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Lancashire
Syndicate 2010

SYNDICATE 2010

Annual Report and Accounts
31 December 2022

Contents

Chairman's Statement

The 2022 year posed a number of challenges for insurers and reinsurers. These included the Russia/Ukraine Conflict, high inflation, recessionary risk, Hurricane Ian and a number of significant natural catastrophe losses. Hurricane Ian itself will be recorded as one of the single largest insured losses in history and consequently Syndicate 2010 has recorded a combined ratio of 114.7%. Nevertheless, the Syndicate has now benefited from five years of positive rate increases and their momentum continues. The Syndicate has delivered strong top-line growth of 14.0% and, whilst the geo-political uncertainty and heightened loss activity creates risk, it also creates opportunity and moving into 2023 the market is seeing further material positive signs across most classes of business, particularly in the catastrophe exposed classes.

These accounts have been prepared on both an annual accounting basis for the 2022 calendar year and on the traditional three-year basis, in relation to the closure of the 2020 Year of Account.

On the traditional basis of reporting, Syndicate 2010 has closed the 2020 Year of Account with a loss of 2.5% for a participant paying Standard Managing Agency Fee and Profit Commission. The 2020 Year of Account experienced a number of catastrophes and events including COVID-19, Winter Storm Uri, Hurricane Laura and the Midwest Derecho. However, following a detailed review of prior year loss reserves, the Syndicate has benefited from favourable attritional improvements which have improved the results on the 2020 Year of Account. This demonstrates the prudent reserving approach adopted by the Syndicate.

The 2021 year of account was also impacted by a number of catastrophe losses. At present the forecast result for 2021 remains within the published 0.0% to -12.5% range. Due to the Russia/Ukraine conflict, there remains a high degree of uncertainty around our 2021 Year of Account result but we will continue to monitor potential losses and will adjust any result forecasts accordingly.

The 2022 calendar year has seen a continuation of market strengthening with further improvement in rating conditions and an average rate increase of circa 10%. This rate increase together with strong new business and growth of the Specialty class have increased the gross written premium for the year from $372.1m to $424.2m. The addition of the Specialty class has broadened the underwriting footprint and added diversification to the portfolio and there are strong opportunities from Construction and the new Australian Service Company. There were several major catastrophe losses during the year in addition to Hurricane Ian: the Eastern Australian Floods and various derecho events. These losses, along with the Russia/Ukraine Conflict, have resulted in a combined ratio of 114.7% and a calendar year loss of $42.0m.

As we look into 2023, we expect the market conditions to offer us considerable opportunity. We continue to be responsive to market changes, whilst providing dependable value, strength, longevity and expertise to our clients and brokers. We maintain our disciplined approach to underwriting, balancing the risk and reward and focusing on profitability not just top line growth.

I would like to thank the Lancashire Syndicates Executive team and all the staff for their hard work and continued commitment during 2022.

N P Davenport
Chairman

24 February 2023

Directors and Administration

MANAGING AGENT:

Lancashire Syndicates Limited
29th Floor
20 Fenchurch Street
London EC3M 3BY

MANAGING AGENT'S REGISTERED NUMBER

00292093

DIRECTORS

N P Davenport	Non-Executive Chairman	
E L Woolley		(Resigned 24 June 2022)
C J Whittle		
S W Fraser	Non-Executive	
L J Gibbins	Non-Executive	
P Martin	Non-Executive	
A C Beardon		(Resigned 3 January 2023)
J M Barnes		
J D Spence		
P T Dawe		
R D Milner		
B A Schofield	Non-Executive	(Appointed 3 January 2023)
K Turner		(Appointed 3 January 2023)

COMPANY SECRETARY

M E Lynn

SYNDICATE ACTIVE UNDERWRITER

J M Barnes	(Resigned 20 June 2022)
M Narbett	(Appointed 21 June 2022)

BANKERS

Barclays Bank Plc
Citibank N.A.
Royal Bank of Canada

INVESTMENT MANAGER

Conning Asset Management Limited
24 Monument Street
London EC3R 8AJ

Lloyd's Treasury Services
One Lime Street
London EC3M 7HA

REGISTERED AUDITOR

KPMG LLP
15 Canada Square
Canary Wharf
London E14 5GL

Report of the Directors of the Managing Agent
31 December 2022

INTRODUCTION

The Directors of Lancashire Syndicates Limited ("LSL"), the managing agent for Syndicate 2010, present their Annual Report and Accounts for the year ended 31 December 2022.

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

The Directors continue to prepare the Syndicate annual accounts on a going concern basis as the Syndicate does not intend to cease underwriting or cease its operations, and the Directors have concluded that the Syndicate's financial position means that this is realistic. The Directors have also concluded that there are no material uncertainties that could cast significant doubt over the Syndicate's ability to continue as a going concern for at least a year from the date of approval of the Syndicate annual accounts. Management's assessment of the Syndicate as a going concern is set out in Note 1 on page 20.

Separate underwriting year accounts for the closed 2020 year of account of Syndicate 2010 are included following these annual accounts.

PRINCIPAL ACTIVITY

The principal activity of Syndicate 2010 remains the transaction of general insurance and reinsurance business in the United Kingdom at Lloyd's of London. The main lines of business are non-marine and aviation reinsurance, direct and facultative property, and specialty.

LSL is the managing agent for Syndicate 2010. It also acts as managing agent for Syndicate 3010. LSL is subject to the regulation of the Prudential Regulation Authority ("PRA") and the Financial Conduct Authority ("FCA"), as well as Lloyd's.

Cathedral Capital Holdings Limited ("CCHL"), registered in England and Wales, is the immediate parent company of LSL. Lancashire Holdings Limited ("LHL"), incorporated in Bermuda, is the ultimate parent company of LSL.

CALENDAR YEAR RESULTS AND BUSINESS REVIEW

The result for the 2022 calendar year is a loss of $42.0m (2021: $14.0m loss) and a combined ratio of 114.7% (2021: 106.3%). An analysis of the contribution to the overall result made by the individual underwriting years is as follows:

	2020 account $'000	2021 account $'000	2022 account $'000	31 December 2022 $'000	31 December 2021 $'000
Gross premiums written	**2,032**	**17,166**	**405,010**	**424,208**	372,149
Gross premiums earned	**7,080**	**139,684**	**252,560**	**399,324**	352,085
Net premiums earned	**15,634**	**135,578**	**150,985**	**302,197**	239,918
Loss for the financial year	**19,120**	**18,895**	**(80,023)**	**(42,008)**	(13,965)
Loss ratio (%)	**(35.4)**	**64.0**	**112.5**	**83.1**	72.5
Expense ratio (%)	**10.6**	**24.9**	**39.8**	**31.6**	33.8
Combined ratio (%)	**(24.8)**	**88.9**	**152.3**	**114.7**	106.3

The market experienced another active loss year in 2022 particularly within the catastrophe exposed classes. These losses included Hurricane Ian, the Eastern Australian Floods and various derecho events. These events have impacted the classes written by Syndicate 2010.

The underwriting result was also impacted by the Russia/Ukraine Conflict. This Conflict has caused significant disruption to worldwide economies in 2022, both directly through the invasion and indirectly through economic sanctions being imposed on Russia by the UK, the EU and the US. Given the nature of the Russia/Ukraine Conflict, the ultimate losses relating to the event are subject to a high degree of uncertainty.

Although the extent of losses in 2022 is disappointing for us, the combined ratio of 114.7% does demonstrate that the strong premium growth over the past few years has put the Syndicate in a more resilient position. Our strategy, to broaden our underwriting footprint by entering into new Specialty classes when the market rating has been improving, has strengthened our portfolio to be better positioned to absorb such losses.

The Syndicate and wider Lancashire Group's approach to reserving for catastrophe losses is well established. We utilise actuarial modelling techniques, historical loss experience analysis and professional judgement to estimate ultimate losses. For catastrophe loss events, we bring together a highly-skilled team from across the Group, including underwriters, claims and actuarial staff, as well as senior management to review all our potentially exposed lines of business. This enables us to assess the likelihood and quantum of claims arising within our underwriting portfolio.

Following an extensive review of loss reserves in Q4 2022, the Syndicate has benefited from favourable attritional improvements in 2020 and prior year loss reserves, which have contributed to the 2020 Year of Account result.

UNDERWRITING

A breakdown of divisional performance is shown below:

	31 December 2022		31 December 2021	
	Gross premiums written $'000	Net loss ratio %	Gross premiums written $'000	Net loss ratio %
Non-marine reinsurance	**175,407**	**128.8**	167,028	95.0
Direct and facultative property	**167,169**	**40.2**	141,342	60.5
Aviation reinsurance	**43,540**	**121.9**	41,021	35.8
Specialty	**34,954**	**39.6**	19,371	43.7
Satellite	**3,138**	**(13.8)**	3,387	49.0
Total	**424,208**	**83.1**	372,149	72.5

The gross written premiums for the calendar year have increased by 14.0% to $424.2m (2021: $372.1m). Our strategy is to build when market conditions are favourable and in 2022 the pace of this build continued. The Syndicate's strategy remains to focus on its core classes of business and explore new opportunities to produce the best possible returns for capital providers over the cycle whilst providing appropriate and stable support to its client base.

In 2022, the Syndicate increased the amount of premium income on all accounts. The increases were driven by a number of factors, including risk-adjusted rate changes in the region of +10.0% at a weighted whole account level, new business and an element of inwards reinstatement premiums. As part of the Syndicate's longer term diversification strategy, it materially increased the income written within its Specialty account. This growth was primarily driven by Property Construction, Casualty (written via S3010 consortia) and Australian Property D&F income (written via an Australian service company). This is a strategy that will continue into 2023 with the further expansion of the Specialty class as outlined within the Syndicate's 2023 approved Lloyd's Syndicate Business Forecast ("SBF").

Over the past few years, the Lancashire Group and the Syndicate have focused on putting in place strong foundations on which to build when the market cycle offered significant opportunities for growth. Our long-held strategy is to operate nimbly through the cycle, and we are firm believers in the cyclical nature of (re)insurance markets. 2022 was a year when we saw strong momentum in the right direction. We have increased our pool of underwriting talent and enhanced the internal processes needed to take advantage of more positive pricing. We are excited and pleased to say that we are seeing growth across most classes of business that we underwrite. Many are now in their fifth year of positive rate changes, and we believe that will continue into 2023. Syndicate 2010 remains a core component of the Lancashire Group and where appropriate and applicable, Syndicate 2010 will benefit from Group initiatives.

The Syndicate purchases outwards reinsurance cover principally to limit the impact of catastrophes or multiple large losses. Reinsurance is purchased on both an excess of loss and proportional basis. Outwards reinsurance premiums in 2022 decreased by 12.9% to $97.8m (2021: $112.3m). The reduced spend was due to lower outwards reinstatement premiums on the major losses.

The net loss ratio for the 2022 calendar year was 83.1% (2021: 72.5%).

Net operating expenses, including business acquisition costs and administrative expenses were $95.5m (2021: $81.0m) and the expense ratio was 31.6% (2021: 33.8%). The breakdown of these costs is summarised in Note 6 of the accounts.

NON-MARINE REINSURANCE

This class, which accounts for 41.3% of the overall calendar year income (2021: 44.9%), comprises catastrophe retrocession, risk excess and pro-rata reinsurance.

The Non-marine property reinsurance class has experienced an extremely challenging six years since the record natural catastrophe loss year of 2017. Over this period, the level of capacity in this sector has remained fairly resilient. However, following another active loss year in 2022, we have seen capacity tighten further and we anticipate that terms and conditions will continue to improve as we move further into 2023.

Our ongoing challenge in this class and our direct and facultative property class remains to understand and adapt to the changing risk landscape. This includes longer-term impacts such as climate change or shorter-term impacts such as inflation and we must ensure that our pricing and exposure management capabilities cater for these. We have adapted our pricing and exposure models to capture new risks and reflect lessons learned from recent loss activity. This process is one of continual development and improvement.

The underwriting team has been continually working on proactively managing the portfolio following the recent loss events. Various underwriting actions have been implemented, and this positive work, in addition to the compound rate increases, means that the portfolio is in a much better position to mitigate and absorb the impact of catastrophe-related losses going forward.

DIRECT AND FACULTATIVE ("D&F") PROPERTY

This class comprises property binding authorities principally focused on the US, insuring small property risks and open market business which encompasses a range of risks from large complex property schedules down to small single locations. The class contributed 39.4% of the 2022 written income (2021: 38.0%).

The D&F property insurance class shares similar characteristics and market dynamics with the Non-marine property reinsurance class since it too is exposed to, and has been impacted by natural catastrophe related losses as well as a higher level of attritional claims in recent years.

However, unlike the Non-marine property reinsurance class, the D&F property market experienced a sharp reduction in capacity between 2019-2020 following some very challenging results. Not only did the market see a number of domestic U.S. insurers retrench in the class, the Lloyd's Decile 10 initiative also led to a number of Syndicates becoming far more disciplined and selective. The resulting sharp reduction in capacity contributed to a material compound hardening of terms and conditions during this period. This has led to premium increases and a reduction in the net loss ratio.

In 2022, the D&F class further increased its premium and saw the net loss ratio fall to 40.2%. The Syndicate's experienced D&F underwriting team is well positioned and will continue to optimise the portfolio through proactive portfolio management over the coming year.

The Lancashire Group itself re-entered this class of business in the latter part of 2019 through Lancashire UK Limited ("LUK"). LUK's risk appetite and portfolio is different to the Syndicate's portfolio and the Syndicate will benefit from the leverage that can be gained from any combined Group offering. In accordance with Lloyd's regulations, LSL has a documented multi-platform policy for the allocation of business between the Syndicate and LUK. Although, in certain instances, the Group will market a combined offering. Richard Wood holds the role of Group Head of Property D&F, although he maintains the role of class head for Property D&F for Syndicate 2010. The Lancashire Group currently continues to write the majority of D&F property via the Syndicate.

