL's full staff cost disclosures are included in its own accounts, available from Companies' House.

PMA received a Managing Agent's fee of £2,387,000 (2022: £2,464,000) which was charged to the Syndicate.

Total emoluments of all PMA directors for the year to 31 December 2023 were £2,220,000, of which £1,450,000 was charged to Syndicate 1492 (31 December 2022 comparatives were £2,130,000 and £1,439,000 respectively).

In 2023 the highest paid PMA director received emoluments of £583,000 of which £452,000 was charged to the Syndicate (31 December 2022 comparatives were £569,000 and £441,000 respectively).

6. Active Underwriter's Emoluments

Antony Dodson has been the Active Underwriter of Syndicate 1492 since 21 September 2021, further to the secondment arrangement between Probitas Managing Agency Limited (PMA) and Probitas 1492 Services Limited (PSL). Prior to this, Ash Bathia was engaged as Syndicate 1492's Active Underwriter.

The proportion recharged to Syndicate 1492 in respect of the emoluments of the active underwriter for the year ended 31 December 2023 was £257,000 (31 December 2022 comparative was £245,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

7. Investment Return

	2023 £000	2022 £000
Income / (loss) from financial investments	**11,992**	(5,886)
Investment management charges	**(40)**	(226)
Total	**11,952**	(6,112)

Average amount of funds available for investment during the year:

	2023 £000	2022 £000
Sterling	**75,003**	57,995
United States Dollars	**34,614**	32,459
Canadian Dollars	**95,355**	80,801
Euros	**25,278**	25,298
Australian Dollars	**38,986**	35,015
Mexican Pesos	**52**	46
Total	**269,288**	231,614

	2023 %	2022 %
Gross calendar year investment yield including investment manager fees	**4.44**	**(2.64)**

Analysis of calendar year investment yield by fund	2023 %	2022 %
Sterling	**5.45**	(2.44)
United States Dollars	**4.74**	(0.08)
Canadian Dollars	**4.74**	(0.39)
Euros	**2.51**	(12.90)
Australian Dollars	**2.64**	(2.61)
Mexican Pesos	**-**	-

8. Financial Investments

	Market value 2023 £000	**Cost 2023 £000**	Market value 2022 £000	Cost 2022 £000
Shares and other variable securities and units in unit trusts:				
Designated at fair value through profit and loss	**25,300**	**25,432**	19,776	19,988
Debt securities and other fixed income securities	**200,940**	**197,100**	76,162	78,015
Participation in investment pools	**26,425**	**26,522**	103,566	104,948
Total	**252,665**	**249,054**	199,504	202,951

Included within Shares and Other Variable Securities is the loan to the Lloyd's Central Fund amounting to £1,848,000 (2022 £1,767,000). Debt securities and other fixed income securities which are listed total £200,940,000 (2022: £76,162,000). Where a valuation is used the Syndicate's investment managers select the most reliable sources of data.

The difference between the preceding table and that contained within note 21, fair value estimation, is due to the inclusion of overseas deposits of £40,479,000 (2022: £42,460,000). Definitions of the fair value levels are contained within note 1.

9. Reconciliation of Insurance Balances

The reconciliation between the opening and closing balance of *unearned premium* is made up of the following:

	2023		2022	
	Gross £000	**Reinsurers' Share £000**	Gross **£000**	Reinsurers' share **£000**
Brought forward	**99,186**	**15,607**	84,352	13,167
Premiums written	**288,243**	**(57,448)**	210,874	(83,983)
Premiums earned	**(251,947)**	**67,909**	(200,225)	84,864
Premium provision movement	**36,296**	**10,461**	10,649	881
Foreign exchange	**(3,126)**	**(1,085)**	4,185	1,559
Third party RITC balance transfer	**(1,955)**	**(719)**	-	-
Carried forward	**130,401**	**24,264**	99,186	15,607

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

9. Reconciliation of Insurance Balances (continued)

The reconciliation between the opening and closing balance of *claims outstanding* is made up of the following:

	2023		2022	
	Gross	Reinsurers' Share	Gross	Reinsurers' share
	£000	£000	£000	£000
Brought forward	**(256,035)**	**119,477**	(192,604)	54,831
Change in claims provision	**(58,647)**	**3,227**	(53,934)	59,734
Change in provision for unallocated loss adjustment expenses	**(726)**	**-**	199	-
Claims provision movement	**(59,373)**	**3,227**	(53,735)	59,734
Foreign exchange	**4,799**	**(1,377)**	(9,695)	4,912
Third party RITC balance transfer	**70,445**	**(74,446)**	-	-
Carried forward	**(240,164)**	**46,881**	(256,034)	119,477

Included within the 2022 balance above are £43,400,000 of reinsurance recoveries in respect of the 2018 & prior legacy transaction.

