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R&Q SYNDICATE MANAGEMENT LIMITED

ANNUAL REPORT AND ACCOUNTS
31 DECEMBER 2023

SYNDICATE 1110

Annual Report and Accounts
For the year ended 31 December 2023

Contents

Directors and Administration
FOR THE YEAR ENDED 31 DECEMBER 2023

Managing Agent

Managing Agent
R&Q Syndicate Management Limited

Registered Office
71 Fenchurch Street
London
EC3M 4BS

Registered Number
5957729

Directors

F X B Boisseau*	(appointed 4th May 2023)
P S Donovan	
P A Flamank*	(resigned 30 June 2023)
J B King	
T J Leggett*	(resigned 30 June 2023)
A K M McFarland	
M G McCaig*	(appointed 4th May 2023)

* Non-Executive Director

Company Secretary
R&Q Central Services Limited

Syndicate

Auditors
PKF Littlejohn LLP

Report of the Directors
FOR THE YEAR ENDED 31 DECEMBER 2023

The Directors of R&Q Syndicate Management Limited (the Managing Agent) present their annual report and audited financial statements for the year ended 31 December 2023.

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102") and Financial Reporting Standard 103, "Insurance Contracts". Furthermore, these financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

Results

The result for calendar year 2023 is a loss of £47.2m (2022: loss of £2.1m).

Principal Activity and Business of the Syndicate

The principal activity of Syndicate 1110 is the transaction of reinsurance business in the United Kingdom by way of reinsurance to close ("RITC"), loss portfolio transfer ("LPT") or adverse development cover ("ADC").

The Syndicate trades with Lloyd's ratings of AA- Standard & Poor's, AA- Fitch and A A.M. Best.

Management of the Syndicate

R&Q Syndicate Management Limited (R&Q SML) is the Managing Agency for the Syndicate. The Managing Agent is ultimately owned by R&Q Insurance Holdings Limited.("R&Q"), a company registered in Bermuda.

Review of Financial Performance

The key financial indicators for 2023 were as follows:

	2023 **£m**	**2022** **£m**
Gross written premium	5.6	333.4
Net earned premium	4.2	83.6
Net claims incurred	(39.4)	(66.5)
Net operating expenses	(21.5)	(7.9)
Loss for the financial year	(47.2)	(2.1)

The 2017 year of account of Syndicate 1110 was reinsured to close into the 2022 year of account on 1 July 2023 following confirmation regarding reinsurance balances with Co/Action Specialty Group, who are the major reinsurer of the liabilities of this year of account.

Gross written premium

Gross premium has reduced from £333.4m to £5.6m due to no deals occurring in the year. In the prior year two significant deals were entered into, being the RITC of all Syndicate 5678's open years of account and the adverse development cover of certain years of account of Syndicates 33 and 3624 ("Hiscox ADC"), managed by Hiscox Syndicates Limited.

Net earned premium

Net earned premium has decreased from £83.6m to £4.2m as a result of the decreased gross written premium. The majority of the gross written premium in the prior year was covered by a funds withheld 80% whole account quota share reinsurance agreement with Gibson Re Ltd ("Gibson Re WQS"), an unrelated entity.

Claims incurred

The current year claims incurred of £39.4m has largely been driven by adverse experience of casualty business. Although lower than the £66.5m in the prior year, it is prior year deterioration rather than related to deals undertaken in the year.

Other

Investment return in 2023 was £8.6m (2022: £(7.5)m loss). The increase was mainly due to the increase in unrealised gains caused by interest rate yields falling in the year.

Net operating expenses in 2023 were £21.5m (2022: £7.9m). The increase relates to the write-off of two debtors totalling £16m in the year.

Statement of Financial Position

Syndicate assets reduced by £93.2m to £586.5m (2022: £679.7m) and total liabilities decreased by £84.7m to £637.8m (2022: £722.5m).

Assets have decreased with the payment of claims and expenses causing reduced investments of £32.7m. The reinsurers share of technical provisions has also decreased as gross claims have been paid, with a significant amount impacting creditors falling due after one year, due to the funds withheld nature of the Gibson Re WQS.

Principal Risks and Uncertainties

The Managing Agent has a Risk Management Function for the Syndicate with clear terms of reference from the Board of Directors, its committees and the associated Executive Management Committees. The Board approves the risk management policies and meets regularly to approve commercial, regulatory and organisational requirements of such policies.

The Board reviews and approves its risk appetite annually.

The Risk Management Function has implemented a Board approved Risk Management Framework to enable the ongoing identification, assessment and management (mitigation, monitoring and reporting) of risks and is also responsible for producing the Syndicate's Own Risk and Solvency Assessment ('ORSA'); recommending the assessment to the Board for approval.

The principal risks and uncertainties facing the Syndicate are set out below:

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. The objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The development and potential inadequacy of claims reserves is the key source of insurance risk. Reserve adequacy is monitored through quarterly review by the Actuarial function which is reviewed by the Technical Provisions Committee. The reserves are also subject to independent review through the annual test of sufficiency performed as part of the Lloyd's Statements of Actuarial Opinion.

Credit Risk

Credit risk relates to the risk of default on the settlement of balances receivable by the Syndicate. The Syndicate's reinsurers and intermediaries from which gross written premiums are sourced represent the principal sources of this risk. This risk is actively managed by the policies, procedures and controls overseen by the Executive Management Committees. The Syndicate has reinsurance with highly rated or reputable reinsurers. Where appropriate reinsurance is supported by collateral. Any new reinsurance requires approval from the Board.

The Syndicate is also exposed to credit risk with an R&Q subsidiary in respect of services performed in relation to the Gibson Re WQS. It manages this risk through monitoring of the Syndicate's net exposure to R&Q subsidiaries.

Liquidity Risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations due to a short-term shortfall in available funds. This risk is mitigated by the liquid nature of the Syndicate's investment portfolio. A number of processes are followed by the Agency to further mitigate against the risk of the Syndicate being unable to settle its obligations as they fall due.

Market Risk

The key aspect of market risk is that the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. Currency matching is reviewed by Management quarterly. Where there is a significant mismatch, the Agency seeks to mitigate the risk through buying or selling currency, where this is appropriate.