AVIATION REINSURANCE AND SATELLITE

This class consists of a number of sub-classes of the Aviation business. The core portfolio is airline excess of loss which is complemented by aviation war and general aviation business. The class contributed 11.0% of the 2022 written income (2021: 11.9%).

The past few years have been difficult for the aviation industry and this has created challenges for the insurance and reinsurance sectors as a result. We continue to support our clients and brokers as best we can whilst simultaneously striving to deliver portfolio growth and underwriting profits. COVID-19 reduced the level of air traffic and this had a knock-on effect on premium levels. In 2022, the Russia/Ukraine Conflict has put further pressure on the market.

However, as a result of the Russia/Ukraine Conflict, together with the deterioration on the 2019 Ethiopian loss in 2022, we expect to be able to take advantage of a further hardening of terms and conditions in this class during 2023.

The Lancashire Group has a wealth of Aviation experience across its platforms. In 2021, the Syndicate recruited a new Aviation reinsurance underwriting team with a proven track record in this class. The new underwriting team will continue to maintain the core essence of the account which has proved successful, but they will also look to develop the account during this encouraging market cycle.

The Satellite market in recent years has suffered from overcapacity and volatility. The Syndicate's involvement continues to be restrained in this area as a result of the recent poor rating environment. There have been a number of significant losses recently which has led to an improvement in rating levels.

Our general outlook for 2023 is for continued favourable market conditions in both Aviation and Satellite allowing us the opportunity to continue to maintain a meaningful footprint in the market.

SPECIALTY

The Specialty class currently consists of a number of classes predominantly written via consortia agreements. For the 2022 Year of Account, these classes include Cargo, Accident and Health, Casualty, Australia Property D&F and Property Construction. The Specialty class contributed 8.2% of the 2022 written income (2021: 5.2%).

Syndicate 2010 writes a following line on various consortia led by Syndicate 3010, which is a fully aligned Syndicate also managed by LSL. Currently the only participants on these consortia are Syndicate 3010 and Syndicate 2010 and each Syndicates' respective share in every risk is predetermined by the respective consortium agreement. However, going forward the Syndicate will potentially also look to write additional consortia following other, non-LSL managed syndicates in the market.

Terms and conditions in the current classes written, being Cargo, Accident and Health, Casualty, Australia Property D&F and Property Construction, remain attractive having experienced improvements in recent years. The majority of the growth experienced in 2022 was driven by the Property Construction, Casualty and Australia Property D&F classes where the underwriting team has been establishing its presence in the marketplace. The outlook moving into 2023 remains favourable in all sub-classes and the plan is to further expand the business written into the Specialty class moving forward.

The core strategy around increasing the scope and size of business written into the Specialty class is to diversify the Syndicate's critical catastrophe exposed classes by adding complementary income. Providing positive market conditions prevail, the Syndicate will continue to grow this class into a more meaningful size in order to facilitate the strategy of further diversification.

OUTLOOK AND BUSINESS ENVIRONMENT

2022 has been a challenging year, particularly within the catastrophe-exposed classes, and the market experienced a number of major losses. These included Hurricane Ian, the Eastern Australian Floods and various derecho events, as well as the uncertainties in relation to the Russia/Ukraine Conflict.

The underwriting teams in these classes have worked hard to proactively manage the portfolios following the events that have occurred over the past few years. Various underwriting actions have been implemented, and all of this positive work, in addition to compound rate increases, means that the portfolios are in a much better position to absorb catastrophe losses and to optimise returns going forward. These factors have also led to an improvement in underlying attritional loss ratios.

Our ongoing challenge remains to understand and adapt to the changing risk landscape. This includes longer-term impacts such as climate change and shorter-term impacts such as inflation and we must ensure that our pricing and exposure management capabilities cater for these. At Syndicate and Group levels, we have adapted our pricing and exposure models to capture new risks or reflect lessons learned from recent loss activity. This process is one of continual development and improvement.

Our strategy is to continue to focus on our core lines of business and to optimise results by taking prudent underwriting decisions. When the time is right, the Syndicate will grow in the areas that offer the best returns but, if necessary, reduce in any underperforming areas. We will also continue to look at the viability of adding new diversifying classes providing they complement the existing lines of business.

With this strategy in mind during 2022, we continued the expansion of the Specialty class with the additional property business from the Australian service company and the introduction of some Casualty and PI business. This additional income has helped to diversify the Syndicate and provide more balance against catastrophe exposures.

We will continue to maintain an effective infrastructure in order to provide an efficient platform from which our underwriting teams can trade.

Therefore, moving into 2023, we are extremely encouraged. We have a dedicated parent in the Lancashire Group and strong third-party capital support providing a solid platform to prosper in an exciting marketplace where terms and conditions in classes we underwrite remain attractive.

The Syndicate capacity for the 2023 year of account has increased to £400.0m from £345.0m due to the anticipated increase in premium income for 2023, largely as a result of improving market conditions and opportunities for the Syndicate. The USD to GBP rate of exchange also contributed to the increased stamp capacity for 2023.

UNDERWRITING YEAR OF ACCOUNT SUMMARY

The table below shows Syndicate 2010's actual results for the closed 2020 year of account and the forecast results for the 2021 and 2022 open years of account:

Year of account	2022 forecast £'000	2021 forecast £'000	2020 actual £'000
Stamp capacity	345,000	324,804	305,877
Profit	n/a	n/a	(7,507)
Return on stamp	*	0% to -12.5%	-2.5%

* A formal forecast range for the 2022 year of account will be released at the time of publishing the Q1 2023 QMA.

Cathedral Capital (1998) Limited, an incorporated member of Lloyd's and a Lancashire Group Company, provided £182.8m for the 2020 year of account, £200.8m for the 2021 year of account and £214.9m for the 2022 year of account through Hampden Agencies Limited.

2020 UNDERWRITING YEAR RESULT

The 2020 year of account closed on 31 December 2022 with a loss of $9.0m. For Capital providers of Syndicate 2010 with standard personal expenses, this equates to a return of -2.5% of capacity. The gross signed premium income, net of brokerage, was circa 72.8% of capacity at year-end rates of exchange.

The 2020 underwriting accounts are set out on pages 43 to 62.

2021 ACCOUNT FORECAST

Last year's report summarised the underwriting conditions and loss activity associated with the 2021 year of account.

Our current forecast for the 2021 year of account result is in the range 0% to -12.5% of capacity. As with all years, due to the nature of the business written, any fluctuation in USD to GBP rate of exchange will influence the final result. The result is potentially more volatile than a standard year given the high level of major loss activity.

Due to the Russia/Ukraine Conflict, there remains a high degree of uncertainty around the 2021 year of account results. We will continue to monitor potential losses and will adjust any result forecast accordingly.

2022 ACCOUNT FORECAST

For 2022, the Syndicate's capacity was increased to £345.0m. The commentary outlining the 2022 experience is contained within the Calendar Year Results and Business Review section of this report.

SYNDICATE INVESTMENTS

INVESTMENT POLICY

The investment objective for the Syndicate's investment manager is to invest the Premium Trust Funds to preserve capital and maintain liquidity to support underwriting operations in line with policies approved by the Board of LSL. The investment mandate is to invest the Premiums Trust Funds in a manner calculated to maximise returns within agreed restraints. Portfolios are invested predominantly in short-term, high-quality fixed maturity securities. The Syndicate investment manager has been instructed to maintain adequate liquidity and security and has discretion to invest in private sector securities for a limited proportion of the portfolio and within diversity limits for individual credits. Limiting the target duration of the overall portfolio controls the exposure of the investments to adverse price movements.

Portfolio management is delegated to Conning Asset Management Limited. An Investment Committee and formal procedures for monitoring investments exist in line with the guidance from Lloyd's.

INVESTMENT PERFORMANCE

Syndicate 2010's investment portfolio returned an investment loss of $4.5m in 2022 (2021: loss of $1.7m). The Syndicate's invested assets totalled $209.7m at 31 December 2022 (2021: $188.4m).

In 2022 the US combined Syndicate portfolio returned -3.3% (2021: -0.6%) compared to the composite swaps benchmark return of -3.7% (2021: -0.9%).

The Canadian regulated Syndicate portfolio returned -2.0% (2021: -0.6%) compared to the composite swaps benchmark return of -2.1% (2021: -0.9%).

INVESTMENT STRATEGY

The investment strategy places an emphasis on the preservation of invested assets and provision of sufficient liquidity for the prompt payment of claims, in conjunction with providing a reasonably stable income stream. These objectives are reflected in the Syndicate's investment guidelines and its relatively conservative asset allocation. Management reviews the composition, duration and asset allocation of the investment portfolio on a regular basis in order to respond to changes in interest rates and other market conditions.

FOREIGN EXCHANGE HEDGING

The Managing Agent, in so far as possible, matches assets and liabilities by currency within the Syndicate. To date, the Managing Agency has not entered into any transaction to hedge the foreign exchange exposure to the non-US Dollar (Sterling, Canadian Dollars or Euro) currencies held within the Syndicate's premium trust funds. The Managing Agent will continue to keep this possibility under review and may at some future date enter into such transactions. Foreign exchange exposures across the Lancashire Group are hedged by Lancashire Holdings Limited.

BANK BORROWING FACILITIES

Details of bank borrowing facilities are set out in Note 23.

PRINCIPAL RISKS AND UNCERTAINTIES

In addition to strategic risk, including an inappropriate or poorly executed business plan, the Syndicate is exposed to a variety of risks when undertaking its activities, all of which are taken into account when setting its Ultimate Solvency Capital Requirement ("uSCR"). The key risks to the Syndicate are: Insurance risk, Financial risk, Credit risk, Liquidity risk, Operational risk, Market risk and Capital Management risk, details of which are disclosed in Note 4. All areas of risk are subject to the Managing Agency's risk management framework and enterprise-wide risk management practices and controls.

Below are risks for which quantitative assessment is difficult but for which a structured approach is still required to ensure that their potential impact is considered and mitigated insofar as practicable.

RISKS RELATING TO CLIMATE CHANGE

The Syndicate is exposed to both climate-related risk and opportunities. The two major categories of risk being transition and physical risk. Transition risks are those relating to the transition to a lower carbon economy and include risks such as policy and legal risk, technology risk, market risk and reputation risk. Physical risks are those relating to the physical impacts of climate change which can be acute (those from increased frequency and severity of climate-related events) or chronic (due to longer-term shifts in climate patterns). The Syndicate is more significantly affected by physical risk through its exposure to acute and chronic climate change. However, consideration must be, and is, given to transition and climate-related litigation risks. The potential financial impact from these climate-related risks is assessed through scenario testing and mitigated by the Syndicate's strategic and risk management decisions on managing these risks. A risk radar has been prepared to illustrate the risks identified, the likelihood of the risks and their product impact. The risk assessment also considers the products currently offered by the Syndicate and how these might change over time during the transition to a lower carbon economy.

In our underwriting operations, we manage this risk effectively by supplementing our internal systems, data and procedures with external vendor models. Underwriting guidelines were developed in 2021 to support the underwriting process and provide guidance to assist underwriters in their decision making. Performance against guidelines is monitored via the LSL Underwriting Committee Forum and Risk and Compliance Committee. We have clear tolerances and preferences in place to actively manage exposures, and the Board regularly monitors our Probable Maximum Loss (PMLs). The risks to the asset side of our balance sheet from exposure to climate change are mitigated in part through providing climate-specific and carbon intensity targets to our investment managers and by having regular reviews of our third-party asset managers, our asset allocation, and the underlying securities within our portfolio.

Climate change, its related risks and opportunities and their financial impact are a key focus of the Board at their quarterly meetings. The regulatory requirements around companies' climate-related financial disclosures are increasing and failure to address these requirements sufficiently may result in the risk of reputational damage or increased regulatory oversight.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE ("ESG")

Sustainable underwriting is one of the pillars of the Lancashire Group ESG strategy. However, in a complex world there are many challenges and we understand that there are not always easy solutions. The risk solutions that we provide help protect people, companies and economies from uncertainty and give them confidence and stability. Our property (re)insurance products insure clients against the risk of major weather and other catastrophic events and we have long-standing expertise in this area. In our energy portfolio, we support our clients' transition to renewable energy and insure a number of projects, from wind and solar farms to biomass facilities and others. Our product offering will continue to evolve to meet the changing needs of our clients in supporting the world's net-zero target. We are committed to playing our part in making the world more sustainable in an open and honest way. To help us with this, during 2022, we ratified a number of internal underwriting guidelines and investment guidelines focused on consideration of climate change and other ESG factors in line with our values.

SYNDICATE ANNUAL GENERAL MEETING

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000), notice is hereby given that the managing agent does not propose to hold an Annual General Meeting of the members of the Syndicate.

DIRECTORS

The Directors of the Managing Agent who served during the year ended 31 December 2022, as well as any subsequent changes are listed under the section 'Directors and Administration' on page 2.

DISCLOSURE OF INFORMATION TO AUDITORS

The Directors of the Managing Agent who held office at the date of approval of this Managing Agent's report confirm that, so far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and each Director has taken all the steps that they ought to have taken as a Director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are 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, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

J D Spence
Chief Executive Officer

24 February 2023

Statement of Managing Agent's Directors Responsibilities 31 December 2022

The Directors of the Managing Agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires the Directors of the Managing Agent to prepare their Syndicate's annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these annual accounts, the Directors of the Managing Agent are required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to cease trading or have no realistic alternative but to do so.

The Directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Syndicate and to prevent and detect fraud and other irregularities.

The Directors of the Managing Agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of Syndicate annual accounts may differ from legislation in other jurisdictions.