10. Debtors Arising Out of Direct Insurance Operations

	2023	2022
	£000	£000
Amounts due from policyholders - within one year	**55,319**	43,693

11. Debtors Arising Out of Reinsurance Operations

	2023	2022
	£000	£000
Amounts due from intermediaries - within one year	**33,161**	25,468

12. Other Debtors

	2023	2022
	£000	£000
Amounts due - within one year	**5,453**	2,213

13. Reconciliation of Gross Deferred Acquisition Costs

The reconciliation between the opening and closing balance of deferred acquisition costs is made up of the following:

	2023	2022
	£000	£000
Brought forward	**14,176**	12,975
Change in gross deferred acquisition costs	**6,735**	520
Sub-total	**20,911**	13,495
Foreign exchange	**(481)**	681
Carried forward	**20,431**	14,176

14. Creditors Arising Out of Reinsurance Operations

	2023	2022
	£000	£000
Amounts due to intermediaries - within one year	**26,003**	47,516

15. Accruals and Deferred Income

	2023	2022
	£000	£000
Amounts due within one year	**18,859**	11,190
Amounts due after one year	**2,809**	2,513
Total	**21,668**	13,703

The above amounts relate to various operating expenses, including accrued profit commission.

16. Ultimate Parent Company of the Managing Agent

Probitas Managing Agency Limited (PMA), incorporated in England and Wales, is the Managing Agent for Syndicate 1492.

The accounts of PMA are available from registered office at 88 Leadenhall Street, London, EC3A 3BP.

PMA's immediate parent undertaking is Probitas Holdings UK Limited, a company incorporated in England and Wales.

PMA's ultimate parent undertaking is Probitas Holdings Bermuda Limited, a company incorporated in Bermuda.

17. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating underwriting 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. Generally, 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 annual accounts by way of such capital resources. However, the managing agent can make a call on the member's FAL to meet liquidity requirements or to settle losses.

18. Post Balance Sheet Events

There have been no post balance sheet events impacting the syndicate's underwriting performance or investment portfolios.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

19. Related Parties

The following entities are referred to by their abbreviation throughout this note:

Probitas Group subsidiaries and associates:		
1	Probitas Corporate Capital Limited	PCCL
2	Probitas 1492 Services Limited	PSL
3	Probitas Holdings (Bermuda) Limited	PHBL
4	Probitas Holdings (UK) Limited	PHUK
5	Probitas 1492 Services Mexico SA De CV	PMex
6	Probitas Managing Agency Limited	PMAL
7	Probitas 1492 (Europe) SRL	PBE
8	Probitas 1492 (Pacific) Pty Ltd	PPPL
9	AdA Risk Holding Co Limited	ADA
10	AdA Underwriters Limited	ADAU

PMA has charged a managing agency fee of £2,387,000 to Syndicate 1492 for the period ending 31 December 2023 (2022: £2,464,000).

Disclosed below are those transactions or arrangements entered into on behalf of, or otherwise concerning the member of, the Syndicate in which any related company of PMA has, directly or indirectly, a material interest:

PMA's immediate direct holding company is PHUK.

PMA holds a Secondment & Services agreement with PSL for the provision of underwriting and other related technical underwriting, claims, reinsurance and administration staff, services and accommodation for Syndicate 1492.

During the reporting period £254,000 (2022: £207,000) was charged to Syndicate 1492 in respect of management services provided by PSL. Amounts outstanding at each reporting period end were £185,000 due from PSL and £185,000 applicable respectively.

During the reporting period £26,500 (2022: £20,000) was charged to Syndicate 1492 in respect of management services provided by PMex.

19.Related Parties (continued)

During the reporting period £96,000 (2022: £70,000) was charged to Syndicate 1492 in respect of management services provided by PBE.