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. The extent of any price fluctuation is driven by the portfolio duration. The investment portfolio duration is managed so as to be slightly less than the duration of claims payments.

Financial instruments and risk management

Information on the use of financial instruments by the Syndicate and its management of financial risk and in particular its exposure to interest rate risk, currency risk, credit risk and liquidity risk is disclosed in note 20 to the financial statements.

Operational Risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The Agency seeks to manage this risk through its governance structure and internal control framework and employs a structured programme of testing systems and controls which is carried out by the Internal Audit Function.

Regulatory Risk

The Agency is required to comply with the requirements of the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change.

The Agency has a Compliance Function that monitors regulatory developments and assesses the impact on the Agency's policies. The compliance function reports regularly to the Board which has ultimate responsibility for ensuring compliance with applicable laws and regulations.

Conduct Risk

Conduct risk is the risk that the Syndicate fails to pay appropriate regard to the interest of its customers and/or fails to treat them fairly at all times. Conduct risk is managed through the application of strong internal controls, compliance policies and procedures, and through the monitoring of various conduct risk metrics.

Future Developments & Important Events since the end of the Financial Year

The Syndicate continues to pursue reinsurance business opportunities in the United Kingdom by way of reinsurance to close ("RITC"), loss portfolio transfer ("LPT") or adverse development cover ("ADC").

Environmental matters

R&Q Syndicate Management Limited is committed to being a successful, sustainable, long-term business. We understand that everything we do has an impact on people and the environment and so it is important that we operate in an ethically, socially and environmentally responsible way.

As part of its continued commitment to embedding Environmental, Social and Governance across its business, R&Q recently became a signatory to the UNs Principles for Sustainable Insurance.

Directors

Details of the Directors of the Managing Agent who served during the year and up to the date of signing of the Syndicate Annual Report and Accounts are provided on page 2 in the Directors and Administration section.

Disclosure of Information to the Auditors

The Directors of the Managing Agent at the time the report is approved confirm that:

- So far as each of them is aware, there is no relevant audit information, being information needed by the Syndicate's auditor in connection with the auditor's report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the Managing Agency and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditors

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, PKF Littlejohn LLP will continue in office.

On behalf of the Board

J B King

CEO

26 February 2024

Statement of Managing Agent's Responsibilities
FOR THE YEAR ENDED 31 DECEMBER 2023

The Managing Agent is responsible for preparing the Syndicate annual report and accounts in accordance with applicable laws and regulations.

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

In preparing the Syndicate annual report and accounts, the Managing Agent is required to:

1. Select suitable accounting policies which are applied consistently;

2. Make judgements and estimates that are reasonable and prudent;

3. State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate annual accounts; and

4. Prepare the Syndicate annual report and accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that 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 report and accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. 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.

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' web site. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1110 FOR THE YEAR ENDED 31 DECEMBER 2023

Opinion

We have audited the syndicate annual accounts of Syndicate 1110 (the 'syndicate') for the year ended 31 December 2023 which comprise the Income Statement, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and Notes to the Financial Statements, including significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2023 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

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

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

Emphasis of matter - uncertainty regarding the recoverability of an US$8.2m debt

We draw attention to notes 1.3 and 12 to the financial statements which explain the uncertainty surrounding the recoverability of an US$8.2m debt from R&Q Services Bermuda Limited, an R&Q subsidiary.

The recoverability of this debt is subject to the sale of the Accredited business, owned by the R&Q Group. The completion of this sale is subject to regulatory approval and reaching suitable agreements with R&Q Group's finance providers.

Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the syndicate annual report and accounts, other than the syndicate annual accounts and our auditor's report thereon.

The managing agent is responsible for the other information contained within the syndicate annual report. Our opinion on the syndicate annual accounts 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 accounts or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement in the syndicate annual accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

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

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

- the information given in the Report of the Directors for the financial year for which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the Report of the Directors has been prepared in accordance with applicable legal requirements.

Matters on which we are required to report by exception

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

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

- adequate accounting records have not been kept on behalf of the syndicate; or
- the syndicate annual accounts are not in agreement with the accounting records and returns; or
- certain disclosures of managing agent emoluments and other benefits specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

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

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

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

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

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 obtained an understanding of the syndicate and the insurance sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the syndicate annual accounts. We obtained our understanding in this regard through discussions with management, industry research and the application of our cumulative audit knowledge and experience of the insurance sector.
- We determined the principal laws and regulations relevant to the syndicate in this regard to be those arising from the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA), Lloyd's of London and the Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008, and the financial reporting framework (UK GAAP).
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the syndicate with those laws and regulations. These procedures included, but were not limited to:
  - agreement of the syndicate annual accounts disclosures to underlying supporting documentation;
  - enquiries of management and review of minutes of Board and management meetings throughout the period;
  - understanding the syndicate's policies and procedures in monitoring compliance with laws and regulations;
  - inspection of correspondence with Lloyd's of London, the PRA and FCA; and
  - reviewing compliance reports and internal audit reports relating to the syndicate.
- We also identified possible risks of material misstatement of the syndicate annual accounts due to fraud. We considered, in addition to the non-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the syndicate annual accounts relating to the valuation of technical provisions and the calculation of the reinsurer's share of technical provisions, To address this, we challenged the assumptions and judgements made by management when auditing those significant accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to, the testing of journals, reviewing accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that were unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the syndicate annual accounts or non-compliance with laws and regulations. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the syndicate annual accounts, as we will be less likely to become aware of instances of non-compliance. This risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, conclusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with Part 2 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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Carmine Papa
(Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

26 February 2024

Income Statement
TECHNICAL ACCOUNT – GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Gross premiums written	2	**5,561**	333,442
Outward reinsurance premiums		**(1,330)**	(249,826)
Net written premiums		**4,231**	83,616
Earned premiums, net of reinsurance		**4,231**	83,616
Allocated investment return transferred from the non-technical account		**8,574**	(7,510)
Claims paid			
Gross amount		**(100,839)**	(99,706)
Reinsurers' share		**74,470**	68,593
Net claims paid		**(26,369)**	(31,113)
Change in claims outstanding			
Gross amount		**7,285**	(254,099)
Reinsurers' share		**(20,287)**	218,738
Change in the net provision for claims		**(13,002)**	(35,361)
Claims incurred, net of reinsurance	3	**(39,371)**	(66,474)
Net operating expenses	4	**(21,520)**	(7,875)
Balance on the technical account – general business		**(48,086)**	1,757

Income Statement (continued)

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

	Notes	2023 £000	2022 £000
Balance on technical account – general business		**(48,086)**	1,757
Investment income	**8**	**4,783**	1,359
Unrealised gains/(losses) on investments	**8**	**3,964**	(8,725)
Investment expenses and charges	**8**	**(173)**	(144)
		(39,512)	(5,753)
Allocated investment return transferred to general business technical account		**(8,574)**	7,510
Exchange gains/(losses)		**922**	(3,839)
Loss for the financial year		**(47,164)**	(2,082)

All the amounts above are in respect of continuing operations.