On behalf of the Board

J D Spence
Chief Executive Officer

24 February 2023

SYNDICATE ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2022

Independent Auditor's Report to the Members of Syndicate 2010

OPINION

We have audited the Syndicate annual accounts of Syndicate 2010 ("the Syndicate") for the year ended 31 December 2022 which comprise the Statement of Profit or Loss: Technical account – General business, Statement of Profit or Loss: non-technical account, Balance Sheet, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

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 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

The Directors of the Managing Agent ("the Directors") have prepared the Syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Syndicate annual accounts ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the Syndicate's business model and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period, including reviewing correspondence with Lloyd's to assess whether there were any known impediments to establishing a further year of account.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the Syndicate annual accounts is appropriate; and
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Syndicate will continue in operation.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures at the Syndicate and Managing Agent included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Syndicate and Managing Agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of insurance contract liabilities.

We did not identify any additional fraud risks. We performed the following procedures in respect of fraud:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted containing key words such as error, restatement, correction; those posted by individuals who typically do not make journal entries or are not authorized to post journal entries; those posted without explanation, description, or numerical description only; those posted to seldom used accounts for which the other side is cash; unusual postings to loss and loss adjustment reserve accounts, revenue, receivables and expense accounts; and post-closing journals above our materiality threshold.
- Assessing whether the judgements made in making accounting estimates are indicative of potential bias.

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Syndicate annual accounts from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Syndicate and Managing Agent's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Syndicate annual accounts varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the Syndicate annual accounts including financial reporting legislation (including Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Syndicate annual accounts items.

Secondly, the Syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Syndicate annual accounts, for instance through the imposition of fines, litigation or loss of the Syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: regulatory capital, corruption and bribery recognising the financial and regulated nature of the Syndicate's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Syndicate annual accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate annual accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

OTHER INFORMATION – REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our Syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate annual accounts or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts; and
- in our opinion the Report of the Directors of the Managing Agent has been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required to report 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; or
- certain disclosures of Managing Agent's emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 10, the Directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Syndicate annual accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Umar Jamil (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London

24 February 2023

Statement of Profit or Loss
Technical Account – General Business

As at ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Earned premiums, net of reinsurance			
Gross premiums written	5	**424,208**	372,149
Outward reinsurance premiums		**(97,792)**	(112,253)
Net premiums written		**326,416**	259,896
Change in the provision for unearned premiums:			
Gross amount		**(24,884)**	(20,064)
Reinsurers' share		**665**	86
Earned premiums, net of reinsurance		**302,197**	239,918
Allocated investment return transferred from the non-technical account		**(4,519)**	(1,749)
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount	5	**(204,580)**	(173,951)
Reinsurers' share		**52,922**	49,363
Net claims paid		**(151,658)**	(124,588)
Change in the provision for claims:			
Gross amount	5	**(120,269)**	(88,940)
Reinsurers' share		**20,884**	39,660
Net change in the provision for claims		**(99,385)**	(49,280)
Claims incurred, net of reinsurance		**(251,043)**	(173,868)
Net operating expenses	5, 6	**(95,483)**	(80,977)
Balance on the technical account for general business		**(48,848)**	(16,676)

All operations relate to continuing activities.

Statement of Profit or Loss
Non-Technical Account

For the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Balance on technical account for general business		**(48,848)**	(16,676)
Investment income	10	**4,191**	2,727
Unrealised gains on investments	10	**217**	38
Investment expenses and charges	10	**(1,467)**	(303)
Unrealised losses on investments	10	**(7,460)**	(4,211)
Allocated investment return transferred to the general business technical account		**4,519**	1,749
Foreign exchange gains		**7,020**	2,732
Other charges		**(180)**	(21)
Loss for the financial year		**(42,008)**	(13,965)

All operations relate to continuing activities.

There are no other comprehensive gains or losses in the year.

Balance Sheet

As at 31 December 2022

	Notes	2022 $'000	2021 $'000
Investments:			
Financial investments	11	**209,747**	188,366
Deposits with ceding undertakings	12	**195**	277
		209,942	188,643
Reinsurers' share of technical provisions:			
Provision for unearned premiums	19	**10,702**	10,045
Claims outstanding	19	**283,327**	267,163
		294,029	277,208
Debtors:			
Debtors arising out of direct insurance operations	13	**42,375**	44,474
Debtors arising out of reinsurance operations	14	**128,147**	102,680
Other debtors	15	**2,754**	3,201
		173,276	150,355
Other assets:			
Cash and cash equivalents	16	**101,702**	63,002
		101,702	63,002
Prepayments and accrued income:			
Deferred acquisition costs	17	**27,860**	24,942
Other prepayments and accrued income		**1,481**	1,267
		29,341	26,209
Total Assets		**808,290**	705,417
Capital and reserves:			
Members' balances		**(133,990)**	(94,089)
		(133,990)	(94,089)
Technical provisions:			
Provision for unearned premiums	19	**156,908**	133,576
Claims outstanding	19	**670,714**	566,774
		827,622	700,350
Creditors:			
Creditors arising out of direct insurance operations	20	**5,524**	7,069
Creditors arising out of reinsurance operations	20	**71,317**	71,489
Other creditors including taxation and social security	20	**31,418**	17,867
		108,259	96,425
Accruals and deferred income		**6,399**	2,731
Total Liabilities		**808,290**	705,417

The notes on pages 20 to 42 form part of these annual accounts.

The Syndicate annual accounts on pages 15 to 42 were approved by the Board of Lancashire Syndicates Limited on 24 February 2023 and were signed on its behalf by:

C J Whittle
Chief Financial Officer

24 February 2023

Statement of Changes in Members’ Balances

For the year ended 31 December 2022

	2022 $’000	2021 $’000
Members’ balances as at 1 January	**(94,089)**	(74,194)
Loss for the financial year	**(42,008)**	(13,965)
Members’ agent fee	**(1,088)**	(1,067)
Transfer from/(to) members’ personal reserve fund	**3,195**	(4,863)
Members’ balances as at 31 December	**(133,990)**	(94,089)

Members participate on Syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of that particular year.

Transfers from members’ personal funds comprise the 2019 (2018) closed year of account losses (profit).

Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 $'000	2021 $'000
Cash flows from operating activities			
Loss for the financial year		**(42,008)**	(13,965)
Realised and unrealised investments losses on cash and investments, including currency movements	10	**8,515**	3,873
Income from investments	10	**(4,135)**	(2,259)
Exchange gains		**(7,020)**	(2,732)
Increase in debtors, prepayments and accrued income		**(35,021)**	(19,242)
Increase in net technical provisions		**123,604**	69,258
Increase in creditors, accruals and deferred income		**18,236**	8,129
Net cash inflow from operating activities		**62,171**	43,062
Cash flows from investing activities			
Interest received		**4,135**	2,259
Purchase of equity and debt securities		**(214,198)**	(262,267)
Sale of equity and debt securities		**182,229**	217,167
Net cash outflow from investing activities		**(27,834)**	(42,841)
Cash flows from financing activities			
Proceeds from intercompany loan		**5,000**	15,000
Payment of intercompany loan and interest		**(180)**	—
Transfer from/(to) members in respect of underwriting participations		**3,195**	(4,863)
Members' agents' fees paid on behalf of members		**(1,088)**	(1,067)
Net cash flow from financing activities		**6,927**	9,070
Increase in cash and cash equivalents in the year		**41,264**	9,291
Cash and cash equivalents at 1 January		**63,002**	54,540
Effect of exchange rates and change in market value on cash and cash equivalents		**(2,564)**	(829)
Cash and cash equivalents at 31 December	16	**101,702**	63,002

Notes to the Syndicate Annual Accounts

For the year ended 31 December 2022

1 BASIS OF PREPARATION

Syndicate 2010 ("The Syndicate") comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's Managing Agent, LSL, is 29th Floor, 20 Fenchurch Street, London, EC3M 3BY.

The annual accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting Standard 102 ("FRS 102") and Financial Reporting Standard 103 Insurance Contracts ("FRS 103"). In accordance with FRS 103 "Insurance Contracts", the Syndicate continues to apply existing accounting policies to its insurance contracts but has the option to make improvements to its policies if the changes make the annual accounts more relevant to the decision-making needs of the user.

The annual accounts have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The annual accounts are prepared in US Dollars ("USD") which is the presentational and functional currency of the Syndicate. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The annual accounts are prepared on a going concern basis in accordance with FRS102.

In assessing the Syndicate's going concern position as at 31 December 2022, the Directors have considered a number of factors. These include the current balance sheet and liquidity position, the level and composition of the Syndicate's capital and solvency ratios, the current performance against the Syndicate's strategic and financial business plan, and the current market environment including consideration of the ongoing Ukraine Conflict, inflation and climate change.

The Russia/Ukraine Conflict has caused significant disruption to worldwide economies in 2022, both directly through the invasion and indirectly through sanctions being imposed on Russia by the UK, EU and US. A management margin of $22.7m net of reinsurance and reinstatement premiums has been made. Given the nature of the Russia/Ukraine Conflict, the ultimate losses relating to the event are subject to a high degree of uncertainty. In response, the Syndicate has booked prudent reserves reflecting our exposure. This is based on a decision tree approach with probabilities applied to external scenarios. The actuarial best estimate is then a weighted probability of the losses for each scenario.

Recently, there have been several loss events which, due to their ongoing nature and impact across multiple product lines, are exceptionally difficult to reserve for with inherently uncertain ultimate losses. In 2020 the pandemic led us to change the trend for this risk to increased, from stable. In 2021, we retained the elevated status due to the social inflation risk within claims. This year, with the ongoing Russia/Ukraine Conflict and inflation across the U.S. and Europe reaching its highest level for many years, we have performed a detailed analysis on the impact of inflation rates to ultimate losses and reserve levels. However, there remains considerable uncertainty and we have therefore again shown the risk as trending upwards.

Whilst our longer tail lines, such as casualty, remain a small proportion of the overall book, these lines, due to their very nature, are more difficult to reserve for and will, over time, increase the inherent risk within this principal risk.

The Syndicate's financial forecasts reflect the outcomes that the Directors consider most likely, based on the information available at the date of signing these annual accounts. To assess the Syndicate's going concern, the financial stability of the Syndicate was modelled for a period of at least 12 months and a number of sensitivity, stress and scenario tests were applied. This included, among other analysis, a best estimate forecast as well as various scenarios. This incorporated different magnitudes of reserve releases and, attritional, large and catastrophe events plus optimistic and pessimistic investment return scenarios. To further stress the financial stability of the Syndicate, additional stress testing was performed. This included modelling the breakeven capital requirements of our regulators, the impact of potential management actions to reduce the Syndicate's exposure to climate change-related risks, an operational risk stress of the main input assumption to the base case, the occurrence of a number of high severity loss events impacting the Syndicate in 2023 alongside an investment shock and finally a reverse stress test scenario designed to render the businesss model unviable. The testing identified that under the plausible stress scenarios, the Syndicate had more than adequate liquidity and solvency headroom. Under the severe stress scenario, the corporate member would replenish any cash calls, however this scenario is extremely unlikely and does not take into account the potential upside opportunities for the Syndicate.

Based on the going concern assessment performed as at 31 December 2022, the Directors consider there to be no material uncertainties that may cast significant doubt over the Syndicate's ability to continue to operate as a going concern. The Directors have formed a judgement that there is a reasonable expectation that the Syndicate has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these annual accounts.

2 USE OF JUDGEMENTS AND ESTIMATES

In preparing these annual accounts, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

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

ESTIMATION OF PREMIUMS

The measurement of premiums estimates comprises the estimated gross premium written during the year, that have not yet been notified by the financial year-end. For certain insurance contracts, premium is initially recognised based on estimated premium income ("EPI"). When premium is sourced through binders or treaty business, the EPI is pro-rated across the contract period. This is done on a straight-line basis unless the underlying writing pattern from the prior period indicates the actual underlying writing pattern is materially different. The underwriters adjust their EPI estimates as the year of account matures. After a set amount of time after a contract expires, premiums are adjusted to match the actual signed premium. Premiums are earned on a straight-line basis over the life of each contract. At a portfolio level this is considered to provide a reasonable estimate for the full year of the pattern of risk over the coverage period.

ESTIMATION OF CLAIMS

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in-house actuaries and compared to the independent assessment performed by the external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so as to minimise any adverse run-off deviation.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in Note 4.

3 ACCOUNTING POLICIES

A) PREMIUMS WRITTEN

Premiums written comprise premiums on contracts incepted during the financial year, together with adjustments made in the year to premiums written in prior accounting periods. They also include estimates for pipeline premiums, representing amounts due to the Syndicate not yet notified. Premiums are shown gross of commission payable and exclude taxes and duties levied on them.

B) REINSURANCE PREMIUM CEDED

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

C) UNEARNED PREMIUMS

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in the following or subsequent financial periods, computed separately for each insurance contract using the daily pro rata method, adjusted if necessary to reflect any variation in the incidence of risk during the period covered by the contract.

3 ACCOUNTING POLICIES CONTINUED

D) CLAIMS PROVISIONS AND RELATED RECOVERIES

Claims incurred comprise claims and claims handling expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses.

Outstanding claims including an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end ("IBNR"). Claims outstanding are reduced by anticipated salvage and other recoveries.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical techniques are used to assist in making these estimates. The most critical assumption in regards to claims provisions is that the past is a reasonable predictor of the likely level of claims development. In addition, a management prudence margin is added to the actuarial best estimate.

Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that event has a reliably measurable impact on the amount that the Syndicate will receive from the reinsurer. Impairment losses are recognised immediately in the profit or loss account.

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

E) UNEXPIRED RISKS PROVISION

A provision for unexpired risks is made where claims and related expenses estimated to arise after the end of the financial period in respect of contracts incepted before that date, are expected to exceed the unearned premiums under these contracts, after the deduction of any deferred acquisition costs.

The need for any provision for unexpired risks is assessed at a total Syndicate Year of Account level.

F) ACQUISITION COSTS

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

G) FOREIGN CURRENCIES

The presentational and functional currency of the Syndicate is US Dollars. Transactions denominated in currencies other than the functional currency are translated into the functional currency at the rate of exchange ruling at the date of the transaction or at an appropriate average rate. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the exchange rate ruling on the reporting date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency using the exchange rates at the date when the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historical cost are translated to the functional currency using the exchange rate at the date of transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisitions costs are treated as if they are monetary items.