During the reporting period £44,000 (2022: £NIL) was charged to Syndicate 1492 in respect of management services provided by PPPL.

The transactions are settled with cash transfers in a timely manner. Agreements and contracts where they exist, are included above.

20.RITC

On 25 January 2023, Probitas Managing Agency Ltd received approval from the Prudential Regulation Authority (PRA) for its application for a modification to the "Solvency II Firms Lloyd's - Rule 3.1 - Approved Reinsurance to Close".

The approved modification permitted a split-Reinsurance to Close (RITC), effective 31 December 2022, such that:

The 2018 and prior year liabilities of Probitas Managing Agency Ltd.'s managed Syndicate 1492's 2020 year of account will RITC into Enstar Managing Agency Ltd.'s managed Syndicate 2008 2022 year of account.

All liabilities comprised in the 2020 year of account of Probitas Syndicate 1492, other than the 2018 and prior year liabilities, will RITC into the 2021 year of account of Probitas Syndicate 1492.

On 31 August 2022, in advance of receiving PRA approval for the split-RITC, Probitas Managing Agency Ltd entered into a Loss Portfolio Transfer ("LPT") agreement with Enstar Managing Agency Limited's managed Syndicate 2008 in respect of the 2020 year of account of Syndicate 1492 for the same liabilities as described above regarding the RITC.

This arrangement has delivered a bespoke solution to help meet Syndicate1492's strategic objectives and provides greater certainty as Syndicate 1492 continues to grow and diversify its business profitably.

21. Risk Management

GOVERNANCE FRAMEWORK

The Board of directors of the managing agent has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established an Audit committee and a Risk committee which oversee the operation of the of the syndicate Risk Management Framework and reviews and monitors the management of risks.

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

The Managing Agent has established a risk management function for the Syndicate with clear terms of reference from the board of directors, its committees, and the associated executive management committee. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive working groups and senior managers. Lastly, a Syndicate policy framework which sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

The board of directors approves the risk management policies and meets regularly to approve any commercial, regulatory, and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate business plan, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'. The Syndicate regularly undertakes a process known as 'Own Risk & Solvency Assessment' (ORSA) which is reviewed by the Risk Committee and finally approved by the board.

21. Risk Management (continued)

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND APPROACH

Capital framework at Lloyd's

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly, the capital requirement in respect of Syndicate 1492 is not disclosed in these financial statements.

Lloyd's capital setting process

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

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

The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 and 2021 was 35% of the members' SCR 'to ultimate'.

21. Risk Management (continued)

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND APPROACH (continued)

Provision of capital by members

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

Accordingly, 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.

INSURANCE RISK

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

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

The Syndicate purchases reinsurance as part of its risks' mitigation programme. Reinsurance ceded may be placed on both a proportional and non–proportional basis. The majority of any proportional reinsurance which might be ceded is likely to be quota–share reinsurance which would be taken out to reduce the overall exposure to certain classes of business. Non–proportional reinsurance is primarily excess of loss reinsurance and is usually designed to mitigate the Syndicate's net exposure to catastrophe losses. Retention limits for the excess of loss reinsurance will vary by product line and territory.

21. Risk Management (continued)

INSURANCE RISK (continued)

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Syndicate principally issues the following types of general insurance contracts: Property and Casualty risks usually cover twelve months' duration.

The Syndicate's most significant risks arise from natural disasters. For longer tail casualty claims that take some years to settle, there is also inflation risk.

Variability in claims and hence profits is a significant risk to the Syndicate. This is mitigated by writing a diverse range of products including diversification by industry sector and geography. The Syndicate has an agreed maximum and normal line size for each underwriting team. It also has a reinsurance strategy and purchasing plan to mitigate the effects of individual large losses and events. The pricing of the business includes the consideration of inflation and other economic factors. Operational risk can also increase the volatility of profits. This risk is mitigated by strict claim handling procedures and frequent investigation of possible fraudulent claims.

PMA has a number of Board level risk appetite statements governing the Syndicate's appetite to Insurance, Reserving, Investment (and Liquidity), Credit, and Operational Risks. These are further sub-divided to provide greater clarity to the business of the parameters within which it is permitted to operate. One example is the appetite for natural catastrophe risk, which is expressed in terms of potential losses relative to the reinsurance protections purchased, and monitored using proprietary loss modelling tools.