There are no recognised gains or losses for the current and preceding year other than those included in the income statement above and therefore no statement of recognised gains and losses has been presented.

Statement of Changes in Members' Balances

FOR THE YEAR ENDED 31 DECEMBER 2023

	2023 Members' Balances' £000	2022 Members' Balances' £000
At 1 January	**(42,881)**	(40,797)
Loss for the financial year	**(47,164)**	(2,082)
Member Expenses	**6**	(2)
Collection of loss in the year	**38,695**	-
At 31 December	**(51,344)**	(42,881)

Statement of Financial Position
AS AT 31 DECEMBER 2023

	Notes	2023 £000	2022 (restated) £000
ASSETS			
Investments			
Financial investments	**9**	**245,010**	277,660
Deposits with Ceding Undertakings		**290**	552
Reinsurers' share of technical provisions			
Claims outstanding	**3**	**246,924**	274,249
Debtors			
Debtors arising out of direct insurance operations	**10**	**5,291**	10,190
Debtors arising out of reinsurance operations	**11**	**69,940**	100,222
Other debtors	**12**	**6,562**	2,048
		81,793	112,460
Cash and other assets			
Cash at bank and in hand		**3,868**	3,980
Other assets	**14**	**8,565**	10,765
		12,433	14,745
Total assets		**586,450**	679,666

Statement of Financial Position (continued)
AS AT 31 DECEMBER 2023

	Notes	2023	2022 (restated)
		£000	£000
MEMBERS' BALANCE AND LIABILITIES			
Members' balances			
Members' balances		**(51,344)**	(42,881)
Liabilities			
Technical provisions			
Claims outstanding	3	**468,278**	489,603
		468,278	489,603
Creditors			
Creditors arising out of direct insurance operations	15	**20**	-
Creditors arising out of reinsurance operations	15	**167,640**	228,938
Other creditors	16	**252**	3,268
		167,912	232,206
Accruals and deferred income		**1,604**	738
Total liabilities		**637,794**	722,547
Total members' balances and liabilities		**586,450**	679,666

The financial statements on pages 13 to 43 were approved by the Board of R&Q Syndicate Management Limited on 23 February 2024 and were signed on its behalf by:

A K M McFarland
26 February 2024

Statement of Cash Flows
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023	2022
		£000	£000
Loss on ordinary activities		**(47,164)**	(2,082)
Movement in general insurance outstanding claims		**(7,532)**	256,400
Movement in reinsurers' share of outstanding claims		**19,996**	(220,390)
Investment return		**(8,574)**	7,510
Movements in other assets/liabilities		**(34,443)**	137,637
Net cash inflow/(outflow) from operating activities		**(77,717)**	179,075
Investing activities			
Investment income received		**5,727**	6,220
Purchases of debt and equity instruments		**(217,163)**	(250,726)
Sales of debt and equity instruments		**263,601**	66,115
Other		**(54)**	(238)
Net cash inflow/(outflow) from investing activities		**52,111**	(178,629)
Financing activities			
Collection of loss in the year		**38,695**	-
Net cash inflow from financing activities		**38,695**	-
Increase in cash and cash equivalents		**13,089**	446
Cash and cash equivalents at 1 January		**3,995**	3,531
Exchange differences on opening balances		**(36)**	18
Cash and cash equivalents at 31 December		**17,048**	3,995
Cash and cash equivalents consist of:			
Cash at bank and in hand		**3,868**	3,980
Short term deposits with credit institutions		**13,180**	15
	13	**17,048**	3,995

Reconciliation of net debt

	At 1 January 2023 £000	Cash flows £000	Non-cash changes £000	At 31 December 2023 £000
Borrowings	-	-	-	-
Finance lease liabilities	-	-	-	-
Total liabilities	-	-	-	-

1. Accounting policies

1.1 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.

1.2 Basis of preparation

The financial statements for the year ended 31 December 2023 were approved for issue by the Board of Directors on 23 February 2024.

Having assessed the principal risks on liquidity, credit risk and operational risk for the syndicate, the directors have concluded that there are no material uncertainties that may cast significant doubt about the syndicate's financial ability to continue as a going concern and they have a reasonable expectation that the syndicate has adequate resources to continue in operational existence for at least the next 12 months from the date of this report and that therefore it is appropriate to adopt a going concern basis for the preparation of the financial statements, and accordingly these financial statements have been prepared on a going concern basis.

The principal accounting policies applied in the preparation of these syndicate annual accounts are set out below. All amounts presented are stated in Pound Sterling, being the syndicate's functional currency, and in thousands, unless noted otherwise.

1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the Syndicate's key sources of estimation uncertainty and judgements:

Insurance contract technical provisions

For insurance contracts, estimates of the claim provisions (referred to as Claims Outstanding in the accounts) comprise the expected cost of claims incurred and reported at the valuation date (outstanding claims), further development of these claims (incurred but not enough reported or IBNER) and those claims that have been incurred but not yet reported (IBNR) at the valuation date. IBNR and IBNER are commonly referred to collectively as IBNR. It can take a significant period of time before the ultimate claims cost can be established with a high degree of certainty and for some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The IBNER and IBNR provisions are estimated by using a range of standard actuarial claims projection techniques, including the Loss Development ("Chain Ladder") method and the Bornhuetter-Ferguson ("BF") method, together with benchmarking certain books of business to available market data. The main assumption underlying these techniques is that historical claims development patterns can be used to project future claims development and hence ultimate claims costs. Where this assumption is not believed to hold, judgement has been applied to estimate the expected future claims costs based on the latest available information.