Differences arising on translation of the foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

H) FINANCIAL ASSETS AND LIABILITIES

As permitted by FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

3 ACCOUNTING POLICIES CONTINUED

H) FINANCIAL ASSETS AND LIABILITIES (CONTINUED)

(I) CLASSIFICATION

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the statement of profit or loss and other comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

(II) RECOGNITION

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire. Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

(III) MEASUREMENT

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method. This includes Deposits with ceding undertakings.

(IV) IDENTIFICATION AND MEASUREMENT OF IMPAIRMENT

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

(V) OFFSETTING

Financial assets and financial liabilities are offset and the net amount presented in the Balance Sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

3 ACCOUNTING POLICIES CONTINUED

I) INVESTMENT RETURN

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

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investment disposed of in the current period.

Investment return is initially recorded in the Non-Technical Account. The return is transferred in full to the Technical Account – General Business to reflect the investment return on funds supporting underwriting business.

J) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the balance sheet.

K) DEPOSITS WITH CEDING UNDERTAKINGS

Deposits with ceding undertakings represent funds held by Lloyd's Europe on behalf of the Syndicate to settle Part VII claims. These funds are held at amortised cost in the balance sheet.

L) 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 (currently at 19%) deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any U.S. Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the Balance Sheet under the heading 'other debtors'. No provision has been made for any other overseas tax payable by members on underwriting results.

M) PENSION COSTS

Lancashire Insurance Services Limited operates a defined contribution pension scheme. Pension contributions relating to staff are recharged to the Syndicate via LSL as incurred and are included within net operating expenses.

N) PROFIT COMMISSION

Profit commission is charged by the Managing Agent on a year of account basis subject to the operation of a two-year deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission is charged at a rate of 20% where a seven year rolling average syndicate result of not less than 7.5% on capacity is achieved. Profit commission at a rate of 17.5% will apply where the seven year rolling average syndicate result is less than 7.5% on capacity.

4 RISK AND CAPITAL MANAGEMENT

The Syndicate is exposed to a variety of insurance and financial risks when undertaking its activities. The Board of Directors of LSL, the Syndicate's Managing Agent, has policies in place for measuring and managing insurance and financial risks, and for managing the Syndicate's capital. These risks can be split into the following categories:

- Insurance risk;
- Financial risk;
- Credit risk;
- Liquidity risk;
- Operational risk;
- Market risk; and
- Capital management risk.

RISK MANAGEMENT FRAMEWORK

The Board of Directors of LSL has overall responsibility for the establishment and oversight of the Syndicate's risk management framework. The Board has established a Risk and Compliance Committee to oversee the operation of the Syndicate's risk management framework and to review and monitor the management of the risks to which the Syndicate is exposed. The Risk and Compliance Committee has delegated oversight of the management of aspects of insurance risks to the Underwriting and Reserving Committees, which are responsible for developing and monitoring insurance risk management policies, and the management of aspects of financial risk to the Investment Committee, which is responsible for developing and monitoring financial risk management policies. The risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls, and to monitor risks and adherence to limits.

The Risk, Underwriting, Reserving and Investment Committees report regularly to the Board of Directors on their activities.

The sections below explain how each category of risk is defined and managed.

INSURANCE RISK

MANAGEMENT OF INSURANCE RISK

A key component of the management of underwriting risk for the Syndicate is a disciplined underwriting strategy that is focused on writing quality business and not writing for volume. Product pricing is designed to incorporate appropriate premiums for each type of assumed risk. The underwriting strategy includes monitoring underwriting limits on the Syndicate's total exposure to specific risks together with limits on geographical and industry exposures. The aim is to ensure a well-diversified book is maintained, with no excessive exposure in any one geographical region.

Contracts can contain a number of features which help to manage the underwriting risk, such as the use of deductibles, or capping the maximum permitted loss, or number of claims (subject to local regulatory and legislative requirements).

The Syndicate makes use of reinsurance to mitigate the risk of incurring significant losses linked to one event, including excess of loss and catastrophe reinsurance. Where an individual exposure is deemed surplus to the Syndicate's appetite, additional facultative reinsurance is also purchased. The Syndicate also purchases quota share reinsurance at selected sub account levels.

The Reserving Committee oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk. The Reserving Committee performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review, the Reserving Committee makes recommendations to the Risk and Compliance Committee and the Managing Agent's Board of Directors of the claims provisions to be established.

The Managing Agent's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is compared annually to the independent analysis performed by the external consulting actuaries.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so as to minimise any adverse run-off deviation.

4 RISK AND CAPITAL MANAGEMENT CONTINUED

INSURANCE RISK (CONTINUED)

CONCENTRATION OF INSURANCE RISK

The Syndicate's underwriting covers various classes of business which, to some extent, have different exposure profiles and therefore provide an element of diversification. The Managing Agency monitors the type of business underwritten by the Syndicate at a whole account level and, where appropriate, adjusts either the business mix or the level of reinsurance protection in place to try to reduce the extent of overly concentrated exposures.

The table below provides an analysis of the geographical breakdown of the Syndicate's gross written premium by class of business.

As at 31 December 2022	Accident and health $'000	Marine, aviation and transport $'000	Fire and other damage to property $'000	Reinsurance $'000	Total $'000
United Kingdom	**538**	**498**	**85**	**7,207**	**8,328**
US	**—**	**—**	**103,266**	**99,477**	**202,743**
European Union Member States	**—**	**447**	**—**	**17,275**	**17,722**
Other countries (including Worldwide)	**8,082**	**15,966**	**42,795**	**128,572**	**195,415**
Total	**8,620**	**16,911**	**146,146**	**252,531**	**424,208**

As at 31 December 2021	Accident and health $'000	Marine, aviation and transport $'000	Fire and other damage to property $'000	Reinsurance $'000	Total $'000
United Kingdom	6,971	4,412	—	7,157	18,540
US	—	—	82,243	85,694	167,937
European Union Member States	—	540	—	21,572	22,112
Other countries (including Worldwide)	2,054	12,686	40,835	107,985	163,560
Total	9,025	17,638	123,078	222,408	372,149

SENSITIVITY OF INSURANCE RISK

The frequency and severity of claims in respect of the Syndicate can be affected by several factors. The Syndicate specialises in non-marine reinsurance, aviation reinsurance, and direct and facultative property insurance. These accounts are predominantly short-tail in nature, and some of them have a high degree of catastrophe exposure (for example the property accounts could be affected by hurricane or earthquake losses).

The catastrophe nature of these accounts is managed through the Syndicate's underwriting strategy, aggregate management and reinsurance arrangements.

Underwriting limits are in place to support appropriate risk selection criteria and loss aggregates are reviewed and managed by the Syndicate. LSL is committed to monitoring and managing the financial risks from climate change in line with its stated risk appetite. ESG underwriting guidelines have been established for the Lancashire Group that are applicable to all classes of business from 1st January 2022. The guidelines apply to all new business, with renewals in scope with effect from 1st January 2030.

The reinsurance arrangements include excess and catastrophe coverage. These arrangements are designed to mitigate the impact of any significant losses to a more manageable level. The Syndicate models various loss scenarios and also runs specific realistic disaster scenarios ("RDS") in accordance with Lloyd's franchise guidelines to enable it to monitor the exposure at a gross and net level.

Based on the July 2022 Lloyd's RDS submission using version 18 of RMS, the largest RDS event on a gross basis was North-East USA windstorm event for $336.3m [*unaudited*], and the largest RDS event on a net basis was Florida – Miami Dade USA windstorm for $88.9m [*unaudited*].

4 RISK AND CAPITAL MANAGEMENT CONTINUED

INSURANCE RISK (CONTINUED)

The following table presents the sensitivity of the value of insurance liabilities disclosed in the accounts to potential movements in the assumptions applied within the technical provisions. Given the nature of the business underwritten by the Syndicate, the approach to calculating the technical provisions for each class can vary and as a result the sensitivity performed is to apply a beneficial and adverse risk margin to the total insurance liability.

Management deem a range of +/-2.5% and +/-5.0% to be reasonable in showing sensitivities in insurance liabilities based on the ultimate cost of settling gross claims.

	Movement in claims reserves			
31 December 2022	**+2.5%**	**-2.5%**	**+5.0%**	**-5.0%**
Impact on gross liabilities	**16,768**	**(16,768)**	**33,536**	**(33,536)**
Impact on net liabilities	**9,685**	**(9,685)**	**19,369**	**(19,369)**
Impact on profit for the year and members' balances	**9,685**	**(9,685)**	**19,369**	**(19,369)**

	Movement in claims reserves			
31 December 2021	+2.5%	-2.5%	+5.0%	-5.0%
Impact on gross liabilities	14,169	(14,169)	28,339	(28,339)
Impact on net liabilities	7,490	(7,490)	14,981	(14,981)
Impact on profit for the year and members' balances	7,490	(7,490)	14,981	(14,981)

FINANCIAL RISK

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis. A climate value at risk ("VaR") has been implemented to provide a forward looking return-based valuation assessment to measure climate-related risks and opportunities in the investment portfolio.

CREDIT RISK

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation.

The Syndicate is exposed to credit risk in respect of the following:

- Debt securities;
- Reinsurers' share of insurance liabilities;
- Amounts due from intermediaries;
- Amounts due from reinsurers in respect of settled claims;
- Cash and cash equivalents.

The nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

The Syndicate's Managing Agency's reinsurance and broker security committee has established guidelines on its exposure to a single counterparty. These guidelines are regularly reviewed by this committee and adjusted as appropriate by the Managing Agency's board.

4 RISK AND CAPITAL MANAGEMENT CONTINUED

CREDIT RISK (CONTINUED)

MANAGEMENT OF CREDIT RISK

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's. The Syndicate has a policy of investing mainly in government issued and government backed debts and investment grade corporate debts. The Syndicate does not currently invest new monies in speculative grade assets (i.e. those rated below BBB).

The Syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty, and maintains an authorised list of acceptable cash counterparties.

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored as part of its credit control processes.

All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The Managing Agent's Reinsurance and Broker Security Committee assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations. The impact of potential reinsurer default is regularly assessed and managed accordingly.

Exposure to credit risk

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not hold any collateral as security or purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of claims outstanding, debtors arising out of reinsurance operations, cash at bank and in hand, and other assets that are neither past due, nor impaired.

As at 31 December 2022	AAA to A- $'000	BBB+ to B- $'000	Unrated $'000	Total $'000
Financial investments	**188,490**	**19,577**	**1,680**	**209,747**
Cash and cash equivalents	**101,702**	**—**	**—**	**101,702**
Deposits with ceding undertakings	**195**	**—**	**—**	**195**
Reinsurers' share of claims outstanding	**276,532**	**1,730**	**5,065**	**283,327**
Debtors arising out of reinsurance operations	**26,879**	**1,475**	**99,793**	**128,147**
Total	**593,798**	**22,782**	**106,538**	**723,118**

As at 31 December 2021	AAA to A- $'000	BBB+ to B- $'000	Unrated $'000	Total $'000
Financial investments	174,406	13,531	429	188,366
Cash and cash equivalents	63,002	—	—	63,002
Deposits with ceding undertakings	277	—	—	277
Reinsurers' share of claims outstanding	260,448	3,710	3,005	267,163
Debtors arising out of reinsurance operations	12,481	3,544	86,655	102,680
Total	510,614	20,785	90,089	621,488

Of the $5.1m (2021: $3.0m) unrated reinsurers' share of claims outstanding, $1.6m (2021: $1.6m) is fully collateralised in trust funds and $3.5m (2021: $1.4m) relates to a handful of specific unsettled recoveries from reinsurers that have subsequently merged or been taken over by another reinsurer and therefore the original counterparty is no longer rated. However, no recovery issues are currently anticipated with respect to these specific counterparties.

Of the $99.8m (2021: $86.7m) unrated debtors arising out of reinsurance operations, $99.5m (2021: $86.5m) is due from ceding insurers under reinsurance business and $0.3m (2021: $0.2m) relates to reinsurance recoverable on paid claims.

The total unrated financial investments represent cash and overseas deposits held in trust funds.

4 RISK AND CAPITAL MANAGEMENT CONTINUED

CREDIT RISK (CONTINUED)

FINANCIAL ASSETS THAT ARE PAST DUE OR IMPAIRED

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amounts owed to the Syndicate.

An analysis of the carrying amounts of past due but not impaired debtors is presented in the table below.

As at 31 December 2022	Neither due nor impaired $'000	0-3 months past due $'000	3-6 months past due $'000	6-12 months past due $'000	Greater than 1 year past due $'000	Total $'000
Debtors arising out of direct insurance operations	**27,861**	**13,190**	**156**	**522**	**646**	**42,375**
Debtors arising out of reinsurance operations	**110,161**	**16,482**	**173**	**598**	**733**	**128,147**
Total	**138,022**	**29,672**	**329**	**1,120**	**1,379**	**170,522**

As at 31 December 2021	Neither due nor impaired $'000	0-3 months past due $'000	3-6 months past due $'000	6-12 months past due $'000	Greater than 1 year past due $'000	Total $'000
Debtors arising out of direct insurance operations	30,615	12,295	188	440	936	44,474
Debtors arising out of reinsurance operations	90,240	11,015	165	388	872	102,680
Total	120,855	23,310	353	828	1,808	147,154

LIQUIDITY RISK

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation. The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts over the short, medium and long term;
- The Syndicate purchases assets with durations not greater than its estimated insurance contract outflows;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements;
- The Syndicate maintains cash and liquid assets to meet daily calls on its insurance contracts;
- The Syndicate holds significant committed borrowing facilities to enable cash to be raised in a relatively short timespan, details of which are set out in Note 23; and
- The Syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

The following table shows the financial liabilities (gross provision for outstanding claims and creditors) grouped into maturity dates.

