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MUNICH RE SYNDICATE 457

ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2023

Managed by Munich Re Syndicate Limited

CONTENTS

MANAGING AGENT

Managing Agent
Munich Re Syndicate Limited ('MRSL') is the Managing Agent for Munich Re Syndicate 457 (the 'Syndicate') and is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the Society of Lloyd's ('Lloyd's').

Directors

T E Artmann	Chief Executive Officer
T Coskun	Director of Risk and Compliance
S H Herrmann	Non-Executive Director
M C Hewett	Non-Executive Director
G K Hill	Chief Financial Officer
D J R Hoare	Group Chief Underwriting Officer
K A Morris	Non-Executive Director
R I White	Non-Executive Chair

Company Secretary
C M Zaremba

Registered Office
St. Helens, 1 Undershaft, London EC3A 8EE
Telephone: 020 7886 3900
E-mail: MRSL-central@munichre.com
Website: www.munichre.com/syndicate457

Registered Number
01328742

SYNDICATE

Chief Underwriting Officer
D J R Hoare

Bankers
Citibank N.A.
NatWest Group plc
Royal Bank of Canada
CACEIS Investor Services Bank S.A.

Investment Manager
Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft

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

The directors of the Managing Agent present their report for the year ended 31 December 2023.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations').

RESULTS

The profit for calendar year 2023 is £204.9m (2022: profit of £60.5m). Profits will continue to be distributed by reference to the results of individual underwriting years.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

During 2023, the Syndicate's principal activity remained the transaction of general insurance and reinsurance business, with a particular focus on the Marine, Engineering, Property, Casualty, Cyber and Specialty sectors.

The Syndicate's key financial indicators are as follows:

	2023	**2022**
Gross Written Premium	£1,212.6m	£1,041.1m
Profit for the financial year	£204.9m	£60.5m
Combined Ratio	84.6%	87.6%

The combined ratio is the ratio of claims incurred (net of reinsurance) and operating expenses to earned premiums (net of reinsurance).

2023 was a successful year once again, both from a financial perspective and for the business as a whole. Our headcount continued to grow particularly in respect of key functions to support underwriting and staff coped well with business as usual. We continued work on our future vision under a long term strategic project which is fully aligned with the establishment of GSI (Global Specialty Insurance) unit within Munich Re and its priorities.

Our main objectives were achieved and in some instances, out achieved, due to the continued dedication, resilience, commitment and professionalism of all staff. Our workforce cannot be thanked enough for their continued support and enormous efforts in mastering these challenges so impressively. Retaining and recruiting staff remains a prime objective. Our hybrid working model is providing staff with great flexibility, but at the same time ensures the office continues to be the centre of collaboration and personal interaction.

Indeed, 2023 continued to build on the good work and results of 2022 and was dominated by further progress on our strategic roadmap for business up to 2030 in line with Munich Re's global strategy, particularly for primary specialty business, including MRSL.

The key objective of the GSI unit is to establish a leading profitable primary specialty business that builds on the success of our specialty group of companies and other entities within the Munich Re Group. The new structure is based on a 'product led' concept enabling our underwriters to develop consistent underwriting and risk appetite strategies within product line centres of underwriting excellence. This is underpinned by an enhanced operations function responsible for implementing investment in data quality and management information. Great progress has been made in 2023 in this regard with the establishment of the 'Data Office' function within Operations and development and implementation of new and improved management information across several areas of the business. Success for GSI is measured through several internal metrics, which cross both quantitative and qualitative data points.

A number of strategic decisions were made in 2023 which will continue to support the transformation process in 2024, in relation to both regulated and non-regulated activities. Key objectives of MRSL were successfully delivered or kicked off in 2023 including key culture cornerstones for the business which are fully aligned with the wider Munich Re Group. Work also continued around communication, business planning as a global community and operating together within a business led framework.

The following table provides a breakdown of gross written premiums by regulatory class categories:

	2023	2022
	%	%
Direct insurance		
Marine, Aviation and Transport	32	37
Fire and Other Damage to Property	36	25
Other	17	18
Reinsurance	15	20
Total	100	100

The Syndicate continues to buy an extensive reinsurance programme that is designed to protect the Syndicate's largest anticipated exposure from a single risk or multiple loss events. The 2024 reinsurance renewal was less challenging than the 2023 year with greater market consensus on key wordings and less pressure on rates.

The structure of the Syndicate's reinsurance programme varies from year to year depending on the exposures that the Syndicate writes. The programme is subject to market forces with respect to market capacity, reinsurance terms and conditions; however, as always, the reinsurance is placed with the best quality security that is available. The Syndicate continues to utilise a mixture of Lloyd's syndicates, UK authorised reinsurance companies and international reinsurance companies to ensure comprehensive reinsurance cover is in place. Some of the international companies are EU authorised insurers. The reinsurance panel for 2024 remained fundamentally static.

The following table provides an analysis of paid reinsurance premiums for 2023 and 2022:

	2023	2022
	%	%
Lloyd's Syndicates	18	13
UK Authorised Companies	17	14
EU Companies	40	40
Other Insurance Companies	25	33
	100	100

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of MRSL ('the Board') sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Adherence to risk appetite is reviewed by the Board on a periodic basis.

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities. The Board manages insurance risk by agreeing its appetite for those risks annually through the business plan which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board monitors performance against the business plan on a regular basis. The Managing Agent uses catastrophe modelling software to model maximum probable losses from catastrophe exposed business. The Chief Actuary monitors reserve adequacy. Detailed independent reviews of underwriting areas are conducted on a quarterly basis.

Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its financial obligations or fails to perform them in a timely fashion. Key counterparties include reinsurers, brokers, insureds, reinsureds, coverholders, International Distribution Companies ('IDC') and investment counterparties. The Board's policy is that the Syndicate will only reinsure with businesses that have been approved for that purpose. An additional policy of the Board is that all brokers and coverholders must be approved in advance of being permitted to produce business for the Syndicate. Certain Executive Directors of the Board assess and approve reinsurers which do not meet minimum credit rating requirements before business is placed with them and are also responsible for approval and monitoring of the financial strength of brokers who remain on a risk transfer basis. Credit risk on Syndicate investments is managed by a policy of investing mainly in highly rated securities. At the year-end 81.5% (2022: 78.6%) of the Syndicate's managed "Financial Investments" were rated AA or higher or represented by Sovereign and Government Agency debt. The lowest rated security permitted, BBB-rated per S&P, accounted for just 8.0% (2022: 9.7%) of the Syndicate's managed "Financial Investments". Lloyd's requires managing agents to provide a loan based on the premium income limit from the Syndicate business plan in order to fund Lloyd's Europe. The Lloyd's loan accounts for 0.6% (2022: 0.7%) of our holdings and is classed as NR in the "Shares and other variable yield securities" line.

Group Risk

Group risk is the potential of risk events, of any nature, arising in or from membership of a corporate group. The Syndicate is an integral part of the Munich Re Specialty Group ('MRSG') which in turn, is considered a strategic part of the wider Munich Re Group, based in Munich, Germany.

Within MRSG, MRSL operates as a standalone legal entity regulated by Lloyd's, the PRA and the FCA. MRSL operates and maintains its own Board and governance structure, with defined terms of reference and clear lines of authority and accountability. Independent effectiveness reviews of governance are performed on a periodic basis with results reviewed by the MRSL Board.

Munich Re, Germany is both the ultimate owner of the Managing Agent and the provider of underwriting capacity to the Syndicate. Munich Re provides reinsurance capacity for a number of classes and whole account protections. Close dialogue exists with the Integrated Risk Management ('IRM') division of Munich Re to discuss any necessary risk matters. MEAG, an asset management company owned by Munich Re, and the Group Investment Management ('GIM') function of Munich Re are responsible for the investment and portfolio management of the Syndicate's investments. There is a regular flow of information between the Syndicate and Munich Re.

Liquidity Risk

Liquidity risk is the risk that sufficient financial resources are not maintained to meet liabilities as they fall due under normal or stressed operating conditions. The Finance Sub-Committee monitors liquidity on a regular basis and has an agreed minimum limit of readily realisable assets. Liquidity risk is further controlled by permitting investment only in assets that are highly liquid and marketable.