1. Accounting policies (continued)

The provision for outstanding claims 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.

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. When these methods are not appropriate to individual claims, or groups of similar claims, judgement has been based on currently available data to arrive at suitable provisions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset. Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Further details regarding the uncertainty associated with these provisions are given in Note 20.

Recoverability of intercompany trading receivable

Included in other debtors is US$8.2m (£6.5m) receivable from an R&Q subsidiary in respect of services performed related to the Gibson Re reinsurance contract. The recoverability of this amount is likely to be impacted by whether or not the sale of the Accredited business by the R&Q Group completes.

The sale of the Accredited business remains conditional on a number of matters, including regulatory approval. R&Q continues to work expediently towards satisfying all other remaining conditions to the sale and remains hopeful that appropriate agreements can be reached with all of its lending banks, providers of credit and other finance providers to enable the sale to take place.

Although there is no guarantee that all conditions to the sale will be satisfied (or waived, if applicable) or that all necessary agreements will be reached with all of the R&Q Finance Providers, there is no reason at this point in time to believe that they will not be. Closing of the Sale is expected to occur in late Q1 2024 or early Q2 2024.

As a consequence the US$8.2m is currently believed to be recoverable by the Directors of the Managing Agency. However, until agreement is reached with all the relevant parties, as set out above, there remains uncertainty regarding the recoverability of the US$8.2m debt.

Further details are set out in note 12.

1.4 Significant accounting policies

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, 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.

1. Accounting policies (continued)

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. The available for sale category is used only in cases when the investments are passively managed, and the Syndicate held none of these at year end or the previous year.

All regular way 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 subcategories, namely financial assets held for trading and those designated at fair value through profit or loss at inception. All of the Syndicate's assets are held for trading. These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at 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, net of outstanding bank overdrafts.

Fair value of financial assets

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

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

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

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

See Note 9 for details of financial instruments classified by fair value hierarchy.

Derecognition of financial assets

A financial asset is derecognised when the Syndicate has transferred all the risks and rewards of the asset.

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.

Trade and other payables and also loans and borrowings are subsequently measured at amortised cost using the effective interest method (EIR). Gains and losses are recognised in the income statement when the liabilities are derecognised as well as through the EIR amortisation process.

1. Accounting policies (continued)

Amortised cost is calculated by taking into account any discount or premium on acquisition and fee or costs that are an integral part of the EIR. The EIR amortisation is included in investment return in the profit or loss.

Derivative financial liabilities are subsequently measured at fair value through profit or loss.

A financial liability is derecognised when the obligation under the liability is discharged or expires. When an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of the existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, and the difference in the respective amounts is recognised in profit or loss.

Investment return

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

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account.

Insurance contracts

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).

Gross written 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 exclude taxes and duties levied on them.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where 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. Where 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 policyholder.

1. Accounting policies (continued)

Outward reinsurance premiums

Outward reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into in 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, outward 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. Where these premiums are subject to an increase retrospectively, recognition of any potential increase is made as soon as there is an obligation to the reinsurer. 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.

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.

1. Accounting policies (continued)

Unexpired risks

A liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, is expected to exceed the provision for unearned premiums, net of deferred acquisition costs.

The assessment of whether a provision is necessary is made by considering separately each category of business on the basis of information available at the reporting date, after offsetting surpluses and deficits arising on products which are managed together. Investment income is taken into account in calculating the provision.

At 31 December 2023 and 31 December 2022, the Syndicate did not have an unexpired risks provision.

Reinsurance to close

A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, 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.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

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.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2023 or 2022.

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

1. Accounting policies (continued)

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 derecognised when the derecognition criteria for financial assets have been met.

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. Subsequent to initial recognition, they are measured at amortised cost using the EIR. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate’s functional currency and presentational 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.

Exchange differences are recorded in the non-technical account.

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 the member or their member’s 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 ‘Members’ Balances’.

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

Administrative expenses

Administrative expenses are taken into account on an accrual basis. The Managing Agency outsources its operations to a Service Company which operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023

2. Segmental Analysis

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

2023	Gross Written Premiums	Gross Earned Premiums	Gross Claims Incurred	Net Operating Expenses	Reinsurance balance	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Direct Insurance						
Fire and other damage to property	**1**	**1**	**(1,498)**	**(1,017)**	**1,400**	**(1,114)**
Marine, aviation and transport	**1**	**1**	**(258)**	**(54)**	**130**	**(181)**
Pecuniary loss	**(208)**	**(208)**	**75**	**(97)**	**187**	**(43)**
Third party liability	**422**	**422**	**1,162**	**(17,629)**	**325**	**(15,720)**
Other	**254**	**254**	**(4,065)**	**(225)**	**3,480**	**(556)**
	470	**470**	**(4,584)**	**(19,022)**	**5,522**	**(17,614)**
Reinsurance	**5,091**	**5,091**	**(88,970)**	**(2,498)**	**47,331**	**(39.046)**
Total	**5,561**	**5,561**	**(93,554)**	**(21,520)**	**52,853**	**(56,660)**

2022	Gross Written Premiums	Gross Earned Premiums	Gross Claims Incurred	Net Operating Expenses	Reinsurance balance	Total
	£000	**£000**	**£000**	**£000**	**£000**	**£000**
Direct Insurance						
Fire and other damage to property	**5,853**	**5,842**	**(5,813)**	**(119)**	**576**	**486**
Marine, aviation and transport	**635**	**634**	**(1,315)**	**(11)**	**401**	**(291)**
Pecuniary loss	**3,037**	**3,030**	**(4,509)**	**134**	**1,127**	**(218)**
Third party liability	**72,786**	**73,026**	**(75,322)**	**(3,112)**	**9,611**	**4,203**
Other	**2,950**	**2,946**	**(3,763)**	**(301)**	**1,089**	**(29)**
	85,261	**85,478**	**(90,722)**	**(3,409)**	**12,804**	**4,151**
Reinsurance	**248,181**	**247,964**	**(263,083)**	**(4,466)**	**24,701**	**5,116**
Total	**333,442**	**333,442**	**(353,805)**	**(7,875)**	**37,505**	**9,267**

Commissions on direct insurance gross premiums earned during 2023 were £1,243k (2022: £1,955k). All premiums were concluded in the UK.