As at 31 December 2022	< 1 year $'000	1-3 years $'000	4-5 years $'000	> 5 years $'000	Total $'000
Gross provision for claims outstanding	**397,769**	**208,047**	**50,056**	**14,842**	**670,714**
Creditors	**108,259**	**—**	**—**	**—**	**108,259**
Total	**506,028**	**208,047**	**50,056**	**14,842**	**778,973**

As at 31 December 2021	< 1 year $'000	1-3 years $'000	4-5 years $'000	> 5 years $'000	Total $'000
Gross provision for claims outstanding	373,140	153,436	29,322	10,876	566,774
Creditors	96,425	—	—	—	96,425
Total	469,565	153,436	29,322	10,876	663,199

4 RISK AND CAPITAL MANAGEMENT CONTINUED

OPERATIONAL RISK

Operational risk is the risk of loss from people, processes, systems or external events with origins outside the scope of other risk categories. The Managing Agent actively monitors and controls its operational risks. LSL recognises that the ability to continue operations in the event of a business interruption, whether from a major disaster or minor incident, is a fundamental factor in meeting the expectations of our customers and internal and external stakeholders. Both the Syndicate and Lloyd's have a formal disaster recovery plan which, in the event of an incident, will support alternative accommodation strategies.

MARKET RISK

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

MANAGEMENT OF MARKET RISKS

For each of the major components of market risk, the Syndicate has policies and procedures in place which detail how each risk should be managed and monitored. The management of each of these major components of market risk and the exposure of the Syndicate at the reporting date to each major risk is addressed as follows:

INTEREST RATE RISK

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis.

CURRENCY RISK

The Syndicate writes business primarily in US dollars, Canadian dollars, Sterling and Euros and is therefore exposed to currency risk arising from fluctuations in the exchange rates of US Dollars against these currencies.

The foreign exchange policy is to, as far as possible, maintain assets in the currency in which the cash flows from liabilities are to be settled in order to match the currency risk inherent in these contracts. The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date.

As at 31 December 2022	GBP $'000	USD $'000	EUR $'000	CAD $'000	Total $'000
Total assets	**97,185**	**617,747**	**51,274**	**42,084**	**808,290**
Total liabilities	**(124,786)**	**(699,854)**	**(88,547)**	**(29,093)**	**(942,280)**
Members' balance	**(27,601)**	**(82,107)**	**(37,273)**	**12,991**	**(133,990)**

As at 31 December 2021	GBP $'000	USD $'000	EUR $'000	CAD $'000	Total $'000
Total assets	123,943	495,723	43,555	42,196	705,417
Total liabilities	(122,350)	(584,182)	(70,244)	(22,730)	(799,506)
Members' balance	1,593	(88,459)	(26,689)	19,466	(94,089)

The Syndicate participates in the currency conversion scheme at Lloyd's and as a result holds assets and liabilities in the four currencies disclosed above. Any other currencies are converted to sterling and disclosed under the GBP caption.

4 RISK AND CAPITAL MANAGEMENT CONTINUED

MARKET RISK (CONTINUED)

SENSITIVITY ANALYSIS TO MARKET RISKS FOR FINANCIAL INSTRUMENTS

An analysis of the Syndicate's sensitivity to interest rate and currency risk is presented in the tables below. The tables show the effect on profit or loss of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

Interest rate risk	2022 $'000	2021 $'000
Increase/(decrease) on profit for the year ended		
+50 basis points increase	**(1,604)**	(1,604)
- 50 basis points decrease	**1,604**	1,563
+100 basis points increase	**(3,207)**	(3,207)
-100 basis points decrease	**3,207**	2,771

Currency risk	2022 $'000	2021 $'000
Increase/(decrease) on profit for the year ended		
10% strengthening of Sterling to US Dollar	**(6,985)**	(442)
10% weakening of Sterling to US Dollar	**6,985**	442
10% strengthening of Euro to US Dollar	**(1,952)**	(3,341)
10% weakening of Euro to US Dollar	**1,952**	3,341
10% strengthening of Canadian Dollar to US Dollar	**2,248**	2,733
10% weakening of Canadian Dollar to US Dollar	**(2,248)**	(2,733)

CAPITAL MANAGEMENT RISK

CAPITAL FRAMEWORK AT LLOYD'S

The Society of Lloyd's ("Lloyd's") is regulated by the Financial Conduct Authority ("FCA") and the Prudential Regulatory Authority ("PRA"), under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply overall and member level only respectively. Accordingly, the capital requirement in respect of Syndicate 2010 is not disclosed in these annual accounts.

4 RISK AND CAPITAL MANAGEMENT CONTINUED

CAPITAL MANAGEMENT RISK (CONTINUED)

LLOYD'S CAPITAL SETTING PROCESS

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

A Syndicate comprises one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operate on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate's SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 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 and not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was maintained at 35.0% of the members' SCR 'to ultimate'.

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), assets held and managed within a Syndicate (funds in Syndicate), or as the member's share of the members' balances on each Syndicate on which it participates.

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the Balance Sheet on page 17, represent resources available to meet members' and Lloyd's capital requirements.

5 ANALYSIS OF UNDERWRITING RESULT

An analysis of the underwriting result before investment return for the year and the net technical provisions for the year end is presented in the table below:

						31 December 2022	
Type of business	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Net operating expenses $'000	Reinsurance balance $'000	Total excluding investment return $'000	Net technical provisions $'000
Direct insurance							
Accident and health	**8,620**	**9,055**	**(2,240)**	**(4,198)**	**(219)**	**2,398**	**5,859**
Marine, aviation and transport	**16,911**	**15,707**	**(24,881)**	**(4,376)**	**28,077**	**14,527**	**6,560**
Fire and other damage to property	**146,146**	**135,639**	**(50,605)**	**(38,910)**	**(16,807)**	**29,317**	**143,227**
	171,677	**160,401**	**(77,726)**	**(47,484)**	**11,051**	**46,242**	**155,646**
Reinsurance acceptances	**252,531**	**238,923**	**(247,123)**	**(47,999)**	**(34,372)**	**(90,571)**	**351,321**
Total	**424,208**	**399,324**	**(324,849)**	**(95,483)**	**(23,321)**	**(44,329)**	**506,967**

						31 December 2021	
Type of business	Gross premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Net operating expenses $'000	Reinsurance balance $'000	Total excluding investment return $'000	Net technical provisions $'000
Direct insurance							
Accident and health	9,025	5,211	(2,398)	(2,414)	(74)	325	4,571
Marine, aviation and transport	17,638	15,512	(4,222)	(2,471)	(4,817)	4,002	6,711
Fire and other damage to property	123,078	113,196	(76,539)	(37,282)	(4,084)	(4,709)	127,291
	149,741	133,919	(83,159)	(42,167)	(8,975)	(382)	138,573
Reinsurance acceptances	222,408	218,166	(179,732)	(38,810)	(14,169)	(14,545)	260,375
Total	372,149	352,085	(262,891)	(80,977)	(23,144)	(14,927)	398,948

Net technical provisions are net of deferred acquisition costs.

The gross premiums written by geographical destination analysis is set out below. All premiums written are for contracts with external customers and are concluded in the UK, except for EU-domiciled business which is written through Lloyd's Europe, reinsured to the Syndicate and concluded in Belgium.

	2022 $'000	2021 $'000
United Kingdom	**8,328**	18,540
US	**202,743**	167,937
European Union Member States	**17,722**	22,112
Other countries	**195,415**	163,560
Total	**424,208**	372,149

6 NET OPERATING EXPENSES

	2022 $'000	2021 $'000
Brokerage and commissions	**66,768**	59,056
Change in deferred acquisition costs	**(3,410)**	(4,270)
Administrative expenses	**28,256**	22,925
Members' standard personal expenses	**5,909**	5,726
Reinsurance commissions and profit participation	**(2,040)**	(2,460)
Total	**95,483**	80,977

Total commissions for direct insurance business in the year amounted to $36.3m (2021: $32.9m).

Administrative expenses include:

	2022 $'000	2021 $'000
Auditors' remuneration:		
Audit of the Syndicate annual accounts	**322**	210
Other services pursuant to regulations and Lloyd's Byelaws	**141**	136
Total	**463**	346

7 STAFF NUMBER AND COSTS

Lancashire Insurance Services Limited ("LISL") pays all salaries to the employees and recharges a proportion to LSL, which in turn recharges the Syndicate. All staff are employed by LISL. The following amounts were recharged by LSL to the Syndicate in respect of salary costs:

	2022 $'000	2021 $'000
Wages and salaries	**9,496**	8,396
Social security costs	**1,315**	930
Pension costs	**728**	673
Total	**11,539**	9,999

The average number of employees employed by LISL but working for the Syndicate during the year, analysed by category, is as follows:

	2022 Number	2021 Number
Operations, administration and finance	**11**	13
Underwriting and claims	**45**	44
Total	**56**	57

8 EMOLUMENTS OF THE DIRECTORS OF LANCASHIRE SYNDICATES LIMITED

The Syndicate has incurred the following amounts in respect of emoluments paid to its Managing Agent's Directors, excluding the Active Underwriter of the Syndicate (see Note 9). Fees relates to fees paid to the Non-Executive Directors.

	2022 $'000	2021 $'000
Emoluments	**807**	733
Fees	**21**	18
Other benefits	**140**	312

9 ACTIVE UNDERWRITER'S EMOLUMENTS

The Active Underwriter, the highest paid Director, received the following aggregate remuneration charged to the Syndicate:

	2022 $'000	2021 $'000
Emoluments	**404**	460
Other benefits	**137**	183

During the year, a new Active Underwriter was appointed for the Syndicate. The amounts above have been apportioned to reflect this change.

10 INVESTMENT RETURN

The investment return transferred from the technical account to the non-technical account comprises the following:

	2022 $'000	2021 $'000
Investment income:		
Interest and dividend income	**4,135**	2,259
Realised gains on investments	**56**	468
Unrealised gains on investments	**217**	38
Investment expenses and charges:		
Investment management expenses, including interest	**(139)**	(135)
Realised losses on investments	**(1,328)**	(168)
Unrealised losses on investments	**(7,460)**	(4,211)
Investment return transferred to the technical account from the non-technical account	**(4,519)**	(1,749)

The total income, expenses, net of gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2022 $'000	2021 $'000
Financial assets at fair value through profit or loss	**(4,380)**	(1,614)
Investment management expenses, excluding interest	**(139)**	(135)
Total investment return	**(4,519)**	(1,749)

There are no impairment losses on any financial assets recognised in administrative expenses included in technical account (2021: $nil).

The average Syndicate funds available for investment and investment yield in the calendar year by currency is as follows:

	31 December 2022		31 December 2021	
	Average funds $'000	Investment yield %	Average funds $'000	Investment yield %
Sterling	**21,723**	**(3.4)**	18,304	(5.4)
Euro	**134**	**—**	398	(0.1)
US Dollars	**135,283**	**(2.6)**	108,219	(0.6)
Canadian Dollars	**25,123**	**(1.1)**	28,467	(0.4)
All currencies converted to US Dollars	**182,263**	**(2.5)**	155,388	(1.1)

11 FINANCIAL INVESTMENTS

As at 31 December	Carrying value 2022 $'000	Carrying value 2021 $'000	Cost 2022 $'000	Cost 2021 $'000
Shares and other variable yield securities and units in unit trusts	**2,723**	3,491	**4,615**	4,615
Debt securities and other fixed income securities	**170,423**	164,540	**177,578**	164,948
Overseas deposits	**36,601**	20,335	**36,601**	20,335
Total	**209,747**	188,366	**218,794**	189,898

All financial assets are measured at fair value through profit or loss. The amount ascribable to listed investments is $170.4m (2021: $164.5m).

The Syndicate classifies its financial instruments held at fair value in its Balance Sheet using a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 – financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.
- Level 3 – financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data. This includes the loans to Lloyd's Central Fund.

The table below analyses financial instruments held at fair value in the Syndicate's Balance Sheet at the reporting date by its level in the fair value hierarchy:

As at 31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Shares and other variable yield securities and units in unit trusts	**—**	**—**	**2,723**	**2,723**
Debt securities and other fixed income securities	**—**	**170,423**	**—**	**170,423**
Deposits with ceding undertakings	**195**	**—**	**—**	**195**
Cash and cash equivalents	**101,647**	**55**	**—**	**101,702**
Overseas deposits	**1,550**	**35,051**	**—**	**36,601**
Total	**103,392**	**205,529**	**2,723**	**311,644**

As at 31 December 2021	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Shares and other variable yield securities and units in unit trusts	—	—	3,491	3,491
Debt securities and other fixed income securities	—	164,540	—	164,540
Deposits with ceding undertakings	277	—	—	277
Cash and cash equivalents	62,947	55	—	63,002
Overseas deposits	836	19,499	—	20,335
Total	64,060	184,094	3,491	251,645

There were no transfers between levels during the year.

11 FINANCIAL INVESTMENTS CONTINUED

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Shares and other variable securities and units in unit trusts are generally categorised as level 1 in the fair value hierarchy except where they are not actively traded. This includes the Syndicate loans to central fund. The loan has no fixed repayment date and has been classified as level 3; a valuation model has been used to approximate fair value. The Syndicate has no exposure to hedge funds.

Debt securities and derivative financial assets are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Corporate bonds, including asset backed securities that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

MOVEMENT IN LEVEL 3 INVESTMENTS

The following table provides an analysis of investments values with reference to level 3 inputs.