Market Risk

Market risk is the risk that arises from fluctuations in values of or income from assets, in interest rates or in exchange rates. The Syndicate settles 76.5% (2022: 79.4%) of its insurance business in United States dollars, Euros and Canadian dollars, which gives rise to a potential exposure to currency risk, while a substantial proportion of administrative and personal expenses are incurred in Sterling. The Syndicate mitigates this by adopting a policy of controlled matching of assets and liabilities in both currency and duration. The fixed interest investment portfolio and returns are regularly reviewed and reported to the Board.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Syndicate's objective is to manage operational risks to balance financial losses and damage to the Syndicate's reputation with processes that are cost effective and efficient. Risks are managed through the use of detailed procedures manuals, regular oversight and monitoring, and a structured programme of independent reviews by second and third line of defence functions.

Environmental Risk

Geopolitical situation

Geopolitical uncertainty has continued to dominate the risk landscape. We are cognisant and mindful of ongoing and upcoming events which could add a further layer of de-stabilisation to supply chains, financial markets, security dynamics and political tensions.

While his global landscape develops, MRSL continues to closely monitor its exposures, particularly in respect of lines of business which may be further impacted by conflicts or market known complexities around coverage. Aggregation of potential or residual exposures are assessed periodically by the Exposure Management team using a combination of Lloyd's Realistic Disaster Scenarios and in-house scenarios, formulated via emerging risk workshops with cross function representation. The Syndicate's underwriting performance and financial position are constantly monitored by the Board and through established reserving processes. Support continues to be provided by the Compliance Advisory team with respect to sanctions. Operational disruption from potential cyber warfare continues to be monitored by the Munich Re Global Cyber Defence Centre.

Inflation

During Q1 2023, the UK recorded its highest level of inflation in thirty years (Bank of England, Monetary Policy Summary, May 2023) following major events such as the Covid-19 pandemic, Brexit and the Ukraine war causing significant disruption to global supply chains, labour shortages and a surge in energy prices. Whilst inflation rates have peaked and have since fallen (Bank of England, December 2023), there remains elevated concerns around the impact of inflation rates (PRA Dear CEO Letter, January 2024), as inflation dynamics are different across regions and influenced by various factors such as labour and energy prices. Global economic volatility driven by geopolitical tensions also provides further fuel for inflation uncertainty. Though notably, during 2023, while European inflation generally followed a similar trend to UK, US inflation has seen a quicker reversion to target levels.

Over a 2-3 year medium term horizon, the Bank of England expects its target 2% inflation rate to be met with current inflation rates (December 2023: 4.2%) expected to further decrease through tightening of monetary policy. After a series of increases, interest rates have been maintained (December 2023: 5.25%) as the UK economy remains vulnerable to further deterioration and weakening.

Rising inflation has an impact on insurers' claims costs, reserving, price adequacy, investment returns and capital modelling with the following notable types of inflation:

- Excess inflation refers to all ways in which insurers' claims costs rise over and above general economic inflation. It captures, for example, the growth in costs associated with new materials, labour, energy prices, technologies, changes in the legal environment, evolving social attitudes towards claiming and political developments.

- Lloyd's considers social inflation as a subset of excess inflation. This is driven by legislative and litigation developments and impact on insurer legal liabilities and costs. Examples include higher jury awards, increasing number of litigated claims, shifts in juror's sentiment towards claimants, and perceptions of fairness, which places a particular burden for long-tail classes of business (i.e., Liability/Casualty) and is more difficult to forecast and calculate projected ultimate claims estimates.

Consideration by MRSL of inflation is summarised below:

During 2022, an Inflation Review Group ('IRG') comprising underwriting, claims as well as the reserving capital and pricing actuaries was set up to review the appropriateness and consistency of inflation assumptions across the Syndicate Business Forecast ('SBF') setting, reserving, pricing and capital modelling processes. During 2023, the IRG utilised a quantitative inflation model to provide a more robust process for reviewing inflation parameter selections for the business.

- Reserving: As reported to the Reserving Steering Group, the classes that are primarily exposed to excess claims inflation are Cargo, Energy, Engineering, Liability and Property. An allowance for excess claims inflation, including social inflation, has been recognised with appropriateness and adequacy subject to ongoing monitoring. At 2023 year end, MRSL adopted a cautious approach to reserving in recognition of the inherent uncertainty of forecasting inflationary impacts. This was informed through guidance provided by Munich Re Central Reserving, and through regulatory guidance on claims inflation trends relative to economic inflation. In addition, an analysis to investigate the impact of inflation on claims severity (average cost per claim) was carried out using Syndicate claims data for open market business and Lloyd's benchmark data. Results and recommendations for additional analysis were reviewed by the Finance Sub Committee ('FSC') and the MRSL Executive Committee.

- Pricing: As part of the annual review of pricing models, all pricing models have been updated to allow underwriters to make the necessary adjustments and loadings for exposures to inflation as appropriate. This is dependent on the model and line of business. Generally:
  - For exposure-based lines, e.g., based on sum insured, contract value, turnover, the pricing models are already linked to claims cost / claims trend components. These models are subject to regular indexing. For example, where exposure is based on the number of employees and not on cost, the respective pricing model has a fixed inflation rate added relative to the principal geography of exposure, which is updated on a regular basis.
  - For experience-based models, an explicit allowance has been made for the US/UK CPI index with additional allowance by the underwriter as may be appropriate.

In addition, material risks with substantial inflation exposures are monitored and reviewed by the Pricing team. All underwriters are reminded to consider and price for inflation wherever possible.

- Investments: The Syndicate's investment portfolio is primarily invested in government and corporate bonds. Inflationary pressures continue to influence central banks to respond by increasing interest rates which leads to the decreasing value of low yield bonds. The fluctuations in unrealised/realised investment returns and volatility in performance is being closely monitored by the FSC and GIM. Central bank rate rises seem to have now paused and over the second half of 2023 reductions in bond yields were observed. This is partially reversing some of the unrealized losses experienced in 2022 for fixed interest investments.

- Capital: Internal model data, parameters and assumptions are reviewed and updated on a regular basis to ensure model outputs for capital related decision making are reasonable. Specifically, for capital adequacy purposes, the allowance for inflation is implied within the model with respect to business plan assumptions and Economic Scenario Generator data updates. Appropriateness of such assumptions is subject to regular, at least annual, validation activities. During 2023, enhancements were completed to recognize the wide range of different inflation drivers impacting different classes of business.

Regulatory Compliance Risk

A number of regulatory reforms are in play of which most notably, as described below, are the Future Regulatory Framework ('FRF') Review, UK Audit and Corporate Governance Reform and the PRA Solvency II consultation. MRSL continues to monitor regulatory developments to ensure on-going compliance. The Board is confident that Syndicate 457's future performance should not be materially impacted by the proposed changes.

The Future Regulatory Framework ("FRF") Review – Edinburgh Reforms:

In June 2023, the Financial Services and Markets Act (‘FSM Act’) received royal assent. The FSM Act significantly changes the U.K.'s regulatory framework for financial services, implementing the Government's post-Brexit Future Regulatory Framework Review and the Edinburgh Reforms which were first announced in December 2022. The FSM Act broadens the role of the PRA with a view of repealing and reforming retained EU law using powers within the FSM Act. The ultimate objective is to build a smarter regulatory framework for the UK. There are over 30 major reforms across the financial services industry, and on initial review the main changes applicable to MRSL including:

- Broadening the roles of the PRA and FCA with clear, targeted recommendations on growth and international competitiveness.
- Commencing a review on Senior Managers and Certification Regime (‘SMCR’) to look at the effectiveness, scope and proportionality (consultation due to be published in the first half of 2024.)
- Revocation of retained EU law (‘REUL’) in financial services, which includes the transferring of the remaining firm-facing Solvency II requirements into the PRA Rulebook with implementation in December 2024.
- New provisions on a broad range of issues, such as regulatory accountability, sustainability and environmental matters.

PRA Solvency II Consultation

The PRA consultation paper CP12/23 sets out proposed reforms for Solvency II, with the objective to increase the UK insurance market’s competitiveness while at the same time maintaining high standards of policyholder protection. The regulations are expected to publish a policy statement in Q1 2024. Key considerations for Lloyd’s managing agents and the Syndicate are in relation to the internal model:

- The PRA sets out their intent to create a more proportionate and flexible framework for Internal Model (‘IM’) applications and change and includes considerations for an Analysis of Change (‘AOC’).
- A proposal for an annual attestation by the SMF4 that the firm satisfies the calibration standards and Internal Model requirements and any additional requirements imposed by the PRA.
- A new capital add-on (‘CAO’) as a model permission safeguard for a material deviation of an IM from a firm’s risk profile, calculated as a proportion of the difference between the Standard Formula (‘SF’) and IM.