3. Claims outstanding

2023	**Gross**	**Reinsurer's Share**	**Net**
	£000	**£000**	**£000**
At 1 January 2023	**489,603**	**(274,249)**	**215,354**
Claims incurred	**93,554**	**(54,183)**	**39,371**
Claims paid during the year	**(100,839)**	**74,470**	**(26,369)**
Foreign exchange	**(14,040)**	**7,038**	**(7,002)**
At 31 December 2023	**468,278**	**(246,924)**	**221,354**

2022	Gross	Reinsurer's Share	Net
	£000	£000	£000
At 1 January 2022	221,885	(52,444)	169,441
Claims incurred	353,805	(287,331)	66,474
Claims paid during the year	(99,706)	68,593	(31,113)
Foreign exchange	13,619	(3,067)	10,552
At 31 December 2022	489,603	(274,249)	215,354

4. Net Operating Expenses

	2023	2022
	£000	£000
Acquisition costs	**(595)**	2,276
Change in deferred acquisition costs	**-**	-
	(595)	2,276
Administrative expenses	**22,115**	5,599
	21,520	7,875

The 2023 administration expenses include the write-off of two debtors totalling £16m.

Members' standard personal expenses of £100k (2022: £346k) are included within administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, central fund contributions and managing agents' fees.

5. Auditors' Remuneration

	2023	2022
	£000	£000
Audit of syndicate annual accounts	**300**	357
Audit related assurance services	**60**	50
	360	407

Auditors' remuneration is included as part of the administrative expenses in note 4 to the financial statements. Audit related assurance services include services provided in relation to various Lloyd's and other regulatory returns.

6. Staff Costs

There were no staff employed by the Syndicate or Managing Agency.

Staff costs were recharges from R&Q Central Services Ltd, a wholly owned subsidiary of R&Q Insurance Holdings Limited. Staff costs were as follows:

	2023	2022
	£000	£000
Wages & salaries	**6,834**	3,234
Social security and pension costs	**-**	682

Social security and pension costs were included within the wages and salary recharge from R&Q Central Services Ltd in 2023.

The average number of employees employed by R&Q Central Services Ltd but working for the Syndicate during the year was as follows:

	2023	2022
	No.	No.
Claims	**11**	6
Administration, finance & management	**18**	21
Underwriting support	**2**	3
	31	30

7. Emoluments of the Directors of R&Q Syndicate Management Limited

The directors of R&Q Syndicate Management Limited are paid by R&Q Central Services Ltd and a proportion of their remuneration is charged to the Syndicate. These costs are included within net operating expenses:

	2023	2022
	£000	£000
Aggregate remuneration of Executive Directors	**622**	732
Aggregate remuneration of Non-Executive Directors	**9**	110

No advances or credits granted by the managing agent to any of its directors subsisted during the year.

8. Investment Return

	2023	2022
	£000	£000
Income from other financial investments	**4,379**	3,255
Net gains/(losses) on realisation of investments		
Fair value through profit or loss designated upon initial recognition	**404**	(1,896)
Total investment income	**4,783**	1,359
Net unrealised gains/(losses) on investments		
Financial instruments at fair value through profit and loss	**3,964**	(8,725)
Investment expenses and charges	**(173)**	(144)
Total investment return	**8,574**	(7,510)

9. Financial Investments

	Carrying value	**Purchase price**
	£000	**£000**
31 December 2023		
Shares and other variable yield securities and units in unit trusts	**5,030**	**5,030**
Debt securities and other fixed income securities designated at fair value through profit or loss	**238,874**	**245,695**
Loans and deposits with credit institutions	**1,106**	**1,106**
	245,010	**251,831**

	Carrying value	Purchase price
	£000	£000
31 December 2022		
Shares and other variable yield securities and units in unit trusts	2,979	3,005
Debt securities and other fixed income securities designated at fair value through profit or loss	273,453	288,468
Loans and deposits with credit institutions	1,228	1,228
	277,660	292,701

9. Financial Investments (continued)

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy:

	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
31 December 2023				
Shares and other variable yield securities and units in unit trusts	**4,548**	**-**	**482**	**5,030**
Debt securities and other fixed income securities includes loans and deposits	**-**	**238,874**	**-**	**238,874**
Loans and deposits with credit institutions	**1,106**	**-**	**-**	**1,106**
	5,654	**238,874**	**482**	**245,010**

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
31 December 2022				
Shares and other variable yield securities and units in unit trusts	2,522	-	457	2,979
Debt securities and other fixed income securities includes loans and deposits	-	273,453	-	273,453
Loans and deposits with credit institutions	1,228	-	-	1,228
	3,750	273,453	457	277,660

9. Financial Investments (continued)

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

Level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. At year end 2022 and 2023 these represent the loan to the Lloyd's Central Fund. No further Level 3 disclosure is provided on the grounds of materiality.

10. Debtors arising out of direct insurance operations

	2023	2022
	£000	£000
Due from intermediaries		
Within one year	2,313	7,187
After one year	2,978	3,003
	5,291	10,190

11. Debtors arising out of reinsurance operations

	2023	2022 (restated)
	£000	£000
Debtors due within one year		
Due from ceding insurers and intermediaries under reinsurance business	**9,204**	14,553
Due from reinsurers and intermediaries under reinsurance contracts ceded	**7,030**	1,368
	16,234	15,921
Debtors due after one year		
Due from ceding insurers and intermediaries under reinsurance business	**40,398**	72,489
Due from reinsurers and intermediaries under reinsurance contracts ceded	**13,308**	11,812
	53,706	84,301

Debtors due after one year have been restated to take account of offset arrangements related to both amounts due from ceding insurers and reinsurance contracts ceded.

12. Other debtors

Included in other debtors is a £6,463,397 (US$8.2m) receivable from an R&Q Services Bermuda Limited, a related R&Q subsidiary, in respect of services performed related to the Gibson Re reinsurance contract. The recoverability of this amount is likely to be impacted by whether or not the sale of the Accredited business by the R&Q Group completes.