	2022 $'000	2021 $'000
As at 1 January	**3,491**	4,615
Purchases	**—**	—
Net loss recognised in profit or loss	**(402)**	(1,120)
Foreign exchange	**(366)**	(4)
As at 31 December	**2,723**	3,491

12 DEPOSITS WITH CEDING UNDERTAKINGS

As at 31 December	2022 $'000	2021 $'000
Deposits with approved credit institutions	**195**	277

13 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

As at 31 December	2022 $'000	2021 $'000
Due within one year	**42,375**	44,474

14 DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

As at 31 December	2022 $'000	2021 $'000
Due within one year	**128,147**	102,680

15 OTHER DEBTORS

As at 31 December	2022 $'000	2021 $'000
Due within one year:		
Amounts due from members	**931**	1,088
VAT recoverable	**33**	88
Due after one year:		
Amounts due from members	**1,790**	2,025
Total	**2,754**	3,201

16 CASH AND CASH EQUIVALENTS

As at 31 December	2022 $'000	2021 $'000
Cash and cash equivalents consist of:		
Cash at bank and in hand	**40,040**	41,616
Holdings in collective investment schemes	**61,662**	21,386
Total	**101,702**	63,002

Cash and cash equivalents represents cash at bank and in hand, short term bank deposits and other short-term highly liquid investments that are subject to insignificant risk of change in fair value.

17 DEFERRED ACQUISITION COSTS

	2022 $'000	2021 $'000
As at 1 January	**24,942**	21,103
Acquisition costs incurred in the year	**66,768**	59,056
Amounts used in the year	**(63,358)**	(54,786)
Effect of movement in exchange rates	**(492)**	(431)
As at 31 December	**27,860**	24,942

18 CLAIMS DEVELOPMENT

Claims development is shown in the tables below on an underwriting year basis. Balances have been translated at exchange rates as at 31 December 2022. These balances are reflected on the Balance Sheet.

Underwriting Year – Gross	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
At end of the year of account	106,944	126,977	71,896	90,199	302,820	175,393	129,837	153,570	230,273	233,342	
One year later	170,385	158,200	116,459	160,773	378,537	254,131	214,080	220,277	320,052		
Two years later	164,170	144,318	110,269	157,233	370,620	269,315	202,106	227,256			
Three years later	155,706	140,503	106,913	149,472	350,903	252,865	186,306				
Four years later	150,644	138,277	104,512	145,587	341,841	265,820					
Five years later	148,725	135,519	98,914	145,745	340,720						
Six years later	143,425	136,860	99,764	144,070							
Seven years later	141,783	135,899	99,304								
Eight years later	140,768	134,466									
Nine years later	138,867										
Gross ultimate claims	138,867	134,466	99,304	144,070	340,720	265,820	186,306	227,256	320,052	233,342	2,090,203
Less: Cumulative gross paid claims	(135,292)	(130,120)	(95,131)	(137,914)	(311,045)	(207,232)	(127,199)	(146,607)	(121,386)	(36,903)	(1,448,829)
Gross claims reserves from 2013 to 2022	**3,575**	**4,346**	**4,173**	**6,156**	**29,675**	**58,588**	**59,107**	**80,649**	**198,666**	**196,439**	**641,374**
Gross claims reserves – 2012 and prior											29,340
Gross claims reserves (see Note 19)											**670,714**

Underwriting Year – Ceded	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
At end of the year of account	13,443	19,826	6,155	11,320	137,784	48,195	42,270	36,860	98,985	66,164	
One year later	18,546	17,106	15,221	28,569	164,401	85,666	64,053	49,655	107,074		
Two years later	20,567	14,371	14,804	31,462	157,520	103,940	54,619	50,444			
Three years later	19,613	13,308	13,579	32,226	154,835	95,724	43,593				
Four years later	17,540	13,361	13,217	31,395	150,462	110,623					
Five years later	17,431	12,645	12,467	30,374	149,153						
Six years later	14,298	12,628	12,467	30,900							
Seven years later	14,424	11,929	12,182								
Eight years later	13,817	11,953									
Nine years later	13,745										
RI ultimate claims	13,745	11,953	12,182	30,900	149,153	110,623	43,593	50,444	107,074	66,164	595,831
Less: Cumulative RI paid claims	(13,570)	(11,924)	(12,612)	(23,805)	(139,189)	(67,236)	(15,343)	(27,212)	(18,924)	(42)	(329,857)
RI claims reserves from 2013 to 2022	**175**	**29**	**(430)**	**7,095**	**9,964**	**43,387**	**28,250**	**23,232**	**88,150**	**66,122**	**265,974**
RI claims reserves from 2012 and prior											17,353
RI claims reserves (see Note 19)											**283,327**

18 CLAIMS DEVELOPMENT CONTINUED

Underwriting Year – Net	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	2020 $'000	2021 $'000	2022 $'000	Total $'000
At end of the year of account	93,501	107,151	65,741	78,879	165,036	127,198	87,567	116,710	131,288	167,178	
One year later	151,839	141,094	101,238	132,204	214,136	168,465	150,027	170,622	212,978		
Two years later	143,603	129,947	95,465	125,771	213,100	165,375	147,487	176,812			
Three years later	136,093	127,195	93,334	117,246	196,068	157,141	142,713				
Four years later	133,104	124,916	91,295	114,192	191,379	155,197					
Five years later	131,294	122,874	86,447	115,371	191,567						
Six years later	129,127	124,232	87,297	113,170							
Seven years later	127,359	123,970	87,122								
Eight years later	126,951	122,513									
Nine years later	125,122										
Net ultimate claims	125,122	122,513	87,122	113,170	191,567	155,197	142,713	176,812	212,978	167,178	1,494,372
Less: Cumulative net paid claims	(121,722)	(118,196)	(82,519)	(114,109)	(171,856)	(139,996)	(111,856)	(119,395)	(102,462)	(36,861)	(1,118,972)
Net claims reserves from 2013 to 2022	**3,400**	**4,317**	**4,603**	**(939)**	**19,711**	**15,201**	**30,857**	**57,417**	**110,516**	**130,317**	**375,400**
Net claims reserves from 2012 and prior											11,987
Net claims reserves (see Note 19)											**387,387**

19 TECHNICAL PROVISIONS

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

	Gross provisions $'000	Reinsurance assets $'000	2022 Net $'000	Gross provisions $'000	Reinsurance assets $'000	2021 net $'000
Claims outstanding:						
Claims notified	**255,426**	**87,050**	**168,376**	240,720	96,806	143,914
Claims incurred but not reported	**311,348**	**180,113**	**131,235**	244,450	131,788	112,662
As at 1 January	**566,774**	**267,163**	**299,611**	485,170	228,594	256,576
Change in prior year provisions	**88,663**	**7,420**	**81,243**	24,139	(12,471)	36,610
Expected cost of current year claims	**236,186**	**66,386**	**169,800**	238,752	101,494	137,258
Claims paid during the year	**(204,580)**	**(52,922)**	**(151,658)**	(173,951)	(49,363)	(124,588)
Effects of movements in exchange rates	**(16,329)**	**(4,720)**	**(11,609)**	(7,336)	(1,091)	(6,245)
As at 31 December	**670,714**	**283,327**	**387,387**	566,774	267,163	299,611
Claims notified	**270,171**	**96,750**	**173,421**	255,426	87,050	168,376
Claims incurred but not reported	**400,543**	**186,577**	**213,966**	311,348	180,113	131,235
As at 31 December	**670,714**	**283,327**	**387,387**	566,774	267,163	299,611
Provision for unearned premiums:						
As at 1 January	**133,576**	**10,045**	**123,531**	115,914	10,067	105,847
Premiums written during the year	**424,208**	**97,792**	**326,416**	372,149	112,253	259,896
Premiums earned during the year	**(399,324)**	**(97,127)**	**(302,197)**	(352,085)	(112,167)	(239,918)
Effects of movements in exchange rates	**(1,552)**	**(8)**	**(1,544)**	(2,402)	(108)	(2,294)
As at 31 December	**156,908**	**10,702**	**146,206**	133,576	10,045	123,531

20 CREDITORS

As at 31 December	2022 $'000	2021 $'000
Creditors arising out of direct insurance operations	**5,524**	7,069
Creditors arising out of reinsurance operations	**71,317**	71,489
Other creditors including taxation and social security	**31,418**	17,867
Total	**108,259**	96,425

Other creditors including taxation and social security balance includes administrative expenses of $2.5m (2021: $1.9m), members' agents fees of $1.8m (2021: $1.0m), the intercompany loan of $20.0m (2021: $15.0m) due to the Managing Agent and $7.1m (2021: $nil) for an intercompany balance due to Lancashire Insurance Company Limited (see note 22).

21 FOREIGN EXCHANGE RATES

The following currency exchange rates have been used for principal foreign currency transactions:

	2022 year end rate	2022 average rate	2021 year end rate	2021 average rate
Sterling	**1.20**	**1.25**	1.35	1.38
Euro	**1.06**	**1.06**	1.13	1.19
Canadian dollar	**0.74**	**0.77**	0.78	0.80

22 RELATED PARTIES

LSL manages Syndicates 2010 and 3010. Cathedral Capital Holdings Limited ("CCHL"), registered in England and Wales, is the immediate parent company of LSL. Lancashire Holdings Limited ("LHL"), registered in Bermuda, is the ultimate parent company of LSL. LHL is the largest and smallest Group which includes LSL and for which the consolidated annual accounts are prepared.

Within the Lancashire Group there are two (re)insurance companies, Lancashire Insurance Company (UK) Limited (incorporated in the UK) ("LUK") and Lancashire Insurance Company Limited (incorporated in Bermuda) ("LICL"). As at 31 December 2022, the Syndicate owes LICL $7.1m (2021: $nil) for outwards reinsurance paid on behalf of the Syndicate for the Syndicate's share of the Group reinsurance cover. In addition, the Lancashire Group includes Lancashire Capital Management Limited (incorporated in Bermuda) which is the underwriting manager for Kinesis Reinsurance Limited, a special purpose insurer. There have been no transactions with this latter company.

Total Managing Agency fees charged during calendar year 2022 by LSL in respect of services provided to the Syndicate amounted to $2.9m (2021: $2.8m). The amount of profit commission to the Managing Agent incurred in 2022 is $nil (2021: $nil). In 2022, the Syndicate received an additional $5.0m loan from LSL. The total loan amount outstanding as at 31 December 2022 is $20.0m (2021: $15.0m).

A number of Non-Executive Directors are also directors of other Lloyd's and non-Lloyd's insurance entities. Those syndicates and insurance companies may from time to time transact business with the syndicates managed by LSL. All such insurance contracts will have been dealt with on an arm's length basis.

Alex Maloney, Group CEO of LHL, and his spouse acquired 100% of the shares in Nameco 801 on 7 November 2016. Nameco 801 provides capacity to a number of Lloyd's syndicates including Syndicate 2010. Nameco 801 has provided $0.2m of capacity to Syndicate 2010 for the 2022 year of account ($0.2m for the 2021 year of account). Mr Maloney receives a proportionate share of the underwriting results of Syndicate 2010 to which he is contractually entitled through his participation. Nameco 801 has, on advice from its members' agent, maintained its participation on Syndicate 2010 for the 2023 underwriting year of account for $0.2m.

The administrative expenses disclosed in Note 6 were recharged to the Syndicate by LSL. Where expenses were incurred jointly by the Managing Agent and the Syndicate, they were apportioned as follows:

- Salaries and related costs – according to the estimated time of each individual spent on syndicate matters
- Accommodation costs – according to the number of personnel
- Other costs – as appropriate in each case

Amounts owed to LSL at 31 December 2022 totalled $26.8m (2021: $19.5m) and are included in "Other creditors including taxation and social security" and "accruals and deferred income". This includes amounts due to LSL in relation to members' agents fees, intercompany loan and recharged expenses.

Cathedral Capital (1998) Limited ("C98"), a subsidiary of CCHL, provided capacity to the 2020, 2021 and 2022 underwriting years. C98's share of the result for the 2022 calendar year is a loss of $27.4m (2021: $11.3m loss).

22 RELATED PARTIES CONTINUED

In the normal course of business Syndicate 2010 has underwritten reinsurances of Syndicate 3010 and LICL. The total premiums receivable from Syndicate 3010 amounted to $nil (2021: $0.1m). The net receivable from LICL amounted to $1.4m (2021: $4.4m). These contracts were entered into and dealt with on a purely commercial arms-length basis and are in the interests of all names on the Syndicate. The following reinsurances of Syndicate 2010's business have been placed with related parties.

During the year, the Australian service company started to write property business for the Syndicate. The total gross written premium recognised in 2022 is $5.4m (2021: $nil). This contract was entered into and dealt with on a purely commercial arms-length basis and are in the interests of all names on the Syndicate.

GROUP REINSURANCE COVER

Periodically, the Syndicate benefits from a Group reinsurance cover that sits on top of various pillars of reinsurance including the Non-Marine account and also the Direct Property account. Syndicate 2010 did not participate on the 2022 and 2021 years of account. Syndicate 2010's share is 15% for the 2020 year of account. The limit is collateralised and should the limit be exhausted by more than one loss / class of business then recoveries will be apportioned on a pro rata basis between the respective losses.

For the first time this year, Group reinsurance cover was purchased specifically for the Non-Marine account. Syndicate 2010's share of outwards reinsurance premium is $7.1m.

CONSORTIA PARTICIPATION

Syndicate 2010 participates on Aviation Consortia which is led by Syndicate 3010 and managed by LSL. As the manager of these consortia, LSL charges the Syndicate an annual fee and profit commission in proportion to its share of the signed premium income and any net profit. The amount of consortia fees outstanding as at 31 December 2022 is $0.1m (2021: $0.3m). The amount of consortia profit commission outstanding as at 31 December 2022 is $2.3m (2021: $1.3m). Premium receivable due from Syndicate 3010 on the Aviation Consortia is $4.3m (2021: $6.9m).

Syndicate 2010 also participates on a further three consortia led by Syndicate 3010: Cargo, Accident and Health and Property construction. Syndicate 3010 is the manager of these consortia and charges Syndicate 2010, the only other member, a fee based on a percentage of signed premium income. The amount of consortia fees outstanding as at 31 December 2022 is $2.0m (2021: $nil). Premium receivable due from Syndicate 3010 on the Cargo, Accident and Health and Property construction consortia is $10.0m (2021: $8.4m).

KEY MANAGEMENT COMPENSATION

Key management personnel include all persons having authority and responsibility for planning, directing and controlling the activities of the Syndicate. These people include both the Executive and Non-Executive Directors of the Managing Agent, LSL, together with certain other members of the executive management team who are not themselves Directors of the Managing Agent.

