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Antares Syndicate 1274

# Annual Report and Accounts

31 December 2022



# **Antares Syndicate 1274**

Syndicate Annual Report and Accounts

31 December 2022

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## Directors and Administration

### Managing Agent:

Antares Managing Agency Limited

### Directors

E H Gilmour\*\* (resigned 23 February 2022)

T A Clegg\*\* (resigned 23 February 2022)

M C Graham

R A Sutlow\* (resigned 18 May 2022)

H E Clarke\*\*

M G Finch (resigned 31 March 2022)

Ahmed El Tabbakh\*

A Craggs

M Van Der Straaten\*

J L Lye

M Rajoo-Oakley

H R McKinlay\*\*

R J Camp

R A Keers (appointed 22 February 2022)

B B Secrett\*\* (appointed 23 February 2022)

G Sah (appointed 11 March 2022)

\* Non-Executive Director

\*\* Independent Non-Executive Director

### Secretary

C L Sweeney

### Managing Agent's Registered Office

21 Lime Street

London, EC3M 7HB

### Managing Agent's Registered Number

6646629

### Syndicate 1274:

### Active Underwriter

J L Lye

### Bankers

Lloyds TSB Bank plc

25 Gresham Street

London, EC2V 7HN

### Registered Auditor

KPMG

15 Canada Square

London E14 5GL

## Managing Agent's Report

The Directors of Antares Managing Agency Limited ('the Managing Agent') present their Report for the year ended 31 December 2022.

### Directors

The names of the Directors who served during the year can be found in the Directors and Administration information on page 3.

### Directors' Interests

None of the Directors hold any interests in Antares Managing Agency Limited.

### The Managing Agent

The Managing Agent is Antares Managing Agency Limited (AMAL), whose registered office is 21 Lime Street, London, EC3M 7HB and registered number is 6646629.

### Results and Review of the Business

Syndicate 1274 is a provider of global insurance and reinsurance products. The Syndicate is fully aligned with 100% of its capacity provided by Qatar Insurance Company QSPC ("QIC" formerly Qatar Insurance Company SAQ), a publicly listed composite insurer listed on the Qatar Exchange.

Antares Global Management Limited ("AGML") provides insurance services to the Syndicate under an outsourcing agreement with AMAL.

In line with QIC's objective and strategy, the objective of the Syndicate is to contribute to profitable growth. The Syndicate provides a worldwide, diversified, range of insurance and reinsurance products and is dedicated to providing an efficient and effective service to its clients ensuring quality, security, continuity and a consistent approach to risk transfer.

\$000	2022	Restated 2021
Gross Premium Written	554,199	542,403
Net Premium Earned	438,851	457,158
Net Claims Incurred	(307,373)	(308,441)
Net Commission	(103,066)	(109,678)
<b>Net Underwriting Result</b>	<b>28,412</b>	<b>39,039</b>
Operating Expenses	(40,917)	(44,006)
Net Foreign Exchange	(537)	463
Investment Return	(35,041)	(581)
<b>Net Loss</b>	<b>(48,083)</b>	<b>(5,085)</b>
<b>Ratios:</b>		
Claims Ratio	70.04%	67.47%
Commission Ratio	23.49%	23.99%
Expense Ratio	9.32%	9.63%
<b>Combined Ratio</b>	<b>102.85%</b>	<b>101.09%</b>

The above ratios have been calculated using net earned premium.

In 2022, the Syndicate made a loss of of \$48m (2021: \$5m loss).

At 103% (2021: 101%), the combined ratio has been impacted negatively by the war in Ukraine, inflation, Hurricane Ian and Winterstorm Elliott.

### Premiums

The whole account increased by 2% to \$554m (2021: \$542m) driven by the Terrorism class offset by the strategic decision to withdraw from the Contractors Liability line of business

### Claims

Net claims incurred were \$307m (2021: \$308m) with the Claims Ratio increasing from 67% to 70%.

The increase in the Claims Ratio is driven by the war in Ukraine impacting the Hull, Marine and Terrorism lines of business. The Syndicate was also exposed to both Winterstorm Elliot and Hurricane Ian.

Moreover, the Syndicate strengthened its 2019 and prior year of account reserves primarily in its Casualty Treaty, Management & Transactional Liability and Contractors Liability classes.

2022 has seen high levels of inflation and the impact of this has also been reflected in the Syndicate via its usual, rigorous reserving process.

### Commissions

The Syndicate continued to carefully manage commissions and its active focus succeeded in reducing the acquisition ratio to 23% (2021: 24%).

### Expenses

Operating expenses decreased to \$41m (2021: \$44m) and the expense ratio followed at 9% (2021 10%) driven by changes in exchange rate.

### Investments

Overall, investments contributed a loss of (\$35m) to the result (2022 \$0.6m loss), representing a -3.7% return (2021: -0.1%).

High inflation and a move to higher interest rates has impacted the market value of the fixed income portfolio, resulting in unrealised investment losses in the year.

### Financial Instruments

Details of financial instruments are provided in Note 20 to the accounts.

### Going Concern

In assessing going concern for the Syndicate, Lloyd's approved the 2023 year of account Syndicate Business Forecast and the Syndicate continues to underwrite in 2023. The Directors reviewed the budgets and forecasts as well as the available sources of capital and the uses of that capital and associated cash flow for the Syndicate. After consideration of these factors, the Directors have concluded that it is

## Managing Agent's Report (continued)

appropriate to adopt the going concern basis of accounting.

### Prior Period Restatement

The prior period has been restated due to a misstatement of Reinsurance Recoveries on a single contract. This has impacted the Reinsurers share of the provision for claims in the comparative Statement of Comprehensive Income (\$5.9m) and the Reinsurers share of technical provisions – claims outstanding (\$5.9m) in the comparative Statement of Financial Position – Assets (Note 23).

### Events after the Reporting Period and Future Developments

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date (Note 22).

### Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board of the Managing Agency (the AMAL Board) is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk(s) entirely. However, the AMAL Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

### Risk Categories

The Syndicate is exposed to risk in the following categories:

**Underwriting Risk** is defined as the risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting.

**Reserving Risk** is defined as the risk of loss due to the previously established reserves for claims reported on previously exposed business turning out to be incorrect in terms of quantum or timing.

**Claims Management Risk** is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

**Credit Risk** is defined as the risk of loss due to counterparty default or failure to fulfil their obligations. This is the risk of loss or of adverse change in AMAL's financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which AMAL is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

**Market Risk** is defined as the risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial

instruments. It is the risk that the value of AMAL's basic own funds changes unfavourably, due to economic factors such as variations in interest rates.

**Liquidity Risk** is defined as the risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due.

**Operational Risk** is defined as the risk of loss arising from inadequate or failed internal processes, people, and systems or from external events impacting AMAL's ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk.

**Regulatory Risk** is the risk that the Managing Agency fails to meet the regulatory requirements of the Financial Conduct Authority, the Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Antares Managing Agency Limited has a Compliance department that monitors regulatory developments and assesses the impact on Agency policy.

**Strategic Risk** is defined as the risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between AMAL's strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate and/or inadequate management and mitigation of other risk categories.

**War in Ukraine Risk** is defined as the risk to the Syndicate from the conflict as disclosed in note 20.

AMAL recognises **reputational risk** as a by-product of inappropriate/inadequate management and mitigation of all other risk categories.

**Group Risk** is the possibility that the operation of one part of the Group adversely affects another. Group risk includes: negative publicity; inadequate communication within the organisation; undue influence from fellow subsidiaries; holding companies or stakeholders; financial pressures to make funds available to the Group; and financial restraint leading to shortcomings in core activities. The overall strategy is to minimise Group risk by ensuring that there are clear lines of authority and communication between related parties, and that any intra-Group agreements are formed objectively and clearly understood by all parties.

## Managing Agent's Report (continued)

### Climate Change Risk

Climate Change, and the response to climate change is an evolving risk area which has potential to impact AMAL along with the wider insurance industry. This risk could impact not only the physical environment, but also the liability environments in which we operate. There may also be potential transition risks arising from the transition to low carbon economy. Such impacts could be short or long term in nature, and potentially affect our other key risk types described above.

AMAL has a process to monitor the risks arising from climate change on an ongoing basis. This includes the monitoring of qualitative and quantitative considerations across the business (including the utilisation of scenario testing where feasible) Climate change risks are considered as part of our wider ongoing risk management processes, as is the case for the other potential risks impacting the organisation. We continue to monitor developments in this space, including regulatory expectations in this area.

### Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

Refer to Note 20 – Risk Management for more information on how the Syndicate 1274 monitors, controls, mitigates and manages the risks described above.

### Business Outlook

The Syndicate Business Forecast for 2023 year of account has been approved by Lloyd's and management are continuing to focus on growth and profit. The stamp capacity for 2023 year of account is \$473m.

### Disclosure of Information to the Auditors

The Directors each confirm that:

- so far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and
- they have taken all the steps that they ought to have taken as a Director in order 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.

By order of the Board

.....  
C L Sweeney  
Company Secretary  
27 February 2023



## Statement of Managing Agent's Responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland). The annual accounts are required by law to give a true and fair view of the state of affairs of the syndicate as at that date and of its profit or loss for that year.

Under Insurance Accounts Directive (Lloyd'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 the 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:

1. select suitable accounting policies and then apply them consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
5. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

The Directors of the Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

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

# Independent Auditor's Report to the Members of Syndicate 1274

## Opinion

We have audited the Syndicate annual accounts of Syndicate 1274 ("the Syndicate") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income, Statement of Financial Position, 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, legal and risk 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.

## **Independent Auditor's Report to the Members of Syndicate 1274 (continued)**

- Reading board and audit committee minutes.
- 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 gross incurred but not reported claims reserves and the valuation of estimated premium income related to the youngest year of account.

We did not identify any additional fraud risks.

We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management and inactive users, journals posted without a user identify, those posted to seldom used accounts, those posted with unusual descriptions; unusual entries posted to cash ; and
- Assessing whether the judgements made in making accounting estimates are indicative of a 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 financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Syndicate and Managing Agent 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 financial statements varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the financial statements including financial reporting legislation (including related Lloyd's legislation), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related financial statement 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 or litigation or the loss of the Syndicate's license to operate. We identified the following areas as those most likely to have such an effect: regulatory capital and liquidity, conduct and financial crime, health and safety, data protection laws, anti-bribery, employment law, money laundering, foreign corrupt practices, environmental protection legislation, and misrepresentation recognising the financial and regulated nature of the Syndicate's activities. 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.

## **Independent Auditor's Report to the Members of Syndicate 1274 (continued)**

### *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 financial statements, 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 financial statements, 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**

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

## **Independent Auditor's Report to the Members of Syndicate 1274 (continued)**

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](http://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**  
**for and on behalf of KPMG LLP, Statutory Auditor**

*Chartered Accountants*

15 Canada Square, London, E14 5GL

27 February 2023

## Statement of Comprehensive Income

### For the year ended 31 December 2022

Technical Account – General Business	Notes	2022 \$000	Restated 2021 \$000
<b>Earned Premium, Net of Reinsurance</b>			
Gross Premium Written	4	554,199	542,403
Outward Reinsurance Premium		(94,413)	(91,994)
<b>Net Premiums Written</b>		<b>459,786</b>	<b>450,409</b>
Change in the Provision for Unearned Premium			
Gross Amount		(18,790)	11,183
Reinsurers' Share		(2,145)	(4,434)
<b>Net Change in Provision for Unearned Premium</b>		<b>(20,935)</b>	<b>6,749</b>
<b>Earned Premiums, Net of Reinsurance</b>		<b>438,851</b>	<b>457,158</b>
<b>Allocated Investment Return Transferred from the Non-Technical Account</b>		<b>(35,041)</b>	<b>(581)</b>
Claims Incurred, Net of Reinsurance			
Claims Paid			
Gross Amount		(265,828)	(328,376)
Reinsurers' Share		40,244	71,141
<b>Net Claims Paid</b>		<b>(225,584)</b>	<b>(257,235)</b>
Change in the Provision for Claims			
Gross Amount		(35,101)	(9,957)
Reinsurers' Share		(46,688)	(41,249)
<b>Net Change in the Provision for Claims</b>	5	<b>(81,789)</b>	<b>(51,206)</b>
<b>Claims Incurred, Net of Reinsurance</b>		<b>(307,373)</b>	<b>(308,441)</b>
<b>Net Operating Expenses</b>	4,6	<b>(143,983)</b>	<b>(153,684)</b>
<b>Balance on the Technical Account – General Business</b>		<b>(47,546)</b>	<b>(5,548)</b>

All the amounts above are in respect of continuing operations.

## Statement of Comprehensive Income

### For the year ended 31 December 2022

<b>Non-Technical Account</b>	Notes	<b>2022</b> \$000	<b>Restated</b> <b>2021</b> \$000
Balance on General Business Account		(47,546)	(5,548)
Investment Income	10	23,502	19,600
Unrealised Losses	10	(57,231)	(18,777)
Investment Expenses and Charges	10	(1,312)	(1,404)
Allocated Investment Return Transferred to General Business Technical Account		35,041	581
Exchange Gains		(537)	463
<b>Loss for the Financial Year</b>		<b>(48,083)</b>	<b>(5,085)</b>

The Syndicate has no other comprehensive income other than the loss for the year.

## Statement of Financial Position - Assets

at 31 December 2022

		2022	Restated 2021
	Notes	\$000	\$000
<b>Investments</b>			
Financial Investments	9	782,716	728,347
Deposits with Ceding Undertakings		2,011	6,847
<b>Reinsurers' Share of Technical Provisions</b>			
Provision for Unearned Premiums	15	35,328	38,152
Claims Outstanding	15	168,110	224,169
		<b>203,438</b>	<b>262,321</b>
<b>Debtors</b>			
Debtors Arising out of Direct Insurance Operations	12	193,083	196,069
Debtors Arising out of Reinsurance Operations		99,176	112,257
Other Debtors		441	186
		<b>292,700</b>	<b>308,512</b>
<b>Other Assets</b>			
Cash at bank and in hand	13	81,890	85,076
Overseas Deposits	14	67,508	65,355
<b>Prepayments and Accrued Income</b>			
Other Prepayments and Accrued Income		2,199	2,915
Deferred Acquisition Costs	16	62,265	62,817
		<b>64,464</b>	<b>65,732</b>
<b>Total Assets</b>		<b>1,494,727</b>	<b>1,522,190</b>



## Statement of Financial Position – Liabilities

at 31 December 2022

		2022	Restated 2021
	Notes	\$000	\$000
<b>Capital and Reserves</b>			
Members' Balances		(11,879)	5,063
<b>Technical Provisions</b>			
Provision for Unearned Premiums	15	266,207	254,788
Claims Outstanding	15	1,075,038	1,075,050
		<b>1,341,245</b>	<b>1,329,838</b>
Deposits Received from Reinsurers		Nil	1,422
<b>Creditors</b>			
Creditors Arising out of Direct Insurance Operations	17	36,996	47,060
Creditors Arising out of Reinsurance Operations		112,032	108,493
Other Creditors		10,037	22,752
		<b>159,065</b>	<b>178,305</b>
Accruals and deferred income		6,296	7,562
<b>Total Liabilities</b>		<b>1,494,727</b>	<b>1,522,190</b>

The annual accounts on pages 12 to 43 were approved by the Board of Antares Managing Agency Limited on 22 February 2023 and signed on its behalf by:

R A Keers  
Finance Director

27 February 2023

## Statement of Changes in Members' Balances

Year ended 31 December 2022

	2022	Restated 2021
	\$000	\$000
Members' Balances Carried Forward at 1 January	5,063	(51,004)
Settlement of Year of Account Loss	31,141	61,152
Financial Year Loss	(48,083)	(5,085)
<b>Members' Balances Carried Forward at 31 December</b>	<b>(11,879)</b>	<b>5,063</b>

Members participate on Syndicates by reference to Years of Account and their forecast ultimate result; assets and liabilities are assessed with reference to policies incepting in that Year of Account in respect of their membership of a particular year.