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

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

21. Risk Management (continued)

The Property D&F account written during 2023 is exposed to catastrophe type major losses:

Major Loss	**Estimated gross ultimate claims £000**	**Estimated net ultimate claims £000**
31 December 2023:		
Tropical Cyclone Gabrielle	**2,661**	**2,661**
Canada Wildfires	**1,403**	**1,403**
Hurricane Otis- Mexico	**3,154**	**2,872**
31 December 2022		
Queensland floods, New Zealand	**1,000**	**1,000**

Reserves have been assessed across the whole underwriting portfolio on an entirely assumed basis using the Lloyd's approved Syndicate business plan loss ratios.

The geographical analysis of the risks underwritten shown below illustrates to how the claims might settle if the reserves were to crystallise and settle as actual claims in an equivalent manner.

	Gross Claims Reserves			
	2023	**2023**	2022	2022
	£000	**%**	£000	%
UK	**79,545**	**33.0**	83,154	32.5
Rest of the World	**4,237**	**1.8**	13,449	5.3
Canada	**35,442**	**14.8**	40,458	15.8
Asia Pacific	**73,416**	**30.6**	59,542	23.2
W Europe (ex UK)	**20,171**	**8.4**	38,371	15.0
Latin America & Caribbean	**27,353**	**11.4**	21,061	8.2
Total	**240,164**	**100**	256,035	100

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

21. Risk Management (continued)

INSURANCE RISK (continued)

The following table sets out the concentration of outstanding claims liabilities by class:

	2023		2022	
Class	**£000**	**%**	£000	%
Property	**41,753**	**17.6**	44,926	17.7
Contractor All Risks	**2,356**	**1.0**	2,941	1.2
Property D & F	**44,109**	**18.6**	47,867	18.9
Financial Lines	**79,211**	**33.3**	85,752	33.7
Casualty UK & Ireland	**45,592**	**19.2**	54,290	21.4
Casualty International	**60,405**	**25.5**	65,180	25.7
Casualty	**185,208**	**78.0**	205,222	80.8
Cyber	**4,749**	**2.0**	559	0.3
Energy	**2,984**	**1.4**	-	0.0
Total	**237,050**	**100**	253,648	100

The above excludes the provision for Unallocated Loss Adjustment Expenses (ULAE) of £3,112,299 (2022: £2,387,000).

Key assumptions

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

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

21. Risk Management (continued)

INSURANCE RISK (continued)

Sensitivities

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

The Syndicate has limited historical experience on which to base statistical projections particularly in respect of the longer-tail lines of business. Benchmark data has therefore been used on a selective basis in the reserving process.

For illustrative purposes the following table indicates the impact of various percentage changes to the booked reserves. The calculations have been carried out on a linear basis and without any actuarial adjustments or application of expert judgement.

Change in assumption + / (-) %	Impact on Gross Liabilities £000	Impact on Net Liabilities £000	Impact on Result £000	Impact on Members' Balance £000
Dec 2023:				
10 / (10)	**24,016 / (24,016)**	**19,328 / (19,328)**	**19,328 / (19,328)**	**19,328 / (19,328)**
50 / (50)	**120,082 / (120,082)**	**96,642 / (96,642)**	**96,642 / (96,642)**	**96,642 / (96,642)**
100 / (100)	**240,164 / (240,164)**	**193,283 / (193,283)**	**193,283 / (193,283)**	**193,283 / (193,283)**
200 / (200)	**480,328 / (480,328)**	**386,566 / (386,566)**	**386,566 / (386,566)**	**386,566 / (386,566)**
Dec 2022:				
10 / (10)	25,604 / (25,604)	13,656 / (13,656)	13,656 / (13,656)	13,656 / (13,656)
50 / (50)	128,018 / (128,018)	68,279 / (68,279)	68,279 / (68,279)	68,279 / (68,279)
100 / (100)	256,035 / (256,035)	136,558 / (136,558)	136,558 / (136,558)	136,558 / (136,558)
200 / (200)	512,070 / (512,070)	273,116 / (273,116)	273,116 / (273,116)	273,116 / (273,116)

Positive changes in assumptions represent a decrease of the liability; negative changes in assumptions represent an increase in the liability.