The Syndicate will continue to monitor Lloyd’s Solvency II requirements given it is directly regulated by Lloyd’s, acknowledging current Lloyd’s requirements include detailed AOC and 35% market wide SCR loads.

UK Audit and Corporate Governance Reform

The UK Government has published a draft set of regulations which imposes significant new annual reporting obligations on companies. The regulations contains further details on the calculation of thresholds, including for groups and insurance companies. The regulations will require approval from Parliament and will apply to financial years beginning on or after 1 January 2026.

Lloyd’s Insurance Company S.A. (Lloyd’s Europe)

Lloyd’s established Lloyd’s Insurance Company S.A., a subsidiary in Brussels (Lloyd’s Europe) to enable its European partners and policyholders to retain access to the underwriting expertise of the Lloyd’s market via a distribution channel of brokers, coverholders, and syndicates. Lloyd’s Europe is an insurance company authorised and regulated by the National Bank of Belgium and capitalised under Solvency II rules. The subsidiary is assigned the equivalent financial ratings as Lloyd’s from A.M Best (A), Fitch (AA-) and Standard & Poor’s (AA-).

Since 1 January 2019, all new non-life European Economic Area (‘EEA’) and Monaco direct insurance policies are written by Lloyd’s Europe and all renewing EEA and Monaco non-life direct insurance policies are transferred to Lloyd’s Europe on their renewal.

Since 1 January 2022, a new Lloyd’s EU operating model was implemented following approval by Financial Services and Markets Authority (‘FSMA’), the Belgian regulators. MRSL has adopted the new operating model solution which includes the secondment of Managing Agent underwriters and deployment of staff to the Lloyd's Insurance Company (‘LIC’) UK Branch of Lloyd’s Europe. This solution provides continued access to EEA business for the Lloyd’s market.

Climate change related risk

The Managing Agent and the Syndicate maintains abreast of climate change developments in its regulatory environment.

Following its November 2023 roadmap consultation for Insuring the Transition and its Fundamental Principles for Underwriting Profitability regarding sustainability, environmental and social risks, Lloyd's maintains its expectations of managing agents for implementing a guiding framework to support the sustainable transition to net zero. With respect to climate change, the Syndicate will be expected to provide its own assessment of the impact of that change from a strategic financial, reputational, business development and governance perspective.

In addition, the PRA Dear CEO letter (11 January 2024) recounted as an insurance supervisory priority for 2024, its expectations for firms to manage financial risks from climate change. In the most recent letter, the PRA reiterated the need for firms, on a risk based proportionate basis, to embed scenario analysis, embed climate change into risk appetite statements, and consider sources of climate change across both sides of the balance sheet. The PRA is expected to update the Supervisory Statement "SS" 03/2019 on Managing Financial Risks in relation to Climate Change.

A cross functional team including Risk Management and Exposure Management continue to progress the embedding of activities to address the PRA's expectations. This includes embedding the stress testing of physical risks and of the Syndicate's investment portfolio.

Being part of the Munich Re Group, the Managing Agent and the Syndicate benefits from Munich Re Group policies and initiatives to meet its corporate responsibilities for Environmental, Social and Governance ('ESG') topics across its insurance business, investment activities and business operations. Specifically, Munich Re Group is committed towards supporting environmental initiatives and have voluntarily signed the Principles of Sustainable Insurance ('PSI') and Principles for Responsible Investment ('PRI') as established by the United Nations Environment Programme ('UNEP'). In March 2023, Munich Re Group reiterated its voluntary climate targets for its core insurance business, investment and business operations. In addition, Munich Re Group continues to progress developments in climate change by developing new products and services, investing in sustainable sectors and projects, and minimising its own CO^2 footprint (see also MR Group Sustainability Report, 2022 [published April 2023]).

In December 2023, the MRSL Board approved the MRSG ESG Strategy. Aligned with numerous UN Sustainable Development Goals ('SDG'), the ESG Strategy comprises a framework of eleven areas of development with specific focus on climate action (SDG 13), decent work and economic growth (SDG 8) and industry innovation and infrastructure (SDG 9). Responsibilities for ESG Strategy development and execution are with the Head of ESG (appointed in 2023) and the newly formed ESG Team, with cross function collaboration across MRSG and the Syndicate to ensure integration of ESG activities across the business.

The ESG Strategy also continues the Syndicate's transition towards sustainable insurance and investment activities, which included the MRSL Board decision (2022) to withdraw from writing traditional Oil & Gas business from 1 January 2023.

In May 2023, MRSG revealed the formation of a Green Solutions portfolio. MRSG, the parent of MRSL, stated that its aim for this portfolio is to become a market leader for green commercial speciality and primary insurance risks. Focussed on the London and Lloyd's market, a new underwriting team has been appointed. The team are committed to developing and expanding new risk solutions to support the transition to net zero. This portfolio is a key product line in the GSI plan.Note, in line with Munich Re's climate ambition and underwriting guidelines, MRSL will continue to write coverage for oil and gas risks that fall into other lines, such as cyber, casualty and political violence.

Furthermore, MRSL will continue to progress actions designed to meet the PRA's expectations of UK insurance firms to identify and manage financial risks from climate change. MRSL has a risk management programme to monitor and manage some elements of climate change related risks including aggregate exposure management. The Group Chief Underwriting Officer ('CUO') as the senior management function holder is deemed responsible for this programme with support from the Risk function and ESG team. The Risk & Capital Committee and Board are apprised of developments.

Culture including Diversity, Equity & Inclusion (DEI)

As a specific element of ESG, Culture including Diversity, Equity and Inclusion, or 'DEI', continues to feature high on the agenda of boards and the regulators.

MRSL, as part of MRSG and a wider network of Munich Re entities in the UK, has been active in its response to the challenges of Culture related topics. Culture is sponsored by the MRSL Board and remains a standing agenda item on the MRSL Board and Executive Committee.

In December 2023, Lloyd's reconfirmed its assessment for the Syndicate to meet the "Foundational" level of maturity for the Culture Fundamental Principles (introduced 2022). This recognised the launch of a Munich Re UK wide DEI strategy (2022) demonstrating leadership on DEI as a strategic priority. The Culture Committee, established by MRSG UK Services Limited ('MRSGUKS') in 2019, supports the MRSL Executive Committee by providing a voice for all employees and supporting culture initiatives across DEI themes. Notably, Lloyd's assessed the Syndicate as being in the top quartile with 46% women in leadership roles (2022: 38%) with 52% of new hires being women. There is recognised on-going action to improve etchinicity diversity through inclusive hiring practices, along with participation in market wide programmes e.g. early careers, work experience.

In September 2023, following a 2021 discussion paper (DP21/2) to gauge the industry's views on DEI, the PRA and FCA released a consultation paper which proposes to introduce new regulation and changes to existing regulation across a range of areas. The consultation ended in December 2023 with requirements expected to be published in 2024 and expected to come into force in 2025. Proposals include requirements to embed non-financial misconduct into regulatory frameworks, publication of a DEI strategy, and establishing governance and accountability for DEI on boards. There is on-going monitoring of updates by HR and Compliance, as well as collaboration with the Munich Re UK & Ireland DEI Hub, to ensure a coordinated approach to compliance.

Notable culture-related topics and activities during 2023 (which will continue into future years) across Munich Re UK entities include:

- On-going promotion of a DEI training course which was rolled out to all UK Munich Re entities from 1 January 2023;
- "Innocent Bystander" training that empowers colleagues to both address and prevent inappropriate behaviour;
- All our work is driven with efforts to reduce our gender pay gap at the forefront of our minds. MRSL remains inpatient for progress on this figure;
- An integrated development programme for our leaders to encourage the right mindset to achieve DEI (e.g. a "servant leadership" approach and being intellectually curious);
- On-going promotion of notable culture events such as awareness weeks around, for e.g. Disability, Mental Health, Neurodiversity, Black History Month and the Lloyd's Dive In Festival;
- An on-going initiative to collate basic DEI data for MRSL employees to gauge current level of diversity;
- Development and launch of the Culture Cornerstones (#BePresent, #BeBold, #BeCurious) to unite the workforce across MRSG including MRSL. The Culture Cornerstones will serve as the foundation for future culture activities.