## Statement of Cash Flows

### at 31 December 2022

	2022	Restated 2021
Notes	\$000	\$000
<b>Operating Result</b>	<b>(48,083)</b>	<b>(5,085)</b>
<i>Adjustments for non-cash items</i>		
Unrealised Losses on Investments	57,231	18,777
<i>Changes in working capital</i>		
Increase/(decrease) in gross technical provisions	53,891	(1,226)
Increase in reinsurers' share of gross technical provisions	49,297	45,683
Decrease in debtors	6,078	52,907
(Decrease)/Increase in creditors	(12,851)	8,230
Movement in other assets/liabilities	(6,716)	(6,398)
Investment return	(22,190)	(18,196)
<b>Net cash flows from operating activities</b>	<b>76,657</b>	<b>94,692</b>
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Purchase of equity and debt instruments	(434,943)	(497,475)
Sale of equity and debt instruments	306,207	380,905
Purchase of derivatives	(51,158)	(34,558)
Sale of derivatives	33,719	33,878
Investment income received	23,502	19,600
Other	(281)	(4,732)
<b>Net cash flows from investing activities</b>	<b>(122,954)</b>	<b>(102,382)</b>
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Loss distribution	31,141	61,152
<b>Net cash flows from financing activities</b>	<b>31,141</b>	<b>61,152</b>
Cash and cash equivalents at beginning of year	99,574	47,020
Effect of exchange rate fluctuations on cash and cash equivalents	(2,629)	(908)
<b>Cash and cash equivalents at end of year</b>	<b>81,789</b>	<b>99,574</b>
Cash at bank and in hand	81,890	85,076
Short term deposits with credit institutions	(101)	14,498
<b>Cash and cash equivalents at end of year</b>	<b>81,789</b>	<b>99,574</b>
13		

# Notes to the Annual Accounts

at 31 December 2022

## 1. Managing Agent and Syndicate Information

The Managing Agent of Syndicate 1274 is Antares Managing Agency Limited (“AMAL”), whose registered office is 21 Lime Street, London, EC3M 7HB and registered number is 6646629. AMAL’s ultimate parent company is Qatar Insurance Company QSPC (“QIC”), Dohar, Qatar, P.O. Box 666, Tamin St, West Bay, an insurance group listed on the Qatar Exchange.

The principal activity of Syndicate 1274 is the transaction of general insurance and reinsurance business in the London Market.

## 2. Basis of Preparation

The accounts for the year ended 31 December 2022 were approved by the Antares Managing Agency Board of directors on 22 February 2023.

These annual accounts have been prepared in accordance with The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008, and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 – “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (“FRS 102”) and Financial Reporting Standard 103 Insurance Contracts (“FRS103”) and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The annual accounts have been prepared on a going concern basis and a historical cost basis except for the modification to a fair value basis for certain financial instruments as specified in the accounting policies below. The Syndicate presents its annual accounts as an individual undertaking and not about its group.

Previously cash and cash equivalents were shown together on the face of the balance sheet. Cash equivalents have now been disclosed as investments and the remaining cash at bank separately disclosed in accordance with schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) regulations 2008.

The Syndicate’s functional currency and presentational currency is US Dollars and the level of rounding used is the nearest thousand.

## 3. Accounting Policies

### (a) Premiums written

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

### (b) Unearned premiums

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

### (c) Reinsurance premium ceded

Outwards reinsurance premiums are earned according to the type of policy. For losses occurring during (LOD) contracts the premium is earned on a straight line basis over the period of coverage. For risks attaching during (RAD) contracts the premium is earned in line with the gross premiums earned to which the risks attaching contract relates.

## Notes to the Annual Accounts at 31 December 2022

### (d) Significant accounting judgements, estimates and assumptions

The preparation of financial statements in conformity with FRS 102 and 103 requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenue and expenses during the year. The estimates and associated assumptions are based on historical experience and other factors as deemed reasonable and appropriate. The results of these factors allow judgements to be made in respect of the carrying values of assets and liabilities that are not readily apparent from other sources. The nature of estimation means that actual outcomes could differ from those estimates. Uncertainties exist where current valuations are dependent on estimates of future results.

The Syndicate's areas of estimation primarily relate to premium estimates, valuation of liabilities in respect of insurance and reinsurance contracts and valuation of investments.

The estimates and assumptions are reviewed on an ongoing basis. To the extent that a change in an accounting estimate gives rise to changes in assets and liabilities, or relates to an item of equity, it shall be recognised by adjusting the carrying amount of the related assets, liability or equity item in the period of change.

#### (d) (i) Premium estimates

In the syndicate, the majority of the estimation arises within the binder and lineslip estimates where the premium amounts are dependent on the volume of policies that are insured under the binder / lineslip over the coverage period. In these cases underwriters estimate an initial premium volume and then adjust throughout the life of the binder / lineslip as and when new information becomes available. The process of determining the EPI is based on a number of factors, which can include:

- coverholder business plan documents supplied prior to binding;
- historical trends of business written;
- current and expected market conditions for this line of business; and
- life to date bordereaux submissions versus expectation.

As the year of account matures, the premium estimates are moved to ultimate premium. At a class of business level, ultimate premium is the total premium expected for all business. For older year of account, this estimation is based on statistical methods, where historical patterns comparing the booked premium against the ultimate over time are used to project the ultimate for those years believed to not yet be fully booked. For the middle year of account, the ultimate premium estimates are based on the combination of statistical methods for the lines of business that are more than 70% developed while others on underwriter information provided, with validations performed by internal actuaries using the statistical methods and by way of discussion with the underwriting teams for each class of business. For those classes of business where inwards reinstatement premiums are likely to be material to the ultimate premium estimate, these are explicitly modelled as a function of the ultimate claims for a year of account. Reinsurance premiums are estimated by reinsurance type: proportional and non-proportional.

#### (d) (ii) Claims provisions and related recoveries

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

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

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

## Notes to the Annual Accounts at 31 December 2022

### (d) (ii) Claims provisions and related recoveries (cont'd)

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

The two most critical assumptions regarding 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 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. Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

### (d) (iii) Financial investments

The Syndicate classifies its investments as financial assets measured at fair value through profit or loss.

The Syndicate investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and loss are recognised in the Income Statement.

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

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

Refer to Note 20 Risk Management for details on the Fair Value Hierarchy and fair value measurement criteria.

The Syndicate measures the fair value of its financial assets based on market data from independent pricing services. The pricing services used obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.

### Derivative financial instruments

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently re-measured at their fair value. Changes in the fair value of the derivatives are recognised in profit or loss in finance costs as appropriate. The syndicate does not apply hedge accounting.

### (e) Unexpired Risks Provision

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

The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

## Notes to the Annual Accounts at 31 December 2022

### (f) Deferred Acquisition Costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at year end.

### (g) Financial Assets/Liabilities

All financial assets/liabilities are recognised initially at fair value. 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.

### (h) Foreign Currencies

The Syndicate's functional currency and presentational currency is US Dollars.

Foreign currency transactions are recorded in the functional currency using the exchange rates prevailing at the date of the transactions, or at the average rate for the period when this is a reasonable approximation. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are translated at period end exchange rates. Non-monetary assets and liabilities carried at historical cost denominated in a foreign currency are translated at historic rates. Non-monetary assets and liabilities carried at estimated fair value denominated in a foreign currency are translated at the exchange rate at the date the estimated fair value was determined.

Exchange differences are recorded in the non-technical account.

### (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.

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods 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 general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

### (j) Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic-rate income tax from trading income. In addition, all UK basic-rate income tax deducted from syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the balance sheet under the heading "other debtors".

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

### (k) Pension Costs

Antares Global Management Limited operates a defined contribution scheme for staff working on behalf of Antares Syndicate 1274. Pension contributions relating to these members of staff are charged to the Syndicate and included within net operating expenses. Antares Global Management Limited is a wholly owned subsidiary within Antares Global.