The sale of the Accredited business remains conditional on a number of matters, including regulatory approval. R&Q continues to work expediently towards satisfying all other remaining conditions to the sale and remains hopeful that appropriate agreements can be reached with all of its lending banks, providers of credit and other finance providers to enable the sale to take place and to provide sufficient liquidity to enable the R&Q Group to repay this debt.

Although there is no guarantee that all conditions to the sale will be satisfied (or waived, if applicable) or that all necessary agreements will be reached with all of the R&Q Finance Providers, at this point in time the Directors of the Managing Agency believe that the sale of Accredited will be completed and an agreement will be reached by the R&Q Group with its finance providers. Closing of the Sale is expected to occur in late Q1 2024 or early Q2 2024.

Although there is uncertainty, at this point the £6,463,397 receivable is believed to be recoverable. Until agreement is reached with all the relevant parties, as set out above, this uncertainty will remain.

13. Cash at bank and in hand

	2023	2022
	£000	£000
Cash at bank	**3,868**	3,980
Cash equivalents	**13,180**	15
	17,048	3,995

14. Other Assets

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

	2023	2022
	£000	£000
Overseas deposits	**8,565**	10,765

15. Creditors

	2023	2022 (restated)
	£000	£000
Creditors due within one year		
Creditors arising out of direct insurance operations		
Due to intermediaries	**20**	-
Creditors arising out of reinsurance operations		
Reinsurance ceded	**2,411**	12,633
Reinsurance accepted	**1,692**	4,248
	4,123	16,881
Creditors due after one year		
Creditors arising out of reinsurance operations		
Reinsurance ceded	**163,537**	212,057

Creditors due after one year have been restated to take account of offset arrangements related to both amounts due to ceding insurers and reinsurance contracts ceded.

16. Other Creditors

	2023	2022
	£000	£000
Other	**-**	2,995
Taxation	**252**	273
	252	3,268

17. Related Parties

R&Q Syndicate Management Limited is a wholly owned subsidiary of Randall & Quilter II Holdings Limited. Managing agency fees of £0.1m (2022: £0.1m) were paid by the Syndicate to R&Q SML.

R&Q Central Services Limited is a wholly owned subsidiary of R&Q Insurance Holdings Ltd. They provided management services to R&Q SML and the Syndicate. Expenses of £11.9m (2022: £11.6m), were recharged to the Syndicate.

R&Q Services Bermuda Limited ("R&Q Bermuda") is a wholly owned subsidiary of R&Q Insurance Holdings Ltd. The Syndicate provides services to R&Q Bermuda related to the Gibson Re reinsurance contract. Income of £4.2m (2022: £4.8m) was receivable in the year.

The Company's immediate parent undertaking is Randall & Quilter II Holdings Limited, a company registered in the United Kingdom. The Company's ultimate parent undertaking is R&Q Insurance Holdings Ltd., a company registered in Bermuda.

18. Funds at Lloyd’s

(a) Funds at Lloyd’s

Members are 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 member’s underwriting liabilities.

The level of FAL that Lloyd’s requires a member to maintain is determined by Lloyd’s based on Prudential Regulatory Authority requirements and resource criteria. FAL required 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 financial statements by way of such capital resources. However, the managing agent is able to make a call on the member’s FAL to meet liquidity requirements or to settle losses.

19. Off-balance sheet items

The Syndicate has not been party to any arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the Syndicate.

20. Risk Management

(a) Governance framework

The primary objective of the Syndicate’s risk management framework is to protect the Syndicate’s member from events that hinder the sustainable achievement of objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place. The Syndicate activities expose it to a variety of financial and non-financial risks. The Syndicate's core business is to accept significant insurance risks.

The managing agent is responsible for understanding and managing the Syndicate's exposure to such risks and does this through deployment of its risk management framework. The Managing Agent has established a risk management function and governance arrangements for the Syndicate with clear terms of reference from the board of directors to its committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to committees and senior managers.

Lastly, a Syndicate risk appetite framework and associated policies which set 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 and associated strategy and business plans to ensure that they remain aligned. The Syndicate regularly undertakes an Own Risk and Solvency Assessment (ORSA) which is reviewed and approved by the board.

(b) 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.

20. Risk Management (continued)

Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, license and ratings objectives.

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level.

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. The Syndicate has one underwriting members whose SCR is determined by the sum of the member's share of the Syndicate SCR 'to ultimate' based on the year of account that they are members of. The SCR reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2023 was 35% of the member's SCR 'to ultimate'.

As these capital requirements apply to the members rather than the Syndicate the capital requirement of the members of Syndicate 1110 are not disclosed in these financial statements, nor is the level of capital put in place by the member or whether that capital meets the Lloyd's requirement.

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) or as the member's share of the member's balances on each Syndicate on which it participates.

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balances reported on the statement of financial position on page 16, represent resources available to meet the member's and Lloyd's capital requirements.

20. Risk Management (continued)

(c) 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 Syndicate purchases reinsurance as part of its risk mitigation strategy and also considers any inuring reinsurance as part of any new deal it undertakes. On recent deals the Gibson Re WQS has been utilised to reduce the Syndicate's retained exposure to claims volatility and large losses.

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 is the Syndicate substantially dependent upon any single reinsurance contract unless there is collateral in place either via funds withheld arrangement or ring-fenced funds.

The Syndicate now issues reinsurance contracts in the United Kingdom by way of reinsurance to close ("RITC"), loss portfolio transfer ("LPT") or adverse development cover ("ADC")

The most significant risk is the potential for deterioration in the claims reserves due to adverse trends in the frequency or size of claims, including the impact of inflation especially in longer tail classes.

Risk exposure is mitigated by writing a wide range of diverse risks across a large portfolio of (re)insurance classes, industry sectors and geography. This diversification was enhanced by careful risk selection and implementation of various underwriting strategies.

The Syndicate has policies and procedures in place to assess all new and ongoing claims, review its claims handling procedures and investigate possible fraudulent claims. The Syndicate also actively manages and promptly pursues claims to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The purpose of these reinsurance, underwriting and claims strategies is to limit exposure to claims volatility and large losses based on the Syndicate's risk appetite as approved by the Board.