21. Risk Management (continued)

INSURANCE RISK (continued)

Claims development table

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The cumulative claim estimates and cumulative payments are translated to £ Sterling at the rate of exchange that applied at the end of the underwriting year. The impact of exchange differences is shown at the bottom of the table.

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 provision's 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.

21. Risk Management (continued)

INSURANCE RISK (continued)

Insurance contract outstanding claims provision by year of account as at 31 December 2023:

Analysis of claims development by year of account- *The figures above are stated at closing rates of exchange.*

	2023	2022	2021	2020	2019
Estimate of cumulative Gross claims incurred:	£000	£000	£000	£000	£000
At end of underwriting year	59,357	52,797	32,391	26,229	26,383
After one year	-	100,602	71,779	51,372	53,500
After two years	-	-	59,166	46,168	48,836
After three years	-	-	-	42,564	48,093
After four years	-	-	-	-	49,544
After five years	-	-	-	-	-
After six years	-	-	-	-	-
After seven years	-	-	-	-	-
Cumulative Gross payments to date	1,284	17,612	12,538	15,189	24,446
Outstanding Gross claims provision at 31 December 2023	58,073	82,990	46,628	27,375	25,098
Estimate of cumulative Net claims incurred:					
At end of underwriting year	46,270	35,788	25,496	20,525	20,176
After one year	-	77,801	57,993	41,185	41,666
After two years	-	-	48,833	38,904	40,485
After three years	-	-	-	37,110	41,923
After four years	-	-	-	-	42,910
After five years	-	-	-	-	-
After six years	-	-	-	-	-
After seven years	-	-	-	-	-
Cumulative Net payments to date	1,284	7,853	11,777	14,886	23,841
Outstanding Net claims provision at 31 December 2023	44,986	69,948	37,056	22,224	19,069

21. Risk Management (continued)

FINANCIAL RISK

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. A credit risk policy describes the assessment and determination of what constitutes credit risk for the Syndicate. Compliance with the policy is monitored and exposures and any breaches are reported initially to the Syndicate Monitoring Committee. Emphasis is currently placed on reinsurer security premium receivable from intermediaries. The policy is reviewed at least annually.

Management performs an assessment of creditworthiness of both reinsurers and brokers and updates the reinsurance purchase strategy, while also considering suitable allowance for impairment.

The Syndicate's maximum exposure to credit risk is represented by the carrying values of monetary assets and reinsurance assets. Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by PMA's 'Broker Vetting & Reinsurance Security Group' (BVRSG) and are subject to regular reviews. The Syndicate does not use credit derivatives or other products to mitigate maximum credit risk exposures on reinsurance assets, but collateral may be requested to be held against these assets.

21. Risk Management (continued)

FINANCIAL RISK (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.

	Neither past due nor impaired	Past due	Impaired	Total
	£000	£000	£000	£000
31 December 2023:				
Shares and other variable yield securities and unit trusts	**25,300**	**-**	**-**	**25,300**
Debt securities and other fixed income securities	**200,939**	**-**	**-**	**200,939**
Overseas deposits	**40,479**	**-**	**-**	**40,479**
Reinsurer' share of claims outstanding	**46,881**	**-**	**-**	**46,881**
Reinsurance debtors	**0**	**-**	**-**	**0**
Participation in investment pools	**26,425**	**-**	**-**	**26,425**
Deposits with ceding undertakings	**768**	**-**	**-**	**768**
Cash at bank and in hand	**30,236**	**-**	**-**	**30,236**
Insurance debtors	**41,664**	**13,654**	**-**	**55,318**
Other debtors	**78,356**	**6,425**	**-**	**84,781**
Total credit risk	**491,048**	**20,079**	**-**	**511,127**

31 December 2022:				
Shares and other variable yield securities and unit trusts	19,776	-	-	19,776
Debt securities and other fixed income securities	76,162	-	-	76,162
Overseas deposits	42,461	-	-	42,461
Reinsurer' share of claims outstanding	119,477	-	-	119,477
Reinsurance debtors	4,728	-	-	4,728
Participation in investment pools	103,566	-	-	103,566
Deposits with ceding undertakings	349	-	-	349
Cash at bank and in hand	8,730	-	-	8,730
Insurance debtors	22,299	21,394	-	43,693
Other debtors	43,592	10,067	-	53,659
Total credit risk	441,140	31,461	-	472,601