## Notes to the Annual Accounts

### at 31 December 2022

#### (I) 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.

#### 4. Segmental Analysis

An analysis of the underwriting result before investment return for 2022 and 2021 is set out below:

<b>2022</b>	Gross Written Premiums \$000	Gross Premiums Earned \$000	Gross Claims Incurred \$000	Gross Operating Expenses \$000	Reinsurance Balance \$000	Total \$000	Net Technical Provisions \$000
Marine, Aviation and Transport	226,425	213,426	(102,233)	(64,134)	434	47,493	(352,678)
Reinsurance	95,722	92,213	(81,484)	(17,512)	(28,356)	(35,139)	(226,692)
Specialty	233,634	230,794	(136,614)	(62,022)	(57,392)	(25,234)	(535,132)
Property	(1,542)	(1,091)	4,180	(299)	(2,342)	448	(21,931)
Motor	(40)	67	15,222	(16)	(15,346)	(73)	(1,374)
	<b>554,199</b>	<b>535,409</b>	<b>(300,929)</b>	<b>(143,983)</b>	<b>(103,002)</b>	<b>(12,505)</b>	<b>(1,137,807)</b>

<b>Restated 2021</b>	Gross Written Premiums \$000	Gross Premiums Earned \$000	Gross Claims Incurred \$000	Gross Operating Expenses \$000	Reinsurance Balance \$000	Total \$000	Net Technical Provisions \$000
Marine, Aviation and Transport	199,597	202,361	(94,615)	(58,276)	(12,827)	36,643	(329,890)
Reinsurance	92,377	102,690	(59,188)	(27,470)	(19,189)	(3,157)	(184,938)
Specialty	252,847	235,989	(171,952)	(64,194)	(30,717)	(30,874)	(515,718)
Property	559	12,549	(24,095)	(3,147)	7,720	(6,973)	(35,070)
Motor	(2,977)	(3)	11,517	(597)	(11,523)	(606)	(1,901)
	<b>542,403</b>	<b>553,586</b>	<b>(338,333)</b>	<b>(153,684)</b>	<b>(66,536)</b>	<b>(4,967)</b>	<b>(1,067,517)</b>

The above segmental analysis is broken down into the divisional structure by which management views the business. For the purpose of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations, the Specialty division consists of Third Party Liability insurance.

Commissions on direct insurance gross premiums earned were \$92,063,448 during 2022 and \$100,686,042 during 2021.

Gross Operating Expenses include reinsurance commission's receivable.

All premium transactions were concluded in the UK, Brussels, Singapore and China.



## Notes to the Annual Accounts

### at 31 December 2022

#### 4. Segmental Analysis (continued)

The geographical analysis of premiums by destination (or by situs of the risk) is as follows:

	<b>2022</b>	<b>2021</b>
	\$000	\$000
UK	203,183	205,577
Other EU Countries	49,193	47,088
US	151,793	138,452
Central & South America	12,618	13,577
Japan	9,344	9,515
Australia	18,149	24,801
Other	109,919	103,393
<b>Total</b>	<b>554,199</b>	<b>542,403</b>

#### 5. Change in Net Provision for Claims

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

	<b>2022</b>	<b>Restated 2021</b>
	\$000	\$000
Outstanding Claims	(20,729)	41,904
Claims Incurred but not Reported	100,901	8,738
Claims Handling Expenses Provision	1,617	564
<b>Change in Net Provision for Claims</b>	<b>81,789</b>	<b>51,206</b>

The movement in the net provision for claims includes a deterioration of (\$10,253,290) in respect of claims outstanding at the previous year end (2021: deterioration \$13,653,294). The deterioration comprises net claims including the change in claims incurred but not reported ('IBNR').

## Notes to the Annual Accounts at 31 December 2022

### 6. Net Operating Expenses

	2022	2021
	\$000	\$000
Acquisition costs	112,656	130,716
Change in deferred acquisition costs	(7,713)	(6,203)
Acquisition costs – other	4,236	4,106
Administrative expenses	36,478	37,778
	<b>145,657</b>	<b>166,397</b>
Reinsurance commissions receivable	(1,674)	(12,713)
<b>Net operating expenses</b>	<b>143,983</b>	<b>153,684</b>

#### Administrative Expenses Include:

	2022	2021
	\$000	\$000
Auditors' Remuneration		
Audit of the Syndicate Annual Accounts	668	349
Audit related services	124	175
Members' Standard Personal Expenses (Lloyd's Subscription, New Central Fund Contributions, Managing Agent's Fees and Profit Commission)	5,810	4,713

### 7. Staff Costs

The Syndicate and its Managing Agent have no employees. Antares Global Management Limited (the Service Company) hired employees and recharged the cost to the Managing Agent who in turn recharges to the Syndicate. The following amounts were recharged to the Syndicate in respect of salary and related costs:

	2022	2021
	\$000	\$000
Wages and Salaries	17,366	18,552
Social Security Costs	2,434	2,273
Other Pension Costs	1,489	1,356
Other Staff Costs including Recruitment, Training and Medical Insurance	1,962	1,792
	<b>23,251</b>	<b>23,973</b>

## Notes to the Annual Accounts

### at 31 December 2022

#### 8. Emoluments of the Directors of Antares Managing Agency Limited

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

	2022	2021
	\$000	\$000
<b>Total Emoluments</b>	<b>3,374</b>	<b>2,759</b>

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

	2022	2021
	\$000	\$000
<b>Total Emoluments</b>	<b>387</b>	<b>370</b>

No advances or credits were granted by the Managing Agent to any of its Directors during the year.

#### 9. Financial Investments

	Market Value		Cost	
	2022	2021	2022	2021
	\$000	\$000	\$000	\$000
Shares and Other Variable Yield Securities and Units in Unit Trusts	47,117	39,679	45,029	36,162
Debt Securities and other Fixed Income Securities	655,374	616,861	709,846	613,691
Derivatives	8,106	-	8,106	-
Participation in Investment Pools	72,119	71,807	73,373	74,138
	<b>782,716</b>	<b>728,347</b>	<b>836,354</b>	<b>723,991</b>

## Notes to the Annual Accounts at 31 December 2022

### 10. Investment Income and Expenses

	2022	2021
	\$000	\$000
<b>Investment Income</b>		
Income from Investments	19,584	16,231
Realised Gains on Investments	3,918	3,369
Unrealised Losses on Investments	(57,231)	(18,777)
	<b>(33,729)</b>	<b>823</b>
<b>Investment Expenses and Charges</b>		
Investment Management Expenses	(1,312)	(1,404)

### 11. Calendar Year Investment Yield

The average amount of syndicate funds available for investment during 2022 and the investment return and yield for that calendar year was as follows:

	2022	2021
	\$000	\$000
Average Fund	905,446	803,855
Investment Return	(33,729)	823
Calendar Year Investment Yield	(3.7%)	(0.1%)
<b>Average Funds Available for Investment by Currency</b>		
United States Dollars and Other	\$717,004	\$641,217
Sterling	£59,914	£51,794
Canadian Dollars	C\$75,620	C\$61,558
<b>Analysis of Calendar Year Investment Yield by Fund</b>		
	%	%
United States Dollars and Other	(4.0)	0.3
Sterling	(6.5)	(1.3)
Canadian Dollars	(0.1)	0.0

“Average fund” is the average of bank balances, overseas deposits and investments held during the calendar year.

## Notes to the Annual Accounts

### at 31 December 2022

#### 12. Debtors Arising out of Direct Insurance Operations

	2022	2021
	\$000	\$000
<b>Due from Intermediaries</b>	<b>193,083</b>	<b>196,069</b>

There were no balances due from policyholders arising out of direct insurance operations as at 31 December 2022 (2021: \$nil).

#### 13. Cash and Cash Equivalents

	2022	2021
	\$000	\$000
Cash at bank and in hand	81,890	85,076
Short term deposits with credit institutions	(101)	14,498
	<b>81,789</b>	<b>99,574</b>

#### 14. Overseas Deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in fixed income securities.

#### 15. Insurance Contracts and Reinsurance Contracts

	2022			Restated 2021		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Claims Outstanding	1,075,038	168,110	906,928	1,075,050	224,169	850,881
Provision for Unearned Premiums	266,207	35,328	230,879	254,788	38,152	216,636
	<b>1,341,245</b>	<b>203,438</b>	<b>1,137,807</b>	<b>1,329,838</b>	<b>262,321</b>	<b>1,067,517</b>
Contracts due no more than 12 months after the reporting date	319,393	43,289	276,104	353,340	52,200	301,140
Contracts due more than 12 months after the reporting date	1,021,852	160,149	861,703	976,498	210,121	766,377
	<b>1,341,245</b>	<b>203,438</b>	<b>1,137,807</b>	<b>1,329,838</b>	<b>262,321</b>	<b>1,067,517</b>

## Notes to the Annual Accounts

### at 31 December 2022

#### 15. Insurance Contracts and Reinsurance Contracts (continued)

##### (a) Movement in Claims Outstanding

	2022			Restated 2021		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January	1,075,050	224,169	850,881	1,078,396	267,038	811,358
Movements During the Year	35,101	(46,688)	81,789	9,957	(41,249)	51,206
Impact of Foreign Exchange	(35,113)	(9,371)	(25,742)	(13,303)	(1,620)	(11,683)
<b>Balance at 31 December</b>	<b>1,075,038</b>	<b>168,110</b>	<b>906,928</b>	<b>1,075,050</b>	<b>224,169</b>	<b>850,881</b>