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 once–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.

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.

20. Risk Management (continued)

The following analysis is performed for reasonably possible movements in key assumptions with everything else held constant, showing the impact on gross and net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in them, assumptions had to be changed on an individual basis. It should be noted that movements in assumptions are non-linear.

31 December 2023	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit	Impact on members' balance
		£000's	£000's	£000's	£000's
Average claim cost	+ 10% severity	46,828	22,135	(22,135)	(22,135)
Average number of claims	+ 10% frequency	46,828	22,135	(22,135)	(22,135)

31 December 2022	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit	Impact on members' balance
		£000's	£000's	£000's	£000's
Average claim cost	+ 10% severity	48,960	21,535	(21,535)	(21,535)
Average number of claims	+ 10% frequency	48,960	21,535	(21,535)	(21,535)

Claims development table

The following tables show 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 claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied at the end of the underwriting year.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Notes to the Financial Statements
FOR THE YEAR ENDED 31 DECEMBER 2023

20. Risk Management (continued)

Gross insurance contract outstanding claims provision as at 31 December 2023

£000	2014	2015	2016	2017	2018	2019	2020	2022	Total
Estimate of cumulative claims incurred at the end of underwriting year	39,766	55,408	75,247	88,687	43,564	102,644	104,988	127,113	
12 months later	123,376	153,681	159,913	131,411	97,940	180,210	101,573	162,742	
24 months later	140,492	169,999	163,980	146,407	102,428	220,399	120,054		
36 months later	134,088	167,446	167,662	140,953	110,141	195,131	144,625		
48 months later	131,918	168,208	169,648	145,535	111,816	204,962			
60 months later	139,898	170,984	175,975	145,349	115,706				
72 months later	136,583	175,015	178,609	145,448					
84 months later	135,832	176,373	176,390						
96 months later	135,905	179,510							
108 months later	135,380								
Current estimate of cum claims incurred	135,380	179,510	176,390	145,448	115,706	204,962	144,625	162,742	1,264,763
Less Gross Claims Paid:	133,077	167,067	157,902	129,573	83,149	117,071	6,061	58,944	852,844
Gross Outstanding Claims - 2014-2022	2,303	12,443	18,488	15,875	32,557	87,891	138,564	103,798	411,919
Gross Outstanding Claims - 2013 & Prior									56,359
									468,278

2023 Net									
£000	2014	2015	2016	2017	2018	2019	2020	2022	Total
Estimate of cumulative claims incurred at the end of underwriting year	36,513	49,732	67,048	56,332	36,373	93,691	103,896	25,708	
12 months later	115,489	140,995	109,863	93,050	82,194	150,845	100,243	32,872	
24 months later	127,071	143,089	110,059	107,793	86,971	191,968	119,999		
36 months later	122,373	142,752	111,125	102,700	94,792	128,765	144,571		
48 months later	121,057	139,404	117,429	103,838	64,055	131,594			
60 months later	119,840	133,910	119,665	84,589	62,765				
72 months later	116,059	132,963	114,381	83,739					
84 months later	115,710	128,421	113,117						
96 months later	115,001	128,877							
108 months later	114,471								
Current estimate of cum claims incurred	114,471	128,877	113,117	83,739	62,765	131,594	144,571	32,872	812,006
Less Net Claims Paid:	114,179	128,369	111,334	81,437	56,045	88,930	6,007	11,917	598,218
Net Outstanding Claims - 2014-2022	292	508	1,783	2,302	6,720	42,664	138,564	20,955	213,788
Net Outstanding Claims - 2013 & Prior									7,566
									221,354

2021 Year of account has not been presented above as the Syndicate did not participate on this year of account.

20. Risk Management (continued)

(d) Financial risk

(1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- An investment policy setting out the assessment and determination of what constitutes credit risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the Board. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Net exposure limits are set for each counterparty or Syndicate of counterparties, geographical and industry segment (i.e., limits are set for investments and cash deposits, exposures from open positions in derivatives and minimum credit ratings for investments that may be held).
- 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 and are subject to regular reviews. Where there is concentration with particular reinsurers it will be ensured that there is collateral in place either via funds withheld arrangement or ring-fenced funds at each reporting date, management performs an assessment of creditworthiness of reinsurers and ascertaining suitable allowance for impairment.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the Statement of Financial Position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

31 December 2023	Neither past due nor impaired £'000	Past Due £'000	Impaired £'000	Total £'000
Shares and other variable yield securities and unit trusts	**5,030**	**-**	**-**	**5,030**
Debt securities	**238,874**	**-**	**-**	**238,874**
Loans and deposits with credit institutions	**1,106**	**-**	**-**	**1,106**
Overseas deposits	**8,565**	**-**	**-**	**8,565**
Deposits with ceding undertakings	**290**	**-**	**-**	**290**
Reinsurer' share of claims outstanding	**246,924**	**-**	**-**	**246,924**
Reinsurance debtors	**13,347**	**6,991**	**-**	**20,338**
Cash at bank and in hand	**3,868**	**-**	**-**	**3,868**
Insurance debtors	**2,313**	**-**	**-**	**2,313**
Other debtors	**53,620**	**5,522**	**-**	**59,142**
Total credit risk	**573,937**	**12,513**	**-**	**586,450**

20. Risk Management (continued)

31 December 2022	Neither past due nor impaired	Past Due	Impaired	Total
	£'000	£'000	£'000	£'000
Shares and other variable yield securities and unit trusts	2,979	-	-	2,979
Debt securities	273,453	-	-	273,453
Loans and deposits with credit institutions	1,228	-	-	1,228
Overseas deposits	10,765	-	-	10,765
Deposits with ceding undertakings	552	-	-	552
Reinsurer' share of claims outstanding	274,249	-	-	274,249
Reinsurance debtors	11,887	1,293	-	13,180
Cash at bank and in hand	3,980	-	-	3,980
Insurance debtors	7,187	-	-	7,187
Other debtors	92,093	-	-	92,093
Total credit risk	678,373	1,293	-	679,666

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2023 by classifying assets according 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. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