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

21. Risk Management (continued)

FINANCIAL RISK (continued)

Credit risk (continued)

	AAA	AA	A	BBB	Less than BBB	Not rated	Total
	£000	£000	£000	£000	£000	£000	£000
31 December 2023:							
Shares and other variable yield securities	**1,027**	**-**	**23,335**	**-**	**-**	**938**	**25,300**
Debt securities and other fixed income securities	**62,154**	**25,469**	**79,825**	**33,490**	**-**	**0**	**200,938**
Participation in investment pools							**-**
	7,335	**8,195**	**5,584**	**2,491**	**2,345**	**475**	**26,425**
Overseas deposits	**26,561**	**3,752**	**3,349**	**3,179**	**1,288**	**2,350**	**40,479**
Reinsurer' share of claims outstanding	**-**	**10,354**	**33,327**	**3,200**	**-**	**-**	**46,881**
Reinsurance debtors							**-**
Deposits with ceding undertakings	**-**	**-**	**-**	**-**	**-**	**-**	**-**
	-	**-**	**768**	**-**	**-**	**-**	**768**
Cash & cash equivalents	**-**	**-**	**30,236**	**-**	**-**	**-**	**30,236**
Total credit risk	**97,077**	**47,770**	**176,424**	**42,360**	**3,633**	**3,763**	**371,027**

	AAA	AA	A	BBB	Less than BBB	Not rated	Total
31 December 2022:							
Shares and other variable yield securities	1	-	19,772	-	-	3	19,776
Debt securities and other fixed income securities	37,816	4,302	24,817	8,945	-	282	76,162
Participation in investment pools							-
	30,178	29,311	25,758	14,835	1,572	1,913	103,567
Overseas deposits	24,313	6,318	4,019	3,486	1,636	2,689	42,461
Reinsurer' share of claims outstanding	-	18,061	50,660	50,756	-	-	119,477
Reinsurance debtors							-
Deposits with ceding undertakings	-	-	-	4,728	-	-	4,728
	-	-	349	-	-	-	349
Cash & cash equivalents	-	-	8,730	-	-	-	8,730
Total credit risk	92,308	57,992	134,105	82,750	3,208	4,887	375,250

21. Risk Management (continued)

FINANCIAL RISK (continued)

Credit risk (continued)

Assets which are past due but not impaired have been in arrears for less than 3 months from the reporting date. The table above provides information regarding the credit risk exposure of the Syndicate at 31 December by classifying assets per Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated.

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Syndicate's rating policy. The attributable risk ratings are assessed and updated regularly.

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries.

A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is the responsibility of the PMA Investment Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

21. Risk Management (continued)

FINANCIAL RISK (continued)

Liquidity risk (continued)

Maturity profiles

	No maturity stated	**0-1 year**	**1-3 year**	**3-5 year**	**>5 year**	**Total**
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
31 December 2023						
Claims outstanding	**-**	**61,972**	**90,197**	**49,404**	**38,591**	**240,164**
Creditors	**-**	**35,719**	**-**	**-**	**-**	**35,719**
Total credit risk	**-**	**97,691**	**90,197**	**49,404**	**38,591**	**275,883**
31 December 2022						
Claims outstanding	-	118,680	81,397	37,872	18,086	256,035
Creditors	-	49,024	-	-	-	49,024
Total credit risk	-	167,704	81,397	37,872	18,086	305,059

Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk includes:

a. Currency risk
b. Interest rate risk
c. Fair value estimation

21. Risk Management (continued)

FINANCIAL RISK (continued)

Market risk (continued)

a. *Currency risk*

A market risk policy exists that sets out the assessment and determination of what constitutes market risk for the Syndicate. As the Syndicate develops, compliance with the policy will be monitored and any exposures and breaches arising will be reported to the Investment committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in US, Canadian and Australian Dollars and Euros. The Syndicate seeks to mitigate the risk by looking to match the estimated foreign currency denominated liabilities with assets denominated in the same currency.