##### (b) Movement in Unearned Premium

	2022			2021		
	Insurance Contract Liabilities	Reinsurance Contracts	Net	Insurance Contract Liabilities	Reinsurance Contracts	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Balance at 1 January	254,788	38,152	216,636	270,045	43,133	226,912
Premiums Written During the Year	554,199	94,413	459,786	542,403	91,994	450,409
Premiums Earned During the Year	(535,409)	(96,558)	(438,851)	(553,586)	(96,428)	(457,158)
Impact of Foreign Exchange	(7,371)	(679)	(6,692)	(4,074)	(547)	(3,527)
<b>Balance at 31 December</b>	<b>266,207</b>	<b>35,328</b>	<b>230,879</b>	<b>254,788</b>	<b>38,152</b>	<b>216,636</b>

## Notes to the Annual Accounts

at 31 December 2022

### 16. Deferred Acquisition Costs

	<b>2022</b>	<b>2021</b>
	\$000	\$000
Balance as 1 January	62,817	65,680
Charges during the year	7,713	6,203
Impact of Foreign Exchange	(8,265)	(9,066)
<b>Deferred Acquisitions Costs</b>	<b>62,265</b>	<b>62,817</b>

### 17. Creditors Arising out of Direct Insurance Operations

	<b>2022</b>	<b>2021</b>
	\$000	\$000
<b>Due to Intermediaries</b>	<b>36,996</b>	<b>47,060</b>

There were no balances due to policyholders arising out of direct insurance operations as at 31 December 2022 (2021: £nil).

## Notes to the Annual Accounts

### at 31 December 2022

#### 18. Related Parties

##### a) Related party insurance and reinsurance transactions with Syndicate 1274

During the year the Syndicate entered into transactions in the ordinary course of business with Qatar Insurance Company QSPC (QIC) as well as Antares Reinsurance Company Limited (ARE), a subsidiary of QIC. QIC is the ultimate parent of Antares Global that supports the majority of the capacity of Syndicate 1274.

	2022			2021		
	Qatar Insurance Company	Antares Reinsurance Company Limited	Total	Qatar Insurance Company	Antares Reinsurance Company Limited	Total
	\$000	\$000	\$000	\$000	\$000	\$000
Gross Written Premium	1,995	106	2,101	1,647	7	1,654
Reinsurance Written Premium	1,622	14,702	16,324	1,618	12,319	13,937
Gross Claims Paid	151	392	543	797	401	1,198
Reinsurance Recoveries	4,468	6,042	10,510	16,490	15,979	32,469
Gross Claims Outstanding	5,241	256	5,497	1,167	-	1,167
Reinsurance Claims Outstanding	12,879	11,261	24,140	13,472	5,377	18,849
Due from Related Party	819	164	983	633	4,179	4,812
Due to Related Party	1,569	-	1,569	-	5,477	5,477

##### b) Other related transactions with Syndicate 1274

During 2022, managing agency fees were charged to the Syndicate as follows:

	2022	2021
	\$000	\$000
<b>Antares Managing Agency Limited</b>	<b>1,544</b>	<b>486</b>

Antares Managing Agency Limited also charged the Syndicate \$30,967,742 (2021: \$31,557,678) for expenses paid on its behalf. A balance of \$5,359,505 was due to Antares Managing Agency Limited at 31 December 2022 (2021: nil), \$nil (2021:\$nil) was due from Antares Managing Agency Limited, \$522,264 (2021: \$522,781) was due to Antares Underwriting Asia PTE Ltd, \$nil (2021:\$3,522,325) was due to Antares Underwriting Limited (AUL) and \$340 was due to Antares Capital I Limited (2021: \$43). The Syndicate has no related party transactions with key management personnel.



## Notes to the Annual Accounts at 31 December 2022

### 19. Funds at Lloyd's

Every member at Lloyd's is required to hold capital 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 FCA/PRA requirements and resource criteria. The amount 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.

### 20. Risk Management

#### Principal Risk and Uncertainties

The Syndicate's activities expose the business to a number of risks which have the potential to affect the achievement of the business objectives. The Board is responsible for maintaining an appropriate structure for managing these risks and acknowledges that it is not possible to eliminate risk entirely. However, the Board seeks to manage risk in line with risk appetite by maintaining effective systems and controls.

The Syndicate is exposed to risk in the following categories:

**Insurance Risk: Underwriting Risk** is defined as: "The risk that the frequency and severity of insured events exceeds the expectations of Syndicate 1274 at the time of underwriting".

Reinsurance is an important risk mitigation tool employed by the Syndicate to reduce its exposure to Underwriting Risk. Reinsurance strategy is developed as part of the Three Year Business Plan and the Annual Business Plan, with reference to the overall risk appetite of the Syndicate, historical and projected future reinsurance costs, and potential sources of capital. The reinsurance strategy is approved by the AMAL Board and implemented by senior management.

The other risk mitigation techniques/tools in respect of the Underwriting Risk include: increasing diversification; altering limits and attachment points; and changing product mix (including classes of business and territories).

Underwriting Risk is managed through underwriting authorities, and both peer and independent expert review procedures. Pricing is determined through the use of bespoke pricing models. Underwriting authorities are monitored through systems which report adherence to individual underwriter limits (including contract limits and jurisdiction restrictions). Any delegated underwriting authorities are subject to diligence review, and regular audit.

Realistic Disaster Scenario (RDS) and Probable Maximum Loss (PML) limits are set to limit the exposure to underwriting risk. Aggregate and Class of Business exposures are assessed and monitored, in line with the Exposure Management Framework, to control the risk from the underwriting activities.

Detailed underwriting management information is prepared regularly, including metrics for the main components of risk. These include pricing, loss ratio selection, experience variations, cycle management, reinsurance protection and catastrophe modelling through proprietary software.

## Notes to the Annual Accounts

### at 31 December 2022

#### 20. Risk Management (continued)

The table below sets out the concentration of outstanding claims liabilities by division:

	2022			Restated 2021		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
Marine, Aviation and Transport	270,781	13,991	256,790	257,540	14,610	242,930
Reinsurance	213,254	2,633	210,621	174,547	3,549	170,998
Specialty	513,993	97,781	416,212	516,269	115,727	400,542
Property	30,189	8,258	21,931	52,323	17,703	34,620
Motor	46,821	45,447	1,374	74,371	72,580	1,791
<b>Total</b>	<b>1,075,038</b>	<b>168,110</b>	<b>906,928</b>	<b>1,075,050</b>	<b>224,169</b>	<b>850,881</b>

The table below sets out the concentration of outstanding claims liabilities by geographic area:

	2022			Restated 2021		
	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net	Insurance Contract Liabilities	Reinsurance Contracts Assets	Net
	\$000	\$000	\$000	\$000	\$000	\$000
UK	423,790	90,418	333,372	453,639	130,804	322,835
Other EU Countries	91,268	10,888	80,380	86,873	12,187	74,686
US	281,625	33,597	248,028	255,430	37,235	218,195
Central & South America	23,410	2,793	20,617	25,048	3,943	21,105
Japan	17,336	2,068	15,268	17,555	2,764	14,791
Australia	33,673	4,017	29,656	45,755	7,204	38,551
Other	203,936	24,329	179,607	190,750	30,032	160,718
	<b>1,075,038</b>	<b>168,110</b>	<b>906,928</b>	<b>1,075,050</b>	<b>224,169</b>	<b>850,881</b>

## Notes to the Annual Accounts at 31 December 2022

### 20. Risk Management (continued)

**Insurance Risk: Reserving Risk** is defined as: “The risk of loss due to the previously established reserves for claims reported on previously exposed business being incorrect in terms of quantum or timing”.

The Reserving Policy and Technical Provisions Framework, approved by the AMAL Board and the Finance Committee, sets out the detailed principles, methodologies, practice and governance arrangements for the estimation of reserves and technical provisions.

The reserving policy seeks to ensure consistency in reserving from year to year, and the equitable treatment of capital providers on closure of a Syndicate Year of Account.

Reserving risk is monitored by the robust application of actuarial methodologies, sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate. Regular dialogue between actuaries, underwriters and claims adjusters also assists the process.

Future economic and social inflation are a material component due to the heightened inflation environment.

The claims liabilities are sensitive to a number of assumptions. A key, quantifiable, assumption is the average claim cost. If the average claim cost were to increase by 1%, loss and Members' Balances would be impacted by \$9.0m (2021: \$8.4m).