Details of the cost of the key management compensation charged to the Syndicate are as follows:

Key management compensation	2022 $'000	2021 $'000
Salaries and other short-term employee benefits	**1,374**	1,431
Post-employment benefits	**162**	149
Other benefits	**344**	573

23 BANK FACILITIES

As at 31 December 2022 and 2021, the Syndicate had in place a $60.0m catastrophe facility with Barclays Bank PLC. The facility is available to assist in paying claims and the gross funding of catastrophes for the Syndicate and is utilised by way of a Letter of Credit (LoC). A separate uncommitted overdraft facility is made available to the Syndicate of $20.0m.

24 POST BALANCE SHEET EVENTS

Total losses of $9.0m will be called from the members' personal reserve funds in respect of the 2020 year of account (2021: $2.1m loss in relation to the 2019 year of account).

25 FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ('FAL'). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' 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. The determination of FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten.

Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the Members' FAL to meet liquidity requirements or to settle losses.

SYNDICATE UNDERWRITING YEAR ACCOUNTS FOR THE 2020 YEAR OF ACCOUNT CLOSED AT 31 DECEMBER 2022

Independent Auditor's Report to the Members of Syndicate 2010 – 2020 Closed Year of Account

OPINION

We have audited the Syndicate underwriting year accounts for the 2020 year of account of Syndicate 2010 for the three-year period ended 31 December 2022 which comprise the Statement of Profit or Loss Technical Account – General Business; Statement of Profit or Loss – Non Technical Account; Balance Sheet; Statement of Changes in Members' Balances; Statement of Cash Flows and related notes, including the accounting policies in Note 2.

In our opinion the Syndicate underwriting year accounts:

- give a true and fair view of the Syndicate's loss for the 2020 closed year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

EMPHASIS OF MATTER – NON-GOING CONCERN BASIS OF PREPARATION

We draw attention to the disclosure made in Note 1 to the Syndicate underwriting year accounts which explains that the Syndicate underwriting year accounts have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT DUE TO FRAUD

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures at the Syndicate and Managing Agent included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the Syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Syndicate and Managing Agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls and the risk of fraudulent revenue recognition, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements such as the valuation of insurance contract liabilities.

We did not identify any additional fraud risks. We performed the following procedures in respect of fraud:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted containing key words such as error, restatement, correction; those posted by individuals who typically do not make journal entries or are not authorized to post journal entries; those posted without explanation, description, or numerical description only; those posted to seldom used accounts for which the other side is cash; unusual postings to loss and loss adjustment reserve accounts, revenue, receivables and expense accounts; and post-closing journals above our materiality threshold.
- Assessing whether the judgements made in making accounting estimates are indicative of potential bias.

IDENTIFYING AND RESPONDING TO RISKS OF MATERIAL MISSTATEMENT RELATED TO COMPLIANCE WITH LAWS AND REGULATIONS

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Syndicate underwriting year accounts from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Syndicate and Managing Agent's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Syndicate underwriting year accounts varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the Syndicate underwriting year accounts including financial reporting legislation (including Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Syndicate annual accounts items.

Secondly, the Syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Syndicate underwriting year accounts, for instance through the imposition of fines, litigation or loss of the Syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: regulatory capital, corruption and bribery recognising the financial and regulated nature of the Syndicate's activities and its legal form. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

CONTEXT OF THE ABILITY OF THE AUDIT TO DETECT FRAUD OR BREACHES OF LAW OR REGULATION

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Syndicate underwriting year accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate underwriting year accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate underwriting year accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our Syndicate underwriting year accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate underwriting year accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in the Report of the Directors of the Managing Agent.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, on behalf of the Syndicate; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 47, the directors of the Managing Agent are responsible for: the preparation of the Syndicate underwriting year accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the Syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Syndicate underwriting year accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the 2020 closed year of account of the Syndicate ("the Syndicate's Members"), as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Lloyd's Syndicate Accounting Byelaw. 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.

Umar Jamil (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London

24 February 2023

Statement of Managing Agent's Responsibilities

The Directors are responsible for preparing the Syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw.

Regulations require the Directors to prepare underwriting year accounts for each financial year. Under the relevant regulations they have elected to prepare the underwriting year accounts in accordance with UK accounting standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these underwriting year accounts, the directors are required to:

- select suitable accounting policies and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used and apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- •state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the underwriting year accounts;
- assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in Note 1, the directors of the managing agent do not believe that it is appropriate to prepare the underwriting year accounts on a going concern basis.

The Directors are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the underwriting year accounts comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They are responsible for such internal control as they determine is necessary to enable the preparation of underwriting year accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the syndicate and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of underwriting year accounts may differ from legislation in other jurisdictions.

By order of the Board

J D Spence
Chief Executive Officer
Lancashire Syndicates Limited

24 February 2023

Statement of Profit or Loss Technical Account – General Business 2020 Year of Account

For the 36 months ended 31 December 2022

	Notes	2022 $'000
Gross premiums written	3	**319,296**
Outward reinsurance premiums		**(87,166)**
Earned premiums, net of reinsurance		**232,130**
Reinsurance to close premiums received, net of reinsurance		**123,356**
Allocated investment return transferred from the non-technical account		**(2,602)**
Claims incurred, net of reinsurance		
Gross amount		**(194,152)**
Reinsurers' share		**54,656**
Net claims paid		**(139,496)**
Reinsurance to close premium payable, net of reinsurance	7	**(146,593)**
Claims incurred net of reinsurance		**(286,089)**
Net operating expenses	3, 5	**(76,372)**
Balance on the technical account for general business		**(9,577)**

The underwriting year has closed and all items therefore relate to discontinued operations.

Statement of Profit or Loss Non-Technical Account
2020 Year of Account

For the 36 months ended 31 December 2022

	Notes	2022 $'000
Balance on technical account for general business		**(9,577)**
Investment income and realised gains on investments	6	**2,684**
Unrealised gains on investments	6	**65**
Investment expenses and charges and realised losses on investments	6	**(629)**
Unrealised losses on investments	6	**(4,722)**
Allocated investment return transferred to the general business technical account		**2,602**
Exchange gain		**533**
Loss for the closed year of account		**(9,044)**

There are no other comprehensive gains or losses for the 36 months ended 31 December 2022.

Balance Sheet
2020 Year of Account

As at 31 December 2022

	Notes	2022 $'000
Assets		
Investments:		
Financial investments	8	**60,368**
Deposits with ceding undertakings	9	**195**
		60,563
Debtors:		
Debtors arising out of direct insurance operations	10	**147**
Debtors arising out of reinsurance operations	11	**39,222**
Other debtors	12	**60,739**
		100,108
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	7	**129,055**
Other assets:		
Cash and cash equivalents	13	**2,850**
		2,850
Prepayments and accrued income		**303**
Total Assets		**292,879**
Liabilities		
Amounts due to members		**(9,044)**
Reinsurance to close premiums payable to close the account – gross amount	7	**275,648**
Creditors:		
Creditors arising out of direct insurance operations	14	**2,218**
Creditors arising out of reinsurance operations	14	**21,987**
Other creditors including taxation and social security	14	**65**
		24,270
Accruals and deferred income		**2,005**
Total Liabilities		**292,879**

The notes on pages 53 to 62 form part of these accounts.

The Syndicate underwriting year accounts on pages 48 to 62 were approved by the Board of Lancashire Syndicates Limited and were signed on its behalf by:

J D Spence
Chief Executive Officer

C J Whittle
Chief Financial Officer

24 February 2023

Statement of Changes in Members' Balance 2020 Year of Account

For the 36 months ended 31 December 2022

	2022 $'000
Members' balance at 1 January 2020	—
Loss for the closed year of account	**(9,044)**
Members' balance as at 31 December 2022	**(9,044)**

Statement of Cash Flows 2020 Year of Account

For the 36 months ended 31 December 2022

	Notes	2022 $'000
Cash flow from operating activities		
Loss for the closed year of account		**(9,044)**
Realised and unrealised investment losses		**4,908**
Income from investments		**(2,477)**
Net reinsurance to close premium payable		**146,593**
Increase in debtors		**(70,659)**
Increase in prepayments and accrued income		**(134)**
Increase in creditors		**66,070**
Increase in accruals and deferred income		**2,235**
Non cash consideration received as part of RITC received	15	**(99,598)**
Net cash inflow from operating activities		**37,894**
Cash flows from investing activities		
Interest received		**2,477**
Purchase of debt securities and other fixed income securities		**(37,521)**
Sale of debt securities and other fixed income securities		**—**
Net cash outflow from investing activities		**(35,044)**
Increase in cash and cash equivalents in the period		**2,850**
Cash and cash equivalents as at 1 January 2020		**–**
Effect of exchange rates and change in market value on cash and cash equivalents		**–**
Cash and cash equivalents as at 31 December 2022		**2,850**

Notes to the Syndicate Underwriting Year Accounts 2020 Year of Account

For the 36 months ended 31 December 2022

1 BASIS OF PREPARATION

These underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") as issued in August 2014, and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103").

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2020 year of account which has been closed by reinsurance to close at 31 December 2022. Consequently the Balance Sheet represents the assets and liabilities of the 2020 year of account and the Statement of Profit or Loss, and the Statement of Cash Flows reflect the transactions for that year of account during the 36 month period until closure.

Whilst the Directors of the Managing Agent have a reasonable expectation that the Syndicate has adequate resources to continue to operate, these underwriting year accounts represent the participation of members in the 2020 year of account, which closed on 31 December 2022. Therefore the 2020 year of account is not continuing to trade and, accordingly the Directors have not adopted the going concern basis in the preparation of these accounts. This has no effect on the amounts reported in the accounts as the 2020 year of account will be closed by payment of a reinsurance to close premium, as outlined in note 2 below, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years.

USE OF ESTIMATES

The underwriting year accounts have been prepared using critical estimates and assumptions that affect the reported amounts of assets and liabilities. Although these estimates are based on management's best knowledge of the current events and actions, actual outcomes may differ from those estimates, possibly significantly. The most significant estimate made by management is in relation to insurance risk, where the key risk factors impacting managements estimate are disclosed in Note 4 of the Syndicate Annual Accounts.

2 SIGNIFICANT ACCOUNTING POLICIES

A) UNDERWRITING TRANSACTIONS

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

B) REINSURANCE TO CLOSE PREMIUM

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims, IBNR, unearned premiums, net of deferred acquisition costs, and unexpired risks) relating to the closed year and to all previous closed years reinsured therein. Although this estimate of net outstanding liabilities is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities will be at variance with the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year (and previous closed years reinsured therein) to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

C) PREMIUMS WRITTEN, REINSURANCE PREMIUM CEDED AND UNEARNED PREMIUMS

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, line slips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due but not yet notified to the Syndicate.

Written premium is earned according to the risk profile of the policy. Unearned premiums represent the balance of premiums written in the period to the Balance Sheet date that relate to unexpired terms of policies in force at that date.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being protected.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

D) CLAIMS AND RELATED RECOVERIES

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

Outstanding claims comprise amounts set aside for claims notified and claims incurred but not yet reported ("IBNR"). Notified claims are estimated on a case-by-case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics.

The amount included in respect of IBNR is based on a detailed review of losses and loss development by management and further reviewed by external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims includes amounts in respect of internal and external claims handling costs. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so as to minimise any adverse run-off deviation.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved.

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

E) ACQUISITION COSTS

Acquisition costs comprise commission and other internal and external costs related to the acquisition of new insurance contracts. These are recognised in line with gross earned premiums.

F) CASH AND CASH EQUIVALENTS

Cash and cash equivalents comprise cash at bank and in hand, deposits held at call with banks and other short-term highly liquid investments with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments. Cash and cash equivalents are carried at amortised cost in the balance sheet.

G) FINANCIAL INSTRUMENTS

(I) 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 investments are held for investment purposes as designated at fair value through profit and loss at inception. A financial asset is classified into this category at inception if acquired principally for the purpose of selling in the short term, if it forms part of a portfolio of financial assets in which there is evidence of short-term profit taking, or if so designated by management. The investment strategy is to manage financial instruments acquired on a fair value basis. The fair values of quoted financial instruments are based on bid prices at the Balance Sheet date. Unlisted investments for which a market exists are stated at the average price at which they were traded on the Balance Sheet date or the last trading day before that date.

Realised and unrealised gains and losses on investments classified as fair value through profit and loss are recognised through the Statement of Profit or Loss.

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date that 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.

(II) OTHER FINANCIAL ASSETS AND LIABILITIES

Insurance debtors and other short-term debtors are classed as loans and receivables under IAS 39, which have fixed or determinable payments that are not quoted in an active market, are initially recorded at fair value and subsequently held at amortised cost. These receivables are assessed for impairment on an annual basis. Insurance creditors are initially recorded at fair value and subsequently held at amortised cost.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

H) FAIR VALUE OF FINANCIAL ASSETS

The fair value hierarchy is as follows:

(i) Level 1 is financial assets which are measured at quoted prices in an active market, where quoted prices are readily available, and those prices represent actual and regularly occurring market transactions on an arm's length basis;

(ii) Level 2 is using a valuation technique based on securities with quoted prices in active markets for similar assets or liabilities or other valuation techniques for which all significant inputs are based on observable market date. These investments are valued via independent external sources using modelled or other valuation methods; and

(iii) Level 3 is using a valuation technique based on the Syndicate's own assumptions.

I) INVESTMENTS AND INVESTMENT RETURN

Investment return comprises investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses and charges. Investment return arising in each calendar year on all the Syndicate's investments is allocated to open years of account in proportion to the average funds available for investment attributable to those years. Investment returns in respect of overseas deposits are allocated to the year of account which funded these deposits.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Movements in unrealised gains and losses on investments represent the difference between their valuation at the Balance Sheet date and their purchase price or, if they have been previously valued, their valuation at the end of the previous calendar year, together with the reversal of unrealised gains and losses recognised in earlier calendar years in respect of investment disposals in the current period.