Cyber Risk

Cyber threats and, consequentially, cyber risk, continues to trend upwards as cyber-criminals seek to exploit potential vulnerabilities of businesses. Munich Re remains resilient in extending and maintaining a secure platform in recognising the continuing threat of phishing attacks, ransomware and fraud on its business. Security controls are based on Munich Re Group defined standards and are continuously improved to keep pace with the evolving cyber threat, including information security risk assessments of information technology third party vendors, regular security and social engineering awareness communications, additional security training and phishing reporting tools.

In 2023, whist there has been an increase in phishing attempts on both the MRSL network and third party vendors, these have not been successful with no impact on MRSL's systems, data or important business services. In the event of a breach there are established security incident response protocols and processes to ensure the incident is contained, resolved and reported appropriately. With such incidents, response and monitoring is provided by senior members of MRSL's Executive Team, the Munich Re Security Incident Response Team (SIRT) and information security risk specialists from the Risk Management and Information Technology Shared Services Organisation (‘IT SSO’).

In addition, cyber threats are constantly monitored by the MR Global Cyber Defence Centre and threat intelligence is shared with MRSL via quarterly IT SSO service review meetings. Munich Re undertakes a regular programme of patching, Vulnerability and Penetration Testing of IT systems and appropriate actions are taken to address any vulnerabilities identified. Security controls are regularly assessed for control design and performance effectiveness as coordinated by the Munich Re Group IT & Risk Security team, with the results reported to Munich Re Integrated Risk Management. During 2023, these were subject to independent review and challenge by the MRSL Information Security Officer with results reported to MRSL Executive.

DIRECTORS

The Directors of the Managing Agent who held office during the year ended 31 December 2023 were as follows:

T E Artmann

T Coskun

S H Herrmann (Non-executive)

M C Hewett (Non-executive)

G K Hill (Appointed on 14th July 2023)

D J R Hoare

K A Morris (Non-executive Chair) (Appointed on 7th December 2023)

R I White (Non-executive Chair) (Appointed on 10th July 2023)

L F Allen (Non-executive) (Resigned 31st August 2023)

E J Andrewartha (Non-executive Chair) (Resigned 31st August 2023)

R J Attwood (Resigned 14th July 2023)

T J Carroll (Non-executive) (Resigned 31st July 2023)

D P Croom-Johnson (Non-executive) (Appointed on 19th September 2023 & Resigned on 7th December 2023)

H Jowitt (Non-executive) (Appointed 24th April 2023 & Resigned on 31st July 2023)

COMPANY SECRETARY

The company secretary of the Managing Agent who held office during the year ended 31 December 2023 is as follows:

C M Zaremba (Appointed 27th July 2023)

T Coskun (Resigned 27th July 2023)

INVESTMENTS

Investment Policy and Managers

The Managing Agent mandated Group Investment Management (‘GIM’) to manage all of the Syndicate funds. GIM is a division of the Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft (`Munich Re Group`) in charge of management of all Group assets. GIM selected MEAG, the inhouse asset manager of the Munich Re Group, to manage Syndicate funds against benchmarks approved by the Board, which had been generated from the examination of the underlying profile of the underwriting liabilities and applying an Asset-Liability Matching model.

Given significant unrealized losses in the investment portfolios resulting from the sharp bond yields increase in 2022, in 2023 GIM continued the policy of avoiding excessive trading in the portfolios and reinvesting the coupons, maturities and external inflows in accordance with the Asset-Liability Matching policy. Solely the EUR portfolio was actively managed against a benchmark.

The Lloyd’s Dollar Trust Fund, which comprises the largest proportion of funds, is managed against a composite of Barclays indices for US Treasuries up to 5 years (62%), US Credit 1-5 years excluding financials (28%) and

US Agencies (10%). The US situs funds and Singapore funds are managed jointly against a US Treasury 1-3 years benchmark. The aforementioned benchmarks solely apply as a guidance for the reinvestment strategy.

The Sterling Trust Fund reinvested coupon and maturities proceeds in the UK bills to profit from the inverse yield curve and better match the duration of liabilities. The Sterling Credit Portfolio is managed under buy & maintain approach.

The Euros Trust Fund was managed against a benchmark comprising 30% money market, 50% government index with maturities 1-3 years and 20% with maturities 3-5 years. Compared to the previous year GIM reduced the duration of the portfolio to better match the duration of EUR liabilities.

The Canadian Dollar Trust Funds continue to invest with a target duration of 1.50 to replicate liabilities.

Overall the duration of the managed portfolio at the year-end was 1.66 (1.82 in 2022).

For each of the managed funds the Board has set certain restrictions in terms of sector limits and individual issuer limit. In addition each portfolio is subject to a minimum average credit rating.

Investment Performance

The 2023 calendar year investment performance was as follows:

Currency	**Fund Return %**	**Benchmark Return %**
US dollars	4.84	-
Canadian dollars	4.70	-
Sterling (Government)	4.38	-
Sterling (Credit buy-and-maintain)	6.61	-
Euros	3.32	3.31

The combined 2023 calendar year investment performance of the managed portfolio is 4.74%. (2022: -4.45%)

FUTURE DEVELOPMENTS

The 2024 SBF has been approved, as specified by Lloyd’s, to write with a capacity of £1,400m (2023: £1,200m).

It was agreed by the Board to establish a new business segment “Portfolio Solutions”. This business aims to write a ring-fenced book of follow portfolio business on a primary delegated authority basis, thus designed to increase cost efficiencies. A key success factor will be data analytics. The strategy is based on the ability to gather data and expertise by partnering with established brokers and leads with the capability to provide portfolio data that can be effectively analysed.

Quite rightly, all aspects of ESG are becoming increasingly important for our business and a new ESG function has been created. MRSL is also fully aligned with the climate ambition of the Munich Re Group (as highlighted above in respect of Offshore Energy). Furthermore, Culture and DEI have been high on the agenda of the Board and will continue to be so, promoting a diverse culture in our organisation and in the design of our future DEI strategy. Consideration of diversity and inclusion in recruitment and succession planning has become the norm.

SYNDICATE ALLOCATED CAPACITY AND MEMBERSHIP OF THE SYNDICATE

The capacity of the Syndicate is based on Gross Net premiums and increased for the 2023 year of account at £1,200m (2022 year of account: £825m). All of the capacity of the Syndicate is provided by Munich Re Capital Limited (’MRCL’), an indirect subsidiary of Munich Re.

GOING CONCERN

After making enquiries, the directors of the Managing Agent have a reasonable expectation that continued capital support will be in place such that the Syndicate is able to write new business in future underwriting years of account. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

AUDITORS

In accordance with section 14(2) of Schedule 1 of the Lloyd's Regulations 2008, the auditors, Ernst & Young LLP, will be deemed to be reappointed and therefore continue in office.

Approved by a resolution of the Board of Directors of Munich Re Syndicate Limited and signed on its behalf.

R I White	**D J R Hoare**
Non-Executive Chair	Group Chief Underwriting Officer
26th February 2024	26th February 2024

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

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

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

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

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities. The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

On behalf of the Board
R I White
Non-Executive Chair

26th February 2024

Opinion

We have audited the syndicate annual accounts of syndicate 457 ('the syndicate') for the year ended 31 December 2023 which comprise the Statement of Profit and Loss, the Balance Sheet, the Statement of Changes in Member's Balances, the Statement of Cash Flows and the related notes 1 to 28, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and FRS 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

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

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for a period of 12 months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Other information

The other information comprises the information included in the Annual Accounts, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the Annual Accounts.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 14, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.
The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.
Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP). Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and the Audit Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.
- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. Where this risk was considered to be higher, such as the valuation of gross incurred but not reported reserves and valuation of estimated premium, we performed audit procedures to address each identified fraud risk.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of gross incurred but not reported reserves and the recognition of estimated premium income.
- Testing the appropriateness of journal entries recorded in the general ledger on a sample basis.