**Insurance Risk: Claims Management Risk** is the risk of loss or regulatory breach due to inappropriate claim management process and/or inadequate governance.

Claims related risks are managed through a number of control activities and Key Performance Indicators that range from claim authority and claims processing time to potential significant loss event reporting and outstanding case reserve monitoring.

Claims development tables are shown on an underwriting year basis; these set out the development of claims over time on a gross and net of reinsurance basis (without any adjustment for any impact from changes to projected premiums). These claims are shown on an earned basis for each successive development year. Balances have been translated at exchange rates prevailing at 31 December 2022 in all cases.

# Notes to the Annual Accounts

at 31 December 2022

## 20. Risk Management (continued)

Whole Account Underwriting Year	2012 & prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Gross Claims</b>												
<b>Estimate of incurred gross claims</b>												
At the end of underwriting year		101,918	100,914	100,793	112,639	207,764	162,857	150,410	143,744	123,395	180,131	
One year later		168,585	191,401	189,644	264,568	380,117	366,292	348,426	279,086	235,997		
Two years later		181,594	201,405	212,061	526,549	435,072	410,115	372,154	260,195			
Three years later		178,855	199,202	217,744	473,256	464,848	416,498	377,617				
Four years later		178,533	220,552	223,437	503,141	484,033	446,405					
Five years later		178,533	214,982	227,983	504,727	485,745						
Six years later		175,018	225,613	234,187	494,736							
Seven years later		176,742	231,152	238,958								
Eight years later		180,742	228,328									
Nine years later		179,555										
2012 & prior years	946,246											
<b>Gross paid claims position</b>												
At the end of underwriting year		17,657	11,613	6,722	9,574	20,819	15,225	16,791	9,371	8,484	8,464	
One year later		62,262	60,760	55,633	85,551	141,383	136,284	97,200	49,624	47,337		
Two years later		103,725	100,307	109,011	196,980	268,346	223,139	184,228	97,534			
Three years later		123,200	138,295	137,141	212,905	345,055	273,445	230,725				
Four years later		137,098	151,837	160,884	266,572	392,379	314,273					
Five years later		146,994	172,847	175,515	279,946	418,355						
Six years later		159,359	186,244	189,205	404,441							
Seven years later		161,292	192,070	198,365								
Eight years later		164,950	202,026									
Nine years later		167,538										
2012 & prior years	909,817											
<b>Gross claims reserve</b>	<b>36,429</b>	<b>12,017</b>	<b>26,302</b>	<b>40,593</b>	<b>90,295</b>	<b>67,390</b>	<b>132,132</b>	<b>146,892</b>	<b>162,661</b>	<b>188,660</b>	<b>171,667</b>	<b>1,075,038</b>

## Notes to the Annual Accounts at 31 December 2022

### 20.Risk Management (continued)

Whole Account Underwriting Year	2012 & prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000	\$000
<b>Net Claims</b>												
<b>Estimate of Incurred gross claims</b>												
At the end of underwriting year		92,817	91,531	94,044	103,271	147,067	149,401	128,978	118,981	110,905	171,446	
One year later		159,612	179,587	183,252	241,419	296,182	320,476	289,476	240,752	212,771		
Two years later		175,856	189,452	208,673	273,934	337,134	368,783	300,772	233,193			
Three years later		173,888	187,116	212,227	265,073	355,234	366,402	304,439				
Four years later		174,652	209,512	217,919	282,735	375,782	399,746					
Five years later		174,489	203,615	223,529	290,336	380,850						
Six years later		171,887	213,461	231,577	293,833							
Seven years later		173,388	216,152	236,377								
Eight years later		176,592	215,127									
Nine years later		175,813										
2012 & prior years	746,322											
<b>Net paid claims position</b>												
At the end of underwriting year		17,173	11,613	6,647	9,572	20,674	15,071	15,537	9,008	9,249	8,434	
One year later		61,231	60,759	55,551	82,952	113,220	124,707	88,482	52,723	45,506		
Two years later		101,447	100,204	108,966	145,213	209,792	201,648	154,392	94,062			
Three years later		120,882	121,623	137,076	179,059	260,328	247,784	191,139				
Four years later		134,805	140,030	158,848	196,115	300,074	286,373					
Five years later		144,675	164,541	173,841	208,415	320,866						
Six years later		157,040	177,865	187,469	250,881							
Seven years later		158,742	183,623	196,622								
Eight years later		162,389	192,960									
Nine years later		164,812										
2012 & prior years	711,334											
<b>Net claims reserve</b>	<b>34,988</b>	<b>11,001</b>	<b>22,167</b>	<b>39,755</b>	<b>42,952</b>	<b>59,984</b>	<b>113,373</b>	<b>113,300</b>	<b>139,131</b>	<b>167,265</b>	<b>163,012</b>	<b>906,928</b>

## Notes to the Annual Accounts at 31 December 2022

### 20. Risk Management (continued)

**Credit Risk** is defined as: “The risk of loss due to counterparty default or failure to fulfil their obligations”. This is the risk of loss or of adverse change in the Syndicate’s financial position, resulting from fluctuations in the credit standing of issuers of securities, counterparties and any debtors to which the Syndicate is exposed, in the form of counterparty default risk, spread risk, or market risk concentrations.

Syndicate Investment Guidelines are approved by the AMAL Board and include details of permitted securities (including limits), minimum credit ratings and maximum concentrations, to mitigate credit and counterparty default risk exposures in respect of the investment portfolio. Adherence to these guidelines is monitored on a monthly basis.

The Syndicate deals primarily with brokers that are registered with Lloyd’s and with which it has a current, signed Terms of Business Agreement (TOBA). The financial standing of the brokers, their payment performance and adherence to approved procedures is monitored and all exceptions are escalated to the Security Committee, which recommends a bad and doubtful debt provision to be applied against amounts due from brokers.

The Security Committee sets reinsurer exposure thresholds based on credit ratings. This is supported by placing limits on exposure to a single reinsurer in respect of the largest Realistic Disaster Scenario exposures. Reinsurer exposures are monitored on a regular basis and reported to the Security Committee, which considers the ongoing appropriateness of the thresholds and agrees strategies for reducing exposure in respect of any breaches. The Security Committee also monitors the creditworthiness of approved reinsurers, their payment performance and sets out bad debt write-off provisions. All Outward commutation agreements are approved by the Security Committee.

The Syndicate’s maximum exposure to counterparty credit risk analysed by credit quality is detailed below.

As at 31 December 2022	AAA	AA	A	BBB & Below	Lloyd’s syndicates	Unrated	Total
	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial investments (Including Overseas deposits)	62,162	303,264	164,986	259,393	-	60,419	850,224
Cash at bank and in hand	44,007	-	37,728	155	-	-	81,890
Insurance and other receivables	-	-	-	-	-	2,011	2,011
Reinsurance contracts assets	-	65,618	57,345	6,845	40,655	4,832	175,295
	<b>106,169</b>	<b>368,882</b>	<b>260,059</b>	<b>266,393</b>	<b>40,655</b>	<b>67,262</b>	<b>1,109,420</b>

As at 31 December 2021	AAA	AA	A	BBB & Below	Lloyd’s syndicates	Unrated	Total
<b>Restated</b>	\$000	\$000	\$000	\$000	\$000	\$000	\$000
Financial investments (Including Overseas deposits)	55,978	186,005	186,621	322,895	-	42,203	793,702
Cash at bank and in hand	13,730	-	69,418	1,928	-	-	85,076
Insurance and other receivables	-	-	3,209	-	-	3,638	6,847
Reinsurance contracts assets	-	78,859	94,107	-	52,106	3,657	228,729
	<b>69,708</b>	<b>264,864</b>	<b>353,355</b>	<b>324,823</b>	<b>52,106</b>	<b>49,498</b>	<b>1,114,354</b>

In addition to above, debtors arising out of insurance operations amounting to \$193m (2021:\$196m) and debtors arising out of reinsurance operations in respect of inward business amounting to \$83m (2021:\$99m) are considered as unrated, however, since these assets are linked to the claim liabilities, the credit risk is mitigated by way of payments being withheld in the event the premiums are not received by the Syndicate.