Investment return is initially recorded in the Non-Technical Account. A transfer is made from the Non-Technical Account to the Technical Account General Business to reflect the investment return on funds supporting underwriting business. All investment return is considered to arise on such funds.

J) SYNDICATE OPERATING EXPENSES

Costs incurred by the managing agent in respect of the Syndicate are charged to the Syndicate and included within the relevant profit and loss account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the managing agent and the Syndicate, they are apportioned as follows:

Salaries and related costs – according to the estimated time of each individual spent on syndicate matters

Accommodation costs – according to the number of personnel

Other costs – as appropriate in each case

Lancashire Insurance Services Limited operates a defined contribution pension scheme. Pension contributions relating to staff are recharged to the Syndicate via LSL as incurred and are included within net operating expenses. Amounts recharged by the managing agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

2 SIGNIFICANT ACCOUNTING POLICIES CONTINUED

K) 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 income tax deducted from syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

No provision has been made for any U.S. Federal Income Tax or any overseas tax payable on the underwriting results or investment earnings.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

L) BASIS OF CURRENCY TRANSLATION

The functional and presentational currency of the Syndicate is US Dollars. Transactions in currencies other than the functional currency are translated at the rate of exchange at the date of the transaction or at an approximate average rate.

Assets and liabilities are retranslated into US Dollars at the rate of exchange at the Balance Sheet date unless contracts to sell currency for Sterling have been entered into prior to the year end, in which case the contracted rates are used. This includes all assets and liabilities arising from insurance contracts including unearned premium and deferred acquisition costs. Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined.

Although transactions are translated as described above, the final result for the year of account is calculated with Sterling, Canadian Dollars and Euros translated at the Balance Sheet date rates of exchange.

Differences arising on the retranslation of foreign currency amounts are included in the non-technical account, except when a gain or loss on a non-monetary item is recognised in Other Comprehensive Income. Realised exchange differences are included in the technical account within net operating expenses.

Where Canadian Dollars or Euros are sold or bought relating to the profit or loss of a closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where US Dollars relating to the profit or loss of a closed underwriting account are bought or sold by members for that year, any exchange profit or loss accrues to those members.

M) PROFIT COMMISSION

Profit commission is charged by the Managing Agent on a year of account basis subject to the operation of a two-year deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission is charged at a rate of 20% where a seven year rolling average syndicate result of not less than 7.5% on capacity is achieved. Profit commission at a rate of 17.5% will apply where the seven year rolling average syndicate result is less than 7.5% on capacity.

N) DEPOSITS WITH CEDING UNDERTAKINGS

Deposits with ceding undertakings represent funds held by Lloyd's Europe on behalf of the Syndicate to settle Part VII claims. These funds are held at amortised cost in the balance sheet.

3 ANALYSIS OF UNDERWRITING RESULT

An analysis of the underwriting result before investment return for the 36 months and the net technical provisions as at 31 December 2022 are presented below:

		36 months ended 31 December 2022				
Type of business	Gross premiums earned $'000	Gross claims incurred $'000	Net operating expenses $'000	Reinsurance balance $'000	Total excluding investment return $'000	Net technical provisions $'000
Direct insurance:						
Accident and health	1,903	(244)	(827)	(431)	401	434
Marine, aviation and transport	13,668	(3,329)	(4,139)	77,367	83,567	535
Fire and other damage to property	112,228	(59,856)	(30,033)	(128,014)	(105,675)	29,877
	127,799	(63,429)	(34,999)	(51,078)	(21,707)	30,846
Reinsurance acceptances	191,497	(130,723)	(41,373)	(4,669)	14,732	115,747
Total	319,296	(194,152)	(76,372)	(55,747)	(6,975)	146,593

Reinsurance acceptances include the reinsurance to close premium of $123,356k received from the 2019 year of account.

Reinsurance balance includes all reinsurance related balances including the 2020 reinsurance to close premium payable of $146,593k.

The gross premiums written by geographical destination analysis is set out below. All premiums written are for contracts with external customers and are concluded in the UK, except for EU-domiciled business which is written through Lloyd's Europe, reinsured to the Syndicate and concluded in Belgium.

Geographical analysis by destination	Gross written premiums $'000
United Kingdom	11,837
US	151,636
European Union Member States	12,633
Rest of the world	143,190
Total	319,296

4 ANALYSIS OF RESULT BY CURRENT AND PRIOR YEARS

	2022 $'000
Balance attributable to business allocated to the 2020 year of account	(34,692)
Balance attributable to the reinsurance to close of the 2019 years of account and prior	25,648
Total	(9,044)

5 NET OPERATING EXPENSES

	2022 $'000
Brokerage and commissions	49,989
Change in deferred acquisition costs	2
Administrative expenses	24,252
Members' standard personal expenses	4,782
Reinsurance commission and profit participation	(2,653)
Total	76,372

	2022 $'000
Auditors' remuneration:	
- Fees payable to the Syndicate's auditor for the audit of these accounts	8

6 INVESTMENT RETURN

	2022 $'000
Investment income:	
Interest and dividend income	2,477
Realised gains on investments	207
Unrealised gains on investments	65
Investment expenses and charges:	
Investment management expenses, including interest	(171)
Realised losses on investments	(458)
Unrealised losses on investments	(4,722)
Total	(2,602)

7 REINSURANCE PREMIUM PAYABLE TO CLOSE THE 2020 YEAR OF ACCOUNT

	Reported $'000	IBNR $'000	Total $'000
Gross reinsurance to close premium payable	142,189	133,459	275,648
Reinsurance recoveries anticipated	(59,714)	(69,341)	(129,055)
Reinsurance to close premium payable, net of reinsurance	82,475	64,118	146,593

8 FINANCIAL INVESTMENTS

	2022 $'000
Shares and other variable yield securities	2,723
Overseas deposits	9,379
Debt Securities and other fixed income securities	48,266
Total	**60,368**

Debt securities and other fixed income securities are all listed on recognised stock exchanges.

The Syndicate classifies its financial instruments held at fair value in its Balance Sheet using a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 – financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.
- Level 3 – financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

As at 31 December 2022	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
Shares and other variable yield securities	—	—	2,723	2,723
Overseas deposits	397	8,982	—	9,379
Debt securities and other fixed income securities	—	48,266	—	48,266
Total	**397**	**57,248**	**2,723**	**60,368**

During 2019 Lloyd's introduced syndicate loans to the central fund in order to facilitate the injection of capital to Lloyd's Insurance Company SA ("Lloyd's Europe"). The loan has no fixed repayment date and has been classified as level 3; a valuation model has been used to approximate fair value.

9 DEPOSITS WITH CEDING UNDERTAKINGS

	2022 $'000
Deposits with approved credit institutions	195

10 DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2022 $'000
Due within one year	**147**

11 DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2022 $'000
Due within one year	**39,222**

12 OTHER DEBTORS

	2022 $'000
Amount due from members	**931**
VAT recoverable	**3**
Inter-year loans	**59,805**
Total	**60,739**

13 CASH AND CASH EQUIVALENTS

	2022 $'000
Cash at bank and in hand	**2,850**

All cash and cash equivalents held by the Syndicate are only available for investment and for paying of claims to its policyholders and expenses.

14 CREDITORS

	2022 $'000
Creditors arising out of direct insurance operations	**2,218**
Creditors arising out of reinsurance operations	**21,987**
Other	**65**
Total	**24,270**

Creditors are all due within one year.

15 NON-CASH CONSIDERATION AS PART OF RITC RECEIVED

	2022 $'000
Financial investments	**27,950**
Debtors	**29,618**
Creditors	**42,030**
Total	**99,598**

16 RELATED PARTIES

Lancashire Syndicates Limited ("LSL") manages Syndicates 2010 and 3010. Cathedral Capital Holdings Limited ("CCHL"), registered in England and Wales, is the immediate parent company of LSL. Lancashire Holdings Limited ("LHL"), registered in Bermuda, is the ultimate parent company of LSL. LHL is the largest and smallest group which includes LSL and for which the consolidated accounts are prepared.

Within the Lancashire Group there are two (re)insurance companies, Lancashire Insurance Company (UK) Limited (incorporated in the UK) and Lancashire Insurance Company Limited (incorporated in Bermuda). In addition, the Lancashire Group includes Lancashire Capital Management Limited (incorporated in Bermuda) which is the underwriting manager for Kinesis Reinsurance Limited, a special purpose insurer. There have been no transactions with this latter company.

Total Managing Agency fees outstanding payable to LSL in respect of services provided to the Syndicate in respect of the 2020 year of account amounted to $nil as at 31 December 2022. No profit commission is due to the managing agent in respect of the profit on the 2020 closed year as at 31 December 2022. The administrative expenses disclosed in Note 5 were recharged to the Syndicate by LSL to the 2020 year of account. The basis on which expenses are apportioned is set out in Note 2(j).

Cathedral Capital (1998) Limited, a subsidiary of CCHL, provided capacity to the underwriting years as follows:

Year of Account	2020 (£)	2021 (£)	2022 (£)
Cathedral Capital (1998) Limited	182,797,385	200,836,449	214,873,323

A number of Non-Executive Directors are also directors of other Lloyd's and non-Lloyd's insurance entities. Those Syndicates and insurance companies may from time to time transact business with the Syndicates managed by LSL. All such insurance contracts will have been dealt with on an arm's length basis.

17 BORROWINGS

During the period to 31 December 2022, the Syndicate had an unsecured catastrophe facility of $80.0m with Barclays Bank plc to assist with the paying or funding of any significant catastrophe losses. This facility was not utilised by the 2020 year of account and accordingly the balance outstanding at the Balance Sheet date was $nil.

18 FOREIGN EXCHANGE RATES

	2022 Year-end rate
Euro	1.20
Sterling	1.06
Canadian dollar	0.74

19 POST BALANCE SHEET EVENTS

The reinsurance premium to close the 2020 year of account as at 31 December 2022 was agreed by the Managing Agent on 27 February 2023. Consequently, the technical provisions at 31 December 2022 have been presented in the Balance Sheet under the headings "reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account" and "reinsurance to close premiums payable to close the account – gross amount" in accordance with the format prescribed by the Syndicate Accounting Byelaw. The actual amount of reinsurance to close premiums paid will be after deduction of unsigned premiums.

Total losses of $9.0m will be called from the members' personal reserve funds in respect of the 2020 year of account.

Seven Year Summary of Results (Unaudited)

	2020 YOA	2019 YOA	2018 YOA	2017 YOA	2016 YOA	2015 YOA	2014 YOA
Syndicate allocated capacity	**£305.9m**	£305.9m	£306.0m	£304.6m	£305.7m	£305.9m	£350.0m
Gross capacity utilised(i)	**81.6%**	74.4%	72.7%	67.8%	64.0%	65.3%	60.3%
Number of underwriting members	**1,214**	1,270	1,292	1,293	1,303	1,250	1,251
Aggregate net written premiums(i)	**£182.8m**	£159.9m	£155.5m	£141.9m	£150.8m	£151.7m	£162.6m
Net capacity utilised(i)	**59.8%**	52.3%	50.8%	46.6%	49.3%	49.6%	46.5%
Loss ratio(ii)	**82.0%**	77.4%	79.3%	105.6%	66.9%	58.2%	59.3%
Results for an illustrative share of £10,000							
Gross written premiums	**8,160**	7,443	7,274	6,782	6,398	6,534	6,026
Net earned premiums	**5,976**	5,227	5,084	4,568	5,232	5,056	4,735
Reinsurance to close received from an earlier account	**2,987**	2,384	2,845	2,337	2,358	2,440	2,233
Net claims paid	**(3,488)**	(2,783)	(4,046)	(4,531)	(2,865)	(2,187)	(2,560)
Reinsurance to close payable	**(3,977)**	(2,986)	(2,384)	(2,763)	(2,329)	(2,356)	(2,133)
Profit/(Loss) on exchange	**224**	(213)	239	(40)	—	—	—
Acquisition costs	**(1,271)**	(1,164)	(1,072)	(1,063)	(1,138)	(1,053)	(997)
Syndicate operating expenses	**(506)**	(534)	(532)	(485)	(365)	(352)	(290)
Balance on technical account before investment return	**(55)**	(69)	134	(1,977)	893	1,548	988
Investment income and gains less losses, less expenses and charges	**(57)**	57	146	91	65	73	74
Other charges	**—**	—	(15)	—	—	—	—
Profit/(Loss) for closed year of account before personal expenses	**(112)**	(12)	265	(1,886)	958	1,621	1,062
Currency translation differences	**(11)**	74	(5)	10	—	214	823
Total recognised gains and losses before personal expenses	**(123)**	62	260	(1,876)	958	1,835	1,885
Illustrative personal expenses for a traditional Name:							
- Managing agent's salary	**(65)**	(63)	(63)	(65)	(65)	(65)	(65)
- Central Fund contributions	**(28)**	(25)	(26)	(25)	(13)	(28)	(26)
- Lloyd's subscription	**(29)**	(26)	(29)	(31)	(28)	(28)	(26)
- Profit commission	**—**	—	—	—	(170)	(343)	(353)
Total illustrative personal expenses for a traditional Name	**(122)**	(114)	(118)	(121)	(276)	(464)	(470)
Total result after illustrative personal expenses	**(245)**	(52)	142	(1,997)	682	1,371	1,415

Notes

(i) Premiums above are gross of brokerage. Therefore, it is possible that the capacity utilisation could exceed 100%, as the traditional way of monitoring utilisation is net of brokerage.

(ii) The loss ratio is claims paid plus the reinsurance to close divided by net earned premiums plus reinsurance to close received.

Lancashire
Syndicate 2010

29th Floor
20 Fenchurch Street
London EC3M 3BY
United Kingdom

Tel: +44 (0)20 7170 9000
Fax: +44 (0)20 7170 9001
e-mail enquiries: info@cathedralcapital.com