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

Use of our report

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

Angus Millar (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

27th February 2024

STATEMENT OF PROFIT AND LOSS: TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Earned premiums, net of reinsurance			
Gross premiums written	5	1,212,593	1,041,145
Outward reinsurance premiums		(138,268)	(147,717)
Net premiums written		1,074,325	893,428
Change in the provision for unearned premiums			
Gross amount	16	(91,367)	(53,348)
Reinsurers' share	16	2,539	(17,778)
Change in the net provision for unearned premiums	16	(88,828)	(71,126)
Earned premiums, net of reinsurance		**985,497**	**822,302**
Other Technical Income, Net of Reinsurance		**1,204**	**2,313**
Allocated investment return transferred from the non-technical account	9	**47,968**	**(23,270)**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(411,402)	(354,433)
Reinsurers' share		87,303	68,083
Net claims paid		(324,099)	(286,350)
Change in the provision for claims			
Gross amount	16	(87,386)	(206,450)
Reinsurers' share	16	(81,198)	59,694
Change in the net provision for claims	16	(168,584)	(146,756)
Claims incurred, net of reinsurance		**(492,683)**	**(433,106)**
Net operating expenses	6	**(341,217)**	**(287,185)**
Balance on the technical account – general business		**200,769**	**81,054**

All operations relate to continuing activities.

The notes on pages 24 to 51 form an integral part of these annual accounts.

STATEMENT OF PROFIT AND LOSS: NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Balance on the technical account – general business		**200,769**	**81,054**
Investment income	9	21,977	11,550
Investment expenses and charges	9	(1,036)	(701)
Realised and unrealised gains on investments	9	27,492	1,132
Realised and unrealised losses on investments	9	(465)	(35,251)
Allocated investment return transferred to general business technical account	9	(47,968)	23,270
Non-technical account income/(charge)	10	9,858	(13,324)
Loss on foreign exchange		(5,690)	(7,223)
Profit for the financial year		**204,937**	**60,507**

All operations relate to continuing activities.

There were no recognised gains and losses in the year other than those reported in the Statement of Profit and Loss and hence no Statement of Other Comprehensive Income has been presented.

The notes on pages 24 to 51 form an integral part of these annual accounts.

BALANCE SHEET – ASSETS AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Investments			
Other financial investments	11	1,309,308	1,114,208
Deposits with ceding undertakings		2,647	1,076
		1,311,955	**1,115,284**
Reinsurers' share of technical provisions			
Provision for unearned premiums	16	42,906	42,949
Claims outstanding	16	274,195	371,604
		317,101	**414,553**
Debtors			
Debtors arising out of direct insurance operations	12	423,140	342,516
Debtors arising out of reinsurance operations		209,497	207,777
Other debtors	13	5,568	4,817
		638,205	**555,110**
Other assets			
Cash at bank and in hand		**114,051**	**113,294**
Prepayments and accrued income			
Deferred acquisition costs	14	**174,822**	**150,878**
Total assets		**2,556,134**	**2,349,119**

The notes on pages 24 to 51 form an integral part of these annual accounts.

BALANCE SHEET – LIABILITIES AT 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Capital and reserves			
Members' balances		**384,411**	**301,971**
Technical provisions			
Provision for unearned premiums	16	659,100	594,026
Claims outstanding	16	1,251,226	1,221,125
Provision for other risks and charges		595	614
		1,910,921	**1,815,765**
Creditors			
Creditors arising out of direct insurance operations	18,19	67,267	52,136
Creditors arising out of reinsurance operations	18,20	101,329	116,495
Other creditors	18,21	90,042	59,188
		258,638	**227,819**
Accruals and Deferred income		2,164	3,564
Total liabilities and equity		**2,556,134**	**2,349,119**

The notes on pages 24 to 51 form an integral part of these annual accounts.

The Syndicate annual accounts on pages 18 to 51 were approved by the Board of Munich Re Syndicate Limited on 23 February 2024 and were signed on its behalf by

R I White
Non-Executive Chair

26th February 2024

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

	Notes	2023 £000	2022 £000
Members' balance brought forward at 1 January		301,971	283,650
Profit for the financial year		204,937	60,507
Distribution (to)/from Members	22	(68,217)	1,516
Amount (released)/added to Funds In Syndicate	22	(44,700)	(45,388)
(Loss)/gain on foreign exchange		(9,580)	1,686
Members' balance carried forward at 31 December		**384,411**	**301,971**

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

The notes on pages 24 to 51 form an integral part of these annual accounts.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2023

	Notes	2023 £000	2022 £000
Cash Flow from operating activities			
Operating result		**204,937**	**60,507**
Adjustments:			
Increase in gross technical provisions		178,752	259,958
Increase in reinsurers' share of gross technical provisions		78,659	(41,916)
Increase in debtors		(138,168)	(83,250)
Increase/(Decrease) in creditors		34,824	51,426
Investment return		(57,826)	36,594
(Increase)/Decrease in other		3,483	(6,158)
Net cash flow from operating activities		***304,661***	***277,161***
Cash flow from investing activities			
Purchase of equity and debt instruments		(745,946)	(643,902)
Sale of equity and debt instruments		525,132	420,884
Investment income received		24,929	11,901
Foreign exchange		-	-
Other		10,532	15,504
Net cash flow from investing activities		***(185,353)***	***(195,613)***
Cash flow from financing activities			
Distribution loss/(profit)		(68,217)	1,516
Profits etc added to FIS		-	-
FIS released to member		(44,700)	(45,388)
Net cash flow from financing activities		***(112,917)***	***(43,872)***
Net increase/(decrease) in cash and cash equivalents		**6,391**	**37,676**
Cash and cash equivalents at beginning of the year		126,608	78,576
Foreign exchange on cash and cash equivalents		(4,785)	10,356
Cash and cash equivalents at end of year		**128,214**	**126,608**
Cash at bank and in hand		114,051	113,294
Short term deposits with credit institutions		14,163	13,314
Cash and cash equivalents at end of year	23	**128,214**	**126,608**

The notes on pages 24 to 51 form an integral part of these annual accounts.

1. BASIS OF PREPARATION

The Syndicate comprises a single corporate member of Lloyd's, Munich Re Capital Limited, that underwrites insurance business in the London Market.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102"), and "Insurance Contracts" ("FRS 103"). Furthermore, they also comply with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. The directors of the Managing Agent have prepared the financial statements on the basis that the Syndicate will continue to write future business.

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

The financial statements are presented in Pound Sterling ('GBP'), which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The address of the Syndicate's managing agent is St. Helens, 1 Undershaft, London EC3A 8EE.

2. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results will differ from these estimates, and, along with the underlying assumptions, are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Claims Reserving

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

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported ('IBNR') to the Syndicate (see note 16).

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

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged.

(b) Premium Estimates

Written premiums for closed years of account are based on signings. Written premium estimates for open years of account are set via the process as described as follows:

Ultimate premium estimates take into account all available information sources including business plans, underwriter estimated premium income ('EPI') and actuarial projections. For the first few development quarters, the premium estimates are based on business plans and underwriter estimates as these capture

2. USE OF JUDGEMENTS AND ESTIMATES (continued)

(b) Premium Estimates (continued)

the expert knowledge from the underwriting department on the business volumes that are expected to be written and the anticipated premium rates. Thereafter the EPI and/or actuarial projections are used as a guide for the ultimate premium selections, as these indicators become more reliable once all underlying policies have been written and more data is available on premium signings & rates. The gross premium estimate of £427.0m (2022: £405.5m) is included in the debtors balance, with the RI share of £38.4m (2022: £79.3m) being included in the creditors balance on the balance sheet (pages 20 and 21 respectively).

Written and earned premium patterns are applied to ultimate premiums. These patterns are derived utilising policy data from the previous underwriting year to set the current pattern expectations due to the need to set these patterns at the outset of the underwriting year. For newer classes, as well as those with more underwriting variability, input is obtained from the pricing & underwriting experts to assist in the setting of appropriate premium patterns.

Premiums are recognised as earned on a pro rata basis over the term of the related policy, except for those contracts where the period of risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. For binder business, premium is recognised as written on a pro rata basis over the term of the related policy with earning recognition being applied on a pro rata basis to the amounts written.

3. SIGNIFICANT ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's annual accounts.

(a) Gross Premiums Written

Gross Premiums Written comprise premiums on contracts incepted during the 12 months to 31 December, together with any adjustments made in the year to premiums relating to prior accounting periods. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made 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 accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

(d) 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 IBNR at the balance sheet date based on statistical methods.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(d) Claims Provisions and Related Recoveries (continued)

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.

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 with regards to 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 of the Managing Agent consider that the provisions for gross claims and related reinsurance recoveries are fairly stated based on 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 financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(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.

Unexpired risk surplus and deficits are offset where in the opinion of the directors the business classes concerned are managed together and in such cases a provision for unexpired risks is made only where there is an aggregate deficit. At 31 December 2023 the Syndicate did not have an unexpired risks provision (31 December 2022: £Nil).