## Notes to the Annual Accounts

### at 31 December 2022

#### 20. Risk Management (continued)

Overdue reinsurance receivables, including premiums and claims, were as follows:

Overdue Reinsurance Receivable	0-1 month	2-3 months	4-6 months	7-12 months	Total
	\$000	\$000	\$000	\$000	\$000
<b>At 31 December 2022</b>	<b>599</b>	<b>4,209</b>	<b>2,347</b>	<b>10,172</b>	<b>17,327</b>
At 31 December 2021	1,234	1,217	855	19,454	22,760

Approx 6% of the Insurance and other receivables are past due. More than 21% of the past due balance is up to 12 months overdue with the remaining balance over 12 months overdue. All overdue balances are deemed to be fully recoverable, as such no impairment as been recognised against these receivables.

**Market Risk** is defined as: “The risk of loss, or of adverse change in the financial situation, resulting directly or indirectly from fluctuations in the volatility of market prices of assets, liabilities and financial instruments”. Market risk is driven by currency risk, interest risk, and spread risk as follows:

**Currency Risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level, or in the volatility of, currency exchange rates.

The Syndicate underwrites a significant proportion of business in currencies other than US Dollars, which gives rise to a potential exposure to currency risk. In addition, the Syndicate has a natural currency mismatch, as a higher proportion of its expenses are incurred in Sterling.

The most significant non-US Dollar currency exposure relates to Sterling and Euro.

Currency risk is controlled through an Asset Liability Matching (ALM) process. The ALM process is performed on a quarterly basis to achieve alignment of assets and liabilities in currency, to address any mismatch between currency premiums and claims, and the natural mismatch between US Dollar income and Sterling expenses. The income and expenditure process is performed on an annual basis and, in particular, endeavours to align the currency mix of outward reinsurance premiums paid with that of related inwards premium received. AMAL does not specifically target asset liability matching for duration. Benchmarks are broadly in line with average liabilities on the main trust fund assets, and deliberate mismatching, within limits, is viewed as a valid strategy to limit any losses arising from interest rate risk and, where possible, to enhance returns.

The syndicate uses derivative financial instruments as an economic hedge for the risk of revaluation of net monetary assets denominated in non-functional currency. The syndicate does not apply hedge accounting. The marked to market value of open contracts at 31 December 2022 is a asset of \$7.9m (2021: Liability \$2.3m).

If the Sterling and the Euro were to weaken against the US Dollar by 10%, with all other variables constant, loss and receivable from members would be lower by an estimated \$3.2m (2021: higher \$2.8m). This analysis is based on the current information available and the assumptions in making this assessment are:

- The closing year-end spot rates and average rates throughout the year are 10% higher
- There is no active hedging of currency during the period
- The analysis includes an estimate of the impact on foreign borrowings
- The impact of foreign exchange movements on non-monetary items is assumed to be nil

## Notes to the Annual Accounts at 31 December 2022

### 20. Risk Management (continued)

**Interest Risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the term structure of interest rates, or in the volatility of interest rates.

Interest rate risk is the risk that the value and/or future cash flows of a financial instrument will fluctuate due to changes in interest rates. The Syndicate's exposure to interest rate risk is spread across the Syndicate's investment portfolio, and cash and cash equivalents.

In managing interest rate risk, the Syndicate currently invests in short duration financial investments, cash and cash equivalents. Interest rate risk is controlled by imposing maximum duration limits to the conventional fixed income assets, as defined in the investment guidelines provided to investment managers.

Duration is a commonly used measure of risk and gives an indication of the likely sensitivity of the Syndicate's portfolio of fixed interest securities to changes in interest rates. The average duration for investment assets is 2.70 years (2021 3.96 years).

The Syndicate's financial assets comprise a portfolio of fixed income securities, UCITS funds and bank deposits. The portfolio of fixed income securities is managed by professional fund managers, under a segregated investment mandate, and in accordance with guidelines approved by the AMAL Board. The guidelines permit investment in a range of fixed income investment products, including government securities, corporate bonds and asset backed securities, as well as a modest allocation to equities and other alternative investments.

An increase of 50 basis points in interest rates, with all other variables constant, would decrease the valuation of the Syndicate's investments by an estimated 185 basis points. Therefore if interest rates were to increase by 0.5%, with all other variables constant, loss and receivable from members would increase by an estimated \$17m (2021: \$15m).

A comparable decrease in interest rates would increase the valuation by an estimated 176 basis points.

**Spread Risk:** the sensitivity of the values of assets, liabilities and financial instruments to changes in the level or in the volatility of credit spreads over the risk-free interest rate term structure.

Volatility (spread risk) is controlled by imposing Value at Risk (VaR) limits, at a specified confidence level and time period, to the overall investment funds. This is reviewed on a quarterly basis by the Investment Committee.

#### *Fair value hierarchy*

The tables below summarise the fair value hierarchy for the Syndicate. The levels of the fair value hierarchy are defined as follows:

- Level 1 – Fair values are measured using quoted prices (unadjusted) in active markets for identical instruments
- Level 2 – When quoted prices are unavailable, fair values are measured using the price of a recent transaction for an identical instrument. The price can be adjusted if it can be demonstrated that the last transaction price is not a good estimate of fair value.
- Level 3 – Fair values measured using valuation techniques. The objective of using a valuation technique is to estimate what the transaction price would have been on the measurement date in an arm's length exchange motivated by normal business considerations.

The Syndicate measures the fair value of its financial assets based on prices provided by investment managers (who obtain market data from independent pricing services). These are reviewed by the finance team. The pricing services used by the investment manager obtain the actual transaction prices for securities that have quoted prices in active markets. For those securities which are not actively traded, the pricing services use common market valuation pricing models. Observable inputs used in common market valuation pricing models include, but are not limited to, broker quotes, credit ratings, interest rates and yield curves, prepayment speeds, default rates and other such inputs which are available from market sources.



## Notes to the Annual Accounts at 31 December 2022

### 20. Risk Management (continued)

#### At 31 December 2022:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial investments (Including Overseas deposits)	647,573	159,966	42,500	850,039

#### At 31 December 2021:

	Level 1 \$000	Level 2 \$000	Level 3 \$000	Total \$000
Financial investments (Including Overseas deposits)	606,649	154,036	30,651	791,336

Level 1 of the hierarchy includes all government bonds/bills and corporate bonds only which are measured based on prices representing actual and regularly occurring market transactions. Level 2 of the hierarchy includes all other financial assets except those included in Level 3.

Debt securities that are not listed on a recognised exchange or traded in an established over-the-counter market are classified as level 1 where the external investment manager is comfortable that there is an active market. An active market is defined as a market in which transactions for the asset or liability take place with sufficient frequency and volume to provide pricing information on an ongoing basis. Management recognises that there can be judgement in the selection of methodologies relating to pricing models used. The factors considered where judgment arises in respect to a securities fair value are, amongst others, the volume of trading of a security with a market to deem such a market to be active for that instrument; consideration of the bid-ask spreads particularly for corporate bonds; the number of executable quotes considered in determining fair value

The Syndicate asset portfolio in respect of the level 3 investments primarily consists of Private Equity instruments and Syndicate loan. The Syndicate has valued Private Equity instruments based on the latest available audited statements/financial statements provided by investment managers as of 30 September 2022 and accounted for any subsequent contributions/distributions after the September NAV's during the last quarter of 2022. In addition, management has assessed the movement in a range of broader market indices which, although not directly comparable, maybe used as an indicative benchmark to determine if the NAV's reported by fund managers would be significantly different as of 31 December 2022. Based on this assessment Management has concluded the NAV's reported by investment managers would fairly represent their current fair value as of 31 December 2022

There have been no transfers between level 1 and level 2 in either direction in 2022 or 2021.

**Liquidity Risk** is defined as: "The risk of loss, or inability to realise investments and other assets, in order to settle financial obligations when they fall due."

Liquidity policy includes a specific requirement to hold sufficient funds in working capital to meet the following quarter's estimated claims liabilities and this position is reviewed by the Finance Committee on a quarterly basis. Additionally, an annual stress test is performed to ensure that sufficient liquidity is maintained in order to meet a Realistic Disaster Scenario ("RDS") event without unnecessary cost to AMAL. Rolling 12-month cash flow projections, in each of the underlying main operating currencies, are prepared quarterly, reviewed against available liquid funds and used in the quarterly balance sheet asset liability matching exercise. The review recognises the restrictions placed on funds committed to meet Lloyd's overseas trust fund requirements. Liquidity requirements for all accounts and respective currency amounts are determined periodically via a process of analysis of historic daily settlements.