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

Converted £000	**UK £STG**	**US$**	**Euro €**	**Can$**	**Au$**	**Total CNV £**
31 December 2023:						
Total assets	**160,613**	**90,538**	**66,221**	**88,090**	**105,668**	**511,130**
Total liabilities	**(168,610)**	**(105,959)**	**(48,069)**	**(49,987)**	**(55,326)**	**(427,951)**
Net assets / (liabilities)	**(7,997)**	**(15,421)**	**18,152**	**38,103**	**50,342**	**83,179**
31 December 2022:						
Total assets	145,567	91,269	69,936	68,266	97,564	472,602
Total liabilities	(158,919)	(98,850)	(50,362)	(58,175)	(51,641)	(417,947)
Net assets / (liabilities)	(13,352)	(7,581)	19,574	10,091	45,923	54,655

21. Risk Management (continued)

FINANCIAL RISK (continued)

Market risk (continued)

a. *Currency risk (continued)*

The non-Sterling denominated net assets of the Syndicate may lead to a reported loss (depending on the mix relative to the liabilities), should Sterling strengthen against these currencies. Conversely, reported gains may arise should Sterling weaken.

The Syndicate looks to match its currency position wherever practicable and so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies to protect the solvency of the Syndicate against variation in foreign exchange rates. As a result, the Syndicate holds a significant proportion of its assets in foreign currencies.

Illustrative impact on result and member's balances if, relative to the year-end rates:		**2023**	2022
		£000	£000
Sterling was to strengthen against other settlement currencies by:			
	5%	**(4,626)**	(3,454)
	10%	**(9,253)**	(6,907)
	20%	**(18,506)**	(13,814)
Sterling was to weaken against other settlement currencies by:			
	(5%)	**4,626**	3,454
	(10%)	**9,253**	6,907
	(20%)	**18,506**	13,814

21. Risk Management (continued)

FINANCIAL RISK (continued)

Market risk (continued)

b. Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate holds no derivatives or financial assets whose values might be impacted by a change in interest rates nor does it have any other significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

As a result of the Syndicate's current situation, no analysis has been disclosed to illustrate possible movements in interest rates with all other variables held constant, which would show the impact on the result and members' balance of the effects of changes in interest rates since the Syndicate has only immaterial financial assets and liabilities. The Syndicate is not exposed to equity price risk.

c. Fair value estimation

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Managing Agent applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data; in some cases, management estimates as well as observable market inputs are used within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independently of the risk taker. These inputs and outputs are provided to us by our investment managers who derive them through a formal valuation committee.

21. Risk Management (continued)

FINANCIAL RISK (continued)

Market risk (continued)

c. *Fair value estimation (continued)*

The table below shows financial assets and liabilities carried at fair value through profit or loss (as disclosed in note 8) grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

All debt securities and other fixed income securities are listed. Other financial investments measured by the fair value hierarchy at 31 December are summarised below.

Included within Shares and other variable yield securities are Syndicate loans which have been provided by the Syndicate to the Lloyd's Central Fund. These loans cannot be traded and are valued using discounted cash flow models taking into account the credit and illiquidity risk of the loans. The Syndicate loans have been classified as Level 3 investments due to unobservable inputs and subjectivity used to determine the appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow models.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2023

21. Risk Management (continued)

FINANCIAL RISK (continued)

Market risk (continued)

C Fair value estimation (continued)

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
December 2023:				
Shares and other variable securities and units in unit trusts	**-**	**23,452**	**1,848**	**25,300**
Debt securities and other fixed income securities	**200,939**	**-**	**-**	**200,939**
Participation in investment pools	**9,425**	**17,000**	**-**	**26,425**
Overseas deposits	**1,826**	**38,652**	**-**	**40,478**
Derivative liabilities	**(143)**			**(143)**
Total	**212,047**	**79,104**	**1,848**	**292,999**

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
December 2022:				
Shares and other variable securities and units in unit trusts	-	18,009	1,767	19,776
Debt securities and other fixed income securities	76,162	-	-	76,162
Participation in investment pools	41,996	61,571	-	103,567
Overseas deposits	2,189	40,271	-	42,460
Total	120,347	119,851	1,767	241,965

Definitions of the fair value levels are contained within note 1.