(f) Acquisition Costs

Acquisition costs, which represent commission and other expenses related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. In addition to third party brokerage, acquisition costs include IDC costs and a proportion of Syndicate costs including all box rent, underwriters' employment costs and an allocation of accommodation and IT costs.

(g) Foreign Currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items. Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets and liabilities

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

Classification
The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the Statement of Profit and Loss. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

Recognition
Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset.

A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e., the date that the Syndicate commits itself to purchase or sell the asset.

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

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

Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets and liabilities (continued)

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

Off-setting
Financial assets and financial liabilities are set off 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.

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 carried at fair value 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 to reflect the investment return on funds supporting underwriting business.

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the balance sheet.

(i) 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 during the year are included in the balance sheet under the heading 'other debtors'. No provision has been made for any overseas tax payable by the member on underwriting results.

(j) Pension Costs

The Managing Agent operates in conjunction with other Group companies, a funded contributory defined benefit scheme. This scheme was closed for new members in 2000. The assets of the scheme are held separately from those of the Managing Agent, being invested with Barclays Stockbrokers. Contributions to the scheme are charged to the Statement of Profit and Loss so as to spread the cost of pensions over employees working lives with the Managing Agent and are included in net operating costs. The scheme was closed for future accruals on 31 December 2009. During 2014, all active members from 1 January 2010 onwards were transferred to the defined contribution scheme, and, as an alternative choice to the defined contribution scheme, the Managing Agent offered a Group Self Invested Pension Scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(j) Pension Costs (continued)

The most recent triennial valuation (as performed at 31 December 2021) showed that there was a surplus of 11% in the defined scheme which was equivalent to £19.2m. The main reason for the change was better than assumed investment returns, offset by the impact of a change in valuation assumptions.

(k) Profit Commission

The Managing Agent does not charge any profit commission.

4. RISK AND CAPITAL MANAGEMENT

Framework

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

The Board sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Risk appetite is subsequently reviewed by the Managing Agent on a periodic basis. The Managing Agent has a Risk Forum which meets monthly to review and update the risk register and to monitor performance against risk appetite. The Risk & Capital Committee, a sub-committee of the Managing Agent's Board, met throughout the year to review and challenge risk management and the use of the internal model for capital calculation purposes.

The Managing Agent is required to comply with the requirements of the PRA, the 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. The Compliance Officer monitors regulatory developments and assesses the impact on Managing Agent policy. The principal risks and uncertainties, in addition to the regulatory and compliance risk facing the Syndicate and consequently Munich Re Capital Limited are monitored in line with the six risk groups, of which Insurance Risk is by far the most significant to the Syndicate.

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities.

The risk exposure is mitigated by seeking to have a diverse but balanced portfolio of risks across a number of underwriting classes written on a global basis. A further key component of the management of portfolio volatility is via the IDC network operating in established broker-based markets around the world. These companies are focused on writing local market business that would not necessarily be shown to the London market.

The annual business plan sets out the classes of business, the territories, average line size and type of assured. These plans are approved by the Board and monitored by the Underwriting and Claims Sub-Committee.

It is the policy of the Managing Agent to purchase appropriate reinsurance to support the business plan taking into consideration the MRSL Board's risk appetite and risk retention as well as a review of risk accumulation. With security being of paramount importance, the Syndicate places as much of the programme as possible with reinsurers of the highest calibre, subject to availability and market conditions. The key aim of the non-proportional treaty programme is to maintain cover, both for a single catastrophe loss (vertical) or a sequence of major losses (horizontal). In addition to this the Syndicate purchased significant additional quota share reinsurance as part of its risk management strategy. The Syndicate also purchases facultative reinsurance within the retention to protect the volatility of certain accounts.

4. RISK AND CAPITAL MANAGEMENT (continued)

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its gross written premium.

2023	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	62,116	9,568	10,709	853	298,838	382,084
Fire and other damage to property	115,500	51,283	21,890	9,955	239,935	438,563
Third party liability	11,614	12,337	-	-	181,286	205,237
Accident & Health	39	53	-	-	1,339	1,431
Motor	1,527	4	-	-	20	1,551
	190,796	73,245	32,599	10,808	721,418	1,028,866
Reinsurance	29,843	1,985	338	357	151,204	183,727
Total	220,639	75,230	32,937	11,165	872,622	1,212,593

2022	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	71,174	9,011	11,491	912	293,346	385,934
Fire and other damage to property	82,270	31,734	6,064	4,568	133,139	257,775
Third party liability	13,944	7,325	294	1	168,231	189,795
Accident & Health	155	108	-	-	2,546	2,809
Motor	281	-	-	-	-	281
	167,824	48,178	17,849	5,481	597,262	836,594
Reinsurance	25,737	628	179	398	177,609	204,551
Total	193,561	48,806	18,028	5,879	774,871	1,041,145

4. RISK AND CAPITAL MANAGEMENT (continued)

Sensitivity to insurance risk
The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	2023 £000		2022 £000	
	5 percent increase	**5 percent decrease**	**5 percent increase**	**5 percent decrease**
Gross claims outstanding	(62,561)	62,561	(61,056)	61,056
Net claims outstanding	(48,852)	48,852	(42,476)	42,476

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

Financial Risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The main components of Financial Risk are Credit, Liquidity and Market risks.

(a) Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.

The investment mandate sets out to minimise credit risk by requiring the individual investment portfolios to maintain an average portfolio quality equivalent to A+ per Standard & Poor's ('S&P'). There are also limits within the mandate to manage the exposure to individual issuers. The investment manager provides a qualitative analysis, on a quarterly basis, of the lowest rated security on the portfolio. No securities may be purchased that are rated below BBB-.

The investment guidelines do not permit use of derivatives or securities lending.

There are counterparty limits in place for each of the cash accounts held with Citibank NA, NatWest Group plc, and Royal Bank of Canada. These are monitored daily and reported on a weekly basis. Reinsurance is placed with counterparties that have a good credit rating. There is a limited pool of approved reinsurers and any reinsurance that is placed with reinsurers not within this pool requires the approval of certain Executive Directors. All reinsurance is subject to regular internal review.

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

4. RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit Risk (continued)

Credit rating relating to financials assets that are neither past due nor impaired

2023	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Not rated £000	Total £000
Shares and other variable yield securities and unit trusts	-	-	-	-	-	7,461	7,461
Debt securities and other fixed income securities	123,693	914,470	115,054	88,517	-	-	1,241,734
Deposits with credit institutions	20,580	2,869	3,133	2,720	12,836	17,975	60,113
Deposits with ceding undertakings	-	-	-	-	-	2,647	2,647
Reinsurer' share of claims outstanding	10,340	75,407	187,958	-	-	490	274,195
Insurance debtors	-	-	-	-	-	423,140	423,140
Other debtors	-	-	-	-	-	5,568	5,568
Cash at bank and in hand	-	11,767	101,962	-	-	322	114,051
Total credit risk	154,613	1,004,513	408,107	91,237	12,836	457,603	2,128,909

Credit rating relating to financials assets that are neither past due nor impaired

2022	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Not rated £000	Total £000
Shares and other variable yield securities and unit trusts	-	-	-	-	-	7,461	7,461
Debt securities and other fixed income securities	621,476	219,603	110,317	83,053	-	-	1,034,449
Deposits with credit institutions	23,434	5,294	3,719	3,317	20,618	15,916	72,298
Deposits with ceding undertakings	-	-	-	-	-	1,076	1,076
Reinsurer' share of claims outstanding	18,578	48	352,338	-	-	640	371,604
Insurance debtors	-	-	-	-	-	342,516	342,516
Other debtors	-	-	-	-	-	4,817	4,817
Cash at bank and in hand	-	12,037	100,788	-	-	469	113,294
Total credit risk	663,488	236,982	567,162	86,370	20,618	372,895	1,947,515

4. RISK AND CAPITAL MANAGEMENT (continued)

(a) Credit Risk (continued)

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis they are still deemed and confirmed to be collectable.

These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

An analysis of the carrying amounts of past due or impaired debtors is presented in the tables below.