31 December 2023	**AAA**	**AA**	**A**	**BBB**	**<BBB**	**Not rated**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Shares and other variable yield securities and unit trusts	**1,667**	**748**	**2,140**	**-**	**-**	**475**	**5,030**
Debt securities	**9,019**	**36,622**	**106,788**	**67,347**	**379**	**18,719**	**238,874**
Loans and deposits with credit institutions	**-**	**-**	**1,106**	**-**	**-**	-	**1,106**
Overseas deposits	**5,488**	**953**	**714**	**667**	**259**	**484**	**8,565**
Deposits with ceding undertakings	**-**	**-**	**290**	**-**	**-**	**-**	**290**
Reinsurer' share of claims outstanding	**-**	**45**	**70,469**	**-**	**-**	**176,410**	**246,924**
Reinsurance debtors	**-**	**-**	**13,347**	**-**	**-**	**-**	**13,347**
Cash at bank and in hand	**-**	**-**	**3,868**	**-**	**-**	**-**	**3,868**
Total credit risk	**16,174**	**38,368**	**198,722**	**68,014**	**638**	**196,088**	**518,004**

20. Risk Management (continued)

31 December 2022	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Shares and other variable yield securities and unit trusts	349	22	1,654	-	-	954	2,979
Debt securities	67,413	36,814	114,468	54,758	-	-	273,453
Loans and deposits with credit institutions	-	-	1,228	-	-	-	1,228
Overseas deposits	6,229	1,529	914	876	322	895	10,765
Deposits with ceding undertakings	-	-	552	-	-	-	552
Reinsurer' share of claims outstanding	-	-	79,077	-	-	195,172	274,249
Reinsurance debtors	-	-	11,887	-	-	-	11,887
Cash at bank and in hand	-	-	3,980	-	-	-	3,980
Total credit risk	73,991	38,365	213,760	55,634	322	197,021	579,093

Gibson Re WQS

Included in the not rated category in the current year are amounts of £173m (2022: £194m) relating to the Gibson Re WQS. This reinsurance arrangement is a funds withheld agreement that is also supported by collateral. Currently the funds withheld from Gibson Re and collateral exceed the amounts owing, whether by means of reinsurer share of outstanding claims or reinsurance debtors.

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. The attributable risk ratings are assessed and updated regularly.

During the year, no credit exposure limits were exceeded. The Syndicate actively manages its product mix to ensure that there is no significant concentration of credit risk.

(2) Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments.

The following policies and procedures are in place to mitigate the Syndicate's exposure to liquidity risk:

- A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Risk and Compliance Committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
- Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.

20. Risk Management (continued)

- Contingency funding plans are set to meet emergency funding in the event of a large demand on cash.

Maturity profiles

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

31 December 2023	**No stated maturity**	**0-1 year**	**1-3 years**	**3-5 years**	**>5 years**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Claims outstanding	**-**	**109,740**	**131,062**	**139,742**	**87,734**	**468,278**
Creditors	**-**	**4,376**	**15,666**	**-**	**147,870**	**167,912**
Total credit risk	**-**	**114,116**	**146,728**	**139,742**	**235,604**	**636,190**

31 December 2022	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Claims outstanding	-	100,632	219,566	96,817	72,588	489,603
Creditors	-	20,150	15,891	-	196,165	232,206
Total credit risk	-	120,782	235,457	96,817	268,753	721,809

(3) Market risk

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

- Currency risk;
- Interest rate risk; and
- Equity price risk (there are no equity instruments in the portfolio).

The following policies and procedures are in place to mitigate the exposure to market risk:

- An investment policy exists that sets out the assessment and determination of what constitutes market risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the Risk and Compliance Committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
- Strict control over derivative instruments (there are no derivative contracts).

20. Risk Management (continued)

(a) Currency risk

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

The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, US, AUD and Canadian dollars. The Syndicate seeks to mitigate the risk by matching 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, as follows:

31 December 2023	**GBP**	**USD**	**EUR**	**CAD**	**AUD**	**JPY**	**Total**
Converted £'000							
Total assets	**68,754**	**471,151**	**18,130**	**11,901**	**14,110**	**2,404**	**586,450**
Total liabilities	**(102,616)**	**(493,282)**	**(15,701)**	**(11,047)**	**(15,583)**	**435**	**(637,794)**
Net Assets	**(33,862)**	**(22,131)**	**2,429**	**854**	**(1,473)**	**2,839**	**(51,344)**

31 December 2022	GBP	USD	EUR	CAD	AUD	JPY	Total
Converted £'000							
Total assets	73,073	546,448	21,708	17,207	17,717	3,513	679,666
Total liabilities	(110,657)	(560,003)	(19.031)	(14,008)	(17,898)	(950)	(722,547)
Net Assets	(37,584)	(13,555)	2,677	3,199	(181)	2,563	(42,881)

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 seeks to match its currency position 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 so as 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 currency investments.

Sensitivity to changes in foreign exchange rates

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31st December 2023.

Impact on profit and members' balances

	2023	2022
Sterling weakens	**£'000**	£'000
10% against other currencies	**1,589**	482
20% against other currencies	**2,914**	883
Sterling strengthens		
10% against other currencies	**(1,943)**	(589)
20% against other currencies	**(4,371)**	(1,324)

20. Risk Management (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.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in interest rates on fixed rate financial assets and liabilities.

Impact on profit and members' balances

Changes in variables	**2023** **£'000**	2022 £'000
+ 50 basis points on result	**(3,096)**	(3,011)
- 50 basis points on result	**3,189**	3,078

(4) Other risks

As part of the syndicate normal trading activities it is exposed to coverage disputes arising from potential claims. At any point in time the Syndicate will be party to proceedings in courts both in the UK and overseas jurisdictions. The Syndicate will also be exposed to arbitration arrangements as specified by particular contracts of insurance.

In reserving for the possible outcomes of these courts and arbitration hearings a considerable amount of judgment is required. In arriving at these reserves, the managing agent is guided by the available evidence which may include legal and professional advice. However, the outcome of these procedures may well be significantly different to the estimate established by the managing agent.

21. Subsequent Events

There have been no material subsequent events from the balance sheet date until the date of approval of the financial statements by Management.