A summary showing the undiscounted expected timing of future cash flows is as follows (insurance contract liabilities and reinsurance contract assets have been analysed based on actuarial cash flow estimates): Provisions, reinsurance and other payables includes \$0.2m of derivatives liabilities (2021: \$2.3m). Derivative liabilities are included in Other Creditors in the balance sheet.

## Notes to the Annual Accounts

### at 31 December 2022

#### 20. Risk Management (continued)

At 31 December 2022:

	< 1years	1-3 years	3-5 years	> 5 years	Total
	\$000	\$000	\$000	\$000	\$000
Financial investments	46,806	76,471	293,832	365,607	782,716
Cash at bank and in hand	81,890	-	-	-	81,890
Overseas Deposits	67,508	-	-	-	67,508
Insurance and other receivables	356,535	-	-	-	356,535
Reinsurance contracts assets	43,289	42,792	91,535	25,822	203,438
Other assets	2,640	-	-	-	2,640
<b>Total assets</b>	<b>598,668</b>	<b>119,263</b>	<b>385,367</b>	<b>391,429</b>	<b>1,494,727</b>
Insurance contracts liabilities	332,139	361,579	505,706	141,821	1,341,245
Provisions, reinsurance and other payables	165,361	-	-	-	165,361
<b>Total liabilities</b>	<b>497,500</b>	<b>361,579</b>	<b>505,706</b>	<b>141,821</b>	<b>1,506,606</b>
<b>Net assets</b>	<b>101,168</b>	<b>(242,316)</b>	<b>(120,339)</b>	<b>249,608</b>	<b>(11,879)</b>

At 31 December 2021:

Restated	< 1years	1-3 years	3-5 years	> 5 years	Total
	\$000	\$000	\$000	\$000	\$000
Financial investments	98,132	193,510	207,189	229,516	728,347
Cash at bank and in hand	85,076	-	-	-	85,076
Overseas Deposits	65,355	-	-	-	65,355
Insurance and other receivables	377,990	-	-	-	377,990
Reinsurance contracts assets	52,200	59,626	115,390	35,105	262,321
Other assets	3,101	-	-	-	3,101
<b>Total assets</b>	<b>681,854</b>	<b>253,136</b>	<b>322,579</b>	<b>264,621</b>	<b>1,522,190</b>
Insurance contracts liabilities	353,340	363,894	468,566	144,038	1,329,838
Provisions, reinsurance and other payables	187,289	-	-	-	187,289
<b>Total liabilities</b>	<b>540,629</b>	<b>363,894</b>	<b>468,566</b>	<b>144,038</b>	<b>1,517,127</b>
<b>Net assets</b>	<b>141,225</b>	<b>(110,758)</b>	<b>(145,987)</b>	<b>120,583</b>	<b>5,063</b>

## Notes to the Annual Accounts

at 31 December 2022

### 20. Risk Management (continued)

**Operational Risk** is defined as: “The risk of loss arising from inadequate or failed internal processes, people, systems or from external events impacting the Syndicate’s ability to operate. This risk encompasses all functions rendered in the course of conducting business. This includes legal and regulatory risk, but excludes risks arising from strategic and reputational risk”.

AMAL has formally documented policies and procedures for all key aspects of the business that define the end-to-end business processes, provide guidelines, put in place appropriate governance structures and include control activities to ensure the robustness of the business operations. Internal Audit provides independent assurance over the robustness of the business operations and compliance with the internal policies/procedures.

**Regulatory Risk** is the risk that the Managing Agency fails to meet the regulatory requirements of the PRA, FCA and Lloyd’s. Lloyd’s requirements include those imposed on the Lloyd’s market by overseas regulators, particularly in respect of US situs business. AMAL has a Compliance department that monitors regulatory developments, ensures adherence to regulatory requirements and assesses the impact on agency policy.

**Strategic Risk** is defined as: “The risk to earnings or capital arising from adverse business decisions or improper implementation of those decisions. This risk is a function of the compatibility between the Group’s strategic goals, the business strategies developed to achieve those goals, the resources deployed against these goals, the quality of implementation and appropriateness of response to changing business conditions. This includes reputational risk that is recognised as a by-product of inappropriate/inadequate management and mitigation of other risk categories”.

The Syndicate mitigates this risk through a variety of planning techniques including robust business planning, stress and scenario testing and capital contingency planning.

**Group Risk** is the possibility that the operation of one part of the Group adversely affects another. Group risk includes: negative publicity; inadequate communication within the organisation; undue influence from fellow subsidiaries; holding companies or stakeholders; financial pressures to make funds available to the Group; and financial restraint leading to shortcomings in core activities. The overall strategy is to minimise Group risk by ensuring that there are clear lines of authority and communication between related parties, and that any intra-Group agreements are formed objectively and clearly understood by all parties

#### Risk Governance

The AMAL Board is ultimately responsible for ensuring the effective management and control of risk affecting the Syndicate. The AMAL Board is committed to maintaining sound risk management and control systems that are suitable, effective and proportionate to protect the interests of all stakeholders, including those of its capital providers and policyholders. The AMAL Board has, for practical reasons, delegated its day-to-day responsibility for different aspects of the risk management to committees and the senior management.

The AMAL Board utilises a “Three Lines of Defence” model for risk governance.

**First Line:** Those individuals undertaking any activity or making decisions on behalf of Antares are responsible for managing the risk that is attached to that activity. They are the ‘first risk managers’.

**Second Line:** Those functions and executive level committees responsible for the provision of the risk management framework and policies within which the First Line is expected to operate and who are responsible for providing assurance to the Board of adherence to that framework.

**Third Line:** Oversight of the above by the Board, Audit Committee together with Internal Audit. The majority of risk reporting is through the Risk, Actuarial and Exposure Management Departments, that routinely engage individual business units and report to the Board and its Committees.

## Notes to the Annual Accounts at 31 December 2022

### 20. Risk Management (continued)

#### *Risk Appetite*

Risk Appetite is the amount of risk that the AMAL Board is prepared to take in pursuit of its objectives. Although set by the AMAL Board, Risk Appetite is driven by key stakeholders and includes both qualitative and quantitative statements.

The Risk Appetite Statement covers all material risk categories (Underwriting, Reserve, Credit, Market, Liquidity and Operational Risk). In addition, it details the approved Risk Appetite and Risk Tolerances for losses arising from various events, based upon the extent to which the risks could impact the business.

#### *Risk Monitoring and controls*

Risk management processes are based on risk identification; assessment and quantification; response; and monitoring and reporting.

All risk categories are identified in the risk register. Supporting controls mitigate the inherent impact of the risks to a residual level that is within the approved risk appetite and tolerance levels. All risk categories and related controls are assigned risk owners and control owners that are responsible for managing the risks.

The risk register is maintained through regular review by the Risk Department and through the monthly self-certification process by the risk and control owners. The Risk Department provides regular reports on key risk issues and actions required to the AMAL Board and its Committees.

#### **War in Ukraine Risk**

The conflict in Ukraine has given rise to claims across our portfolio, including damage claims, claims relating to trapped cargo vessels, or claims that arise from the resulting economic uncertainty caused by the conflict. Within the reserves management have provisioned for \$40m of earned losses, as well as recognising that the conflict may impact the profitability of unearned business. To assess the potential exposure the actuarial, claims and underwriting teams have reviewed the business written, identified risks that are potentially exposed due to the conflict and assigned a potential loss to these. Due to the ongoing nature of the conflict, management expect the estimate to vary within the given range as greater information is received.

## Notes to the Annual Accounts

### at 31 December 2022

#### 21. Off-Balance Sheet Items

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

#### 22. Events After the Reporting Period

There are no events that are material to the operations of the Syndicate that have occurred since the reporting date.

#### 23. Prior Period Restatement

The prior period has been restated due to a misstatement of Reinsurance Recoveries on a single contract. The impact in the Balance Sheet and Income Statement is shown in the tables below.

#### Statement of Financial Position-Assets 2021

\$000

<b>Reinsurer's Share of Technical Provisions</b>	
Claims Outstanding as previously reported	230,131
Prior year adjustment	(5,962)
<b>Restated Balance at 31 December 2021</b>	<b>224,169</b>

#### Statement of Comprehensive Income 2021

\$000

<b>Change in the provision for Claims</b>	
Reinsurer's Share as previously reported	(35,287)
Prior year adjustment	(5,962)
<b>Restated Balance at 31 December 2021</b>	<b>(41,249)</b>