2023		Financials assets that are past due but not impaired					
	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Insurance debtors	420,786	2,188	123	29	14	-	423,140
Reinsurance debtors	128,595	14,658	12,096	23,829	30,328	(9)	209,497
Other debtors	5,568	-	-	-	-	-	5,568
Total credit risk	554,949	16,846	12,219	23,858	30,342	(9)	638,205

2022		Financials assets that are past due but not impaired					
	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Insurance debtors	338,842	2,460	1,384	212	144	(526)	342,516
Reinsurance debtors	154,305	16,150	10,679	18,052	8,600	(9)	207,777
Other debtors	4,817	-	-	-	-	-	4,817
Total credit risk	497,964	18,610	12,063	18,264	8,744	(535)	555,110

(b) Liquidity Risk

Liquidity risk is the risk that the Syndicate will not have sufficient financial resources to meet liabilities as they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries and an associated risk of gross funding of US Situs losses.

A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Risk and Capital Committee.

4. RISK AND CAPITAL MANAGEMENT (continued)

(b) Liquidity Risk (continued)

The table below summarises the maturity profile of the Syndicate's financial assets and liabilities.

2023	No stated maturity £000	0-1 year £000	1-3 years £000	3-5 years £000	>5 years £000	Total £000
Financial assets						
Shares and other variable yield securities and unit trusts	-	-	3,173	4,288	-	7,461
Debt securities and other fixed income securities	-	456,091	555,563	219,407	10,673	1,241,734
Deposits with credit institutions	17,354	12,546	24,863	5,044	306	60,113
Insurance debtors	-	423,140	-	-	-	423,140
Reinsurance debtors	-	179,178	30,319	-	-	209,497
Other debtors	-	5,568	-	-	-	5,568
Cash at bank and in hand	-	114,051	-	-	-	114,051
Total	**17,354**	**1,190,574**	**613,918**	**228,739**	**10,979**	**2,061,564**
Financial liabilities						
Creditors	-	258,629	9	-	-	258,638
Provision	595	-	-	-	-	595
Total	**595**	**258,629**	**9**	**-**	**-**	**259,233**

2022	No stated maturity £000	0-1 year £000	1-3 years £000	3-5 years £000	>5 years £000	Total £000
Financial assets						
Shares and other variable yield securities and unit trusts	-	-	7,461	-	-	7,461
Debt securities and other fixed income securities	-	334,099	470,499	199,076	30,775	1,034,449
Deposits with credit institutions	15,835	19,990	26,047	9,984	442	72,298
Insurance debtors	-	342,516	-	-	-	342,516
Reinsurance debtors	-	207,777	-	-	-	207,777
Other debtors	-	4,817	-	-	-	4,817
Cash at bank and in hand	-	113,294	-	-	-	113,294
Total	**15,835**	**1,022,493**	**504,007**	**209,060**	**31,217**	**1,782,612**
Financial liabilities						
Creditors	-	227,803	16	-	-	227,819
Provision	614	-	-	-	-	614
Total	**614**	**227,803**	**16**	**-**	**-**	**228,433**

4. RISK AND CAPITAL MANAGEMENT (continued)

(c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of currency and interest risk.

For assets backing outstanding claims provisions, market risk is managed by matching the duration and profile of the assets to the technical provisions they are backing, referred to as Asset-Liability Matching. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

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

The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in United States dollars, Euros and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency. The amount in "Other" in the current year predominantly relates to the funding requirements maintained to cover the liabilities in respect of the South African riots.

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

2023	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**Other £000**	**Total £000**
Total assets	421,617	1,829,969	164,745	108,983	30,820	2,556,134
Total liabilities	(509,924)	(1,452,828)	(126,890)	(82,081)	-	(2,171,723)
Net assets	**(88,307)**	**377,141**	**37,855**	**26,902**	**30,820**	**384,411**

2022	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**Other £000**	**Total £000**
Total assets	338,393	1,745,571	135,509	75,814	53,832	2,349,119
Total liabilities	(413,126)	(1,468,437)	(103,854)	(61,731)	-	(2,047,148)
Net assets	**(74,733)**	**277,134**	**31,655**	**14,083**	**53,832**	**301,971**

The table below shows the impact on the Syndicate's net assets of a 5% appreciation or depreciation in each currency relative to Sterling, as at the balance sheet date.

2023	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**Other £000**	**Total £000**
5 percent appreciation	-	18,857	1,893	1,345	1,541	23,636
5 percent depreciation	-	(18,857)	(1,893)	(1,345)	(1,541)	(23,636)

2022	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**Other £000**	**Total £000**
5 percent appreciation	-	13,857	1,583	704	2,692	18,836
5 percent depreciation	-	(13,857)	(1,583)	(704)	(2,692)	(18,836)

4. RISK AND CAPITAL MANAGEMENT (continued)

(c) Market Risk (continued)

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The sensitivity analysis below shows the impact of a 50 basis point movement in interest rates with all other variables held constant, showing the impact on net assets.

	2023 £000	2022 £000
Impact of 50 basis point increase on net assets	(10,400)	(9,500)
Impact of 50 basis point decrease on net assets	10,400	9,500

The impact of the reasonably possible changes in the interest rate on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in profit or loss.

Capital Management

Capital framework at Lloyd's
The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000 and in accordance with the Solvency II Directive.

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

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

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2023 was 35% (2022: 35%) of the member's SCR 'to ultimate'.

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

4. RISK AND CAPITAL MANAGEMENT (continued)

Provision of capital by members

With the exception of the FIS balance held, all the assets less liabilities of the Syndicate, as represented in the members' balances reported on the balance sheet on page 21, represent resources available to meet members' and Lloyd's capital requirements.

Using its detailed measurement of risk exposures, the Syndicate allocates capital to support the business according to the risk appetite and expected returns. The Managing Agent regularly reviews and enhances its risk management processes and their enabling governance structures to ensure that the managing agent can demonstrate continuous compliance with regulatory and Lloyd's requirements. The Syndicate has complied with all capital requirements during the year ended 31 December 2023.

5. ANALYSIS OF UNDERWRITING RESULT

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

2023	Gross Written Premiums £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Re-insurance Balance £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	382,084	362,359	(161,070)	(116,386)	(25,991)	58,912
Fire and other damage to property	438,563	337,142	(134,100)	(117,780)	(70,417)	14,845
Third party liability	205,237	207,717	(77,775)	(62,211)	(13,852)	53,879
Accident & Health	1,431	2,162	441	(525)	2138	4,216
Motor (other classes)	1,551	886	(1,886)	(441)	(5)	(1,446)
	1,028,866	910,266	(374,390)	(297,343)	(108,127)	130,406
Reinsurance	183,727	210,960	(124,398)	(50,143)	(15,228)	21,191
Total	**1,212,593**	**1,121,226**	**(498,788)**	**(347,486)**	**(123,355)**	**151,597**

2022	Gross Written Premiums £000	Gross Premium Earned £000	Gross Claims Incurred £000	Gross Operating Expenses £000	Re-insurance Balance £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	385,934	368,617	(232,228)	(115,750)	(3,877)	16,762
Fire and other damage to property	257,775	222,749	(163,686)	(78,187)	17,972	(1,152)
Third party liability	189,795	187,461	(81,583)	(55,509)	(3,466)	46,903
Accident & Health	2,809	2,601	1,891	(555)	(36)	3,901
Motor (other classes)	281	371	(1,465)	(94)	-	(1,188)
	836,594	781,799	(477,071)	(250,095)	10,593	65,226
Reinsurance	204,551	205,998	(83,812)	(50,257)	(35,144)	36,785
Total	**1,041,145**	**987,797**	**(560,883)**	**(300,352)**	**(24,551)**	**102,011**

5. ANALYSIS OF UNDERWRITING RESULT (continued)

All premiums are written through Lloyd’s platform.

Brokerage and commission on direct business written was £244.4m (2022: £187.3m).

The geographical analysis of premiums by destination is as follows:

	2023 £000	2022 £000
United Kingdom	1,212,593	1,041,145
Total	**1,212,593**	**1,041,145**

6. NET OPERATING EXPENSES

	2023 £000	2022 £000
Acquisition costs	325,838	266,309
Change in deferred acquisition costs	(30,191)	(7,144)
Administrative expenses	51,839	41,187
Gross operating expenses	347,486	300,352
Reinsurance commissions	(6,269)	(13,167)
Net Operating Expenses	**341,217**	**287,185**

Administrative expenses include:

	2023 £000	2022 £000
Fees payable to the Syndicate auditor for the audit of the Syndicate Annual Accounts	219	103
Fees payable to the Syndicate auditor and its associates for other services		
Other services pursuant to Regulations and Lloyd's Byelaws	59	50
Audit related assurance services	29	27
Actuarial valuation services	113	98
Total	**420**	**278**

Members’ standard personal expenses are included within administrative expenses.

7. STAFF NUMBERS AND COSTS

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

	2023 £000	2022 £000
Wages and salaries	23,410	17,847
Social security costs	2,534	2,327
Other pension costs	1,492	1,308
Total	**27,436**	**21,482**

The average number of employees employed by the service company but recharged to the Syndicate during the year was as follows:

	2023	2022
Underwriting	80	68
Claims	20	17
Other	88	90
Total	**188**	**175**

8. KEY MANAGEMENT PERSONNEL COMPENSATION

Five (2022: Five) directors of Munich Re Syndicate Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2023 £000	2022 £000
Directors' emoluments	1,887	2,271
Contributions to pension scheme	20	9
Total	**1,907**	**2,280**

No other compensation was payable to key management personnel. For the purposes of this disclosure, key management personnel are taken to be the directors of the Managing Agent.

The highest paid director received the following remuneration charged as a Syndicate expense and included within the directors' emoluments above:

	2023 £000	2022 £000
Emoluments	965	904
Contributions to pension scheme	8	3
Total	**973**	**907**

8. KEY MANAGEMENT PERSONNEL COMPENSATION (continued)

The Chief Underwriting Officer received the following remuneration charged as a Syndicate expense and included within the directors' emoluments above:

	2023 £000	2022 £000
Emoluments	355	608
Contributions to pension scheme	-	-
Total	**355**	**608**

9. INVESTMENT RETURN

	2023 £000	2022 £000
Investment income		
Income from investments	21,977	11,550
Gains on the realisation of investments	6,849	719
Unrealised gains on investments	20,643	413
	49,469	12,682
Investment expenses and charges		
Investment management expenses	(1,036)	(701)
Losses on the realisation of investments	(593)	(3,525)
Unrealised losses on investments	128	(31,726)
	(1,501)	(35,952)
Total investment return	**47,968**	**(23,270)**

The table below presents the average amounts of funds in the year per currency and analyses by major currency the average investment yields in the year.

	2023 £000	2022 £000
Average amount of syndicate funds available for investment during the year		
Sterling	198,007	171,363
Euro	80,378	52,926
US dollar	711,151	545,392
Canadian dollar	83,761	64,585
Average funds available for investment, in Sterling	**1,073,297**	**834,266**
Total investment return	**47,968**	**(23,270)**

9. INVESTMENT RETURN (continued)

	2023	2022
Annual investment yield	**%**	**%**
Sterling	5.1	(3.2)
Euro	2.2	(5.0)
US dollar	3.9	(2.1)
Canadian dollar	3.7	(0.6)
Total annual investment return, in %	**4.4**	**(2.8)**

10. NON-TECHNICAL ACCOUNT INCOME/CHARGES

The non-technical account profit of £9.9m (2022: loss of £-13.3m) reflects investment gains on the Funds in Syndicate deposited by MRCL into the Syndicate's Premium Trust Fund.

11. OTHER FINANCIAL INVESTMENTS

	Fair value		Cost	
	2023 £000	**2022 £000**	**2023 £000**	**2022 £000**
Shares and other variable yield securities	7,461	7,461	8,777	8,777
Debt securities and other fixed income securities	1,241,734	1,034,449	1,265,765	1,036,523
Deposits with credit institutions	60,113	72,298	60,113	72,298
Total	**1,309,308**	**1,114,208**	**1,334,655**	**1,117,598**

All debt securities and other fixed income securities are highly liquid and marketable. These comprise 94.8% (2022: 92.8%) of the total market value of investments.

Included within the fair value of financial investments is accrued income of £7.7m (2022: £5.0m).

Deposits with credit institutions comprises the "Other financial investments" portion of our overseas deposits, where the latter amounts to £60.4m (2022: £72.8m) in total, held at fair value (see note 15).

Valuation hierarchy

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

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

Given the uncertainty regarding repayment of the Lloyd's loan, we have considered a discount for lack of marketability of between 10% and 20% and therefore have applied a 15% fair value adjustment (2022: 15%).

No further Level 3 disclosure is provided on the grounds of materiality.

11. OTHER FINANCIAL INVESTMENTS (continued)

The table below analyses financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

2023	Fair value hierarchy			
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities	-	-	7,461	7,461
Debt securities and other fixed income securities	-	1,241,734	-	1,241,734
Loans and deposits with credit institutions	14,326	45,787	-	60,113
Total	**14,326**	**1,287,521**	**7,461**	**1,309,308**

2022	Fair value hierarchy			
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities	-	-	7,461	7,461
Debt securities and other fixed income securities	-	1,034,449	-	1,034,449
Loans and deposits with credit institutions	13,375	58,923	-	72,298
Total	**13,375**	**1,093,372**	**7,461**	**1,114,208**

12. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2023 £000	**2022 £000**
Due from intermediaries		
Due within one year	423,083	342,352
Due after one year	57	164
Total	**423,140**	**342,516**

13. OTHER DEBTORS

	2023 £000	**2022 £000**
Due from IDCs	4,546	3,799
Due from others	1,022	1,018
Total	**5,568**	**4,817**

14. DEFERRED ACQUISITION COSTS

	2023 £000	2022 £000
Balance at 1 January	150,878	132,388
Movement in deferred acquisition costs	30,191	10,707
Effect of movements in exchange rates	(6,247)	7,783
Balance at 31 December	**174,822**	**150,878**

15. OVERSEAS DEPOSITS

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and for local regulatory requirements. Of the total balance below, £0.3m (2022: £0.5m) is recognised as cash and £60.1m (2022: £72.3m) is recognised as "Other Financial Investments".

	2023 £000	2022 £000
Illinois Deposit	3,637	5,534
Joint Asset Trust Funds	1,766	1,664
Additional Securities Limited	17,622	13,724
South African Trust Deed	13,505	23,167
Australian Trust Fund	11,084	16,988
Canadian Margin Fund	12,643	11,490
Other Funds	179	200
Overseas Deposits	**60,436**	**72,767**

The Illinois Deposit is determined by reference to the Syndicate's premium income and estimated exposure to outstanding liabilities arising from business written in the State of Illinois, USA and is required to enable the Syndicate to underwrite business arising in that State.

The Joint Asset Trust Funds are determined by reference to the Syndicate's US dollar reinsurance and surplus lines premium income and are required to enable the Syndicate to write certain reinsurance and surplus lines business in the USA.

The Additional Securities Limited deposits are lodged as a condition of conducting underwriting business in Switzerland and other countries.

The South African Trust Deed is required to enable the Syndicate to underwrite business arising in South Africa. The Syndicate's contribution to the fund is calculated by reference to the amount of outstanding liabilities under South African policies.

The Australian Trust Fund is required to enable the Syndicate to underwrite business arising in Australia. The Syndicate's contribution to the fund is calculated by reference to the premium income and estimated exposure to outstanding liabilities arising from business written in Australia.

16. TECHNICAL PROVISIONS

	2023 Gross Provisions £000	2023 Reinsurance assets £000	2023 Net £000	2022 Gross Provisions £000	2022 Reinsurance assets £000	2022 Net £000
Claims outstanding						
Balance at 1 January	1,221,125	(371,604)	849,521	925,386	(279,145)	646,241
Change in claims outstanding	87,386	81,198	168,584	206,450	(59,694)	146,756
Effect of movements in exchange rates	(57,285)	16,211	(41,074)	89,289	(32,765)	56,524
Balance at 31 December	**1,251,226**	**(274,195)**	**977,031**	**1,221,125**	**(371,604)**	**849,521**
Claims notified	449,970	(85,537)	364,433	432,560	(135,110)	297,450
Claims incurred but not reported	801,256	(188,658)	612,598	788,565	(236,494)	552,071
Balance at 31 December	**1,251,226**	**(274,195)**	**977,031**	**1,221,125**	**(371,604)**	**849,521**
Unearned premiums						
Balance at 1 January	594,026	(42,949)	551,077	490,205	(49,654)	440,551
Change in unearned premiums	91,367	(2,539)	88,828	53,348	17,778	71,126
Effect of movements in exchange rates	(26,293)	2,582	(23,711)	50,473	(11,073)	39,400
Balance at 31 December	**659,100**	**(42,906)**	**616,194**	**594,026**	**(42,949)**	**551,077**

Claims outstanding

The 2023 net technical result of £200.8m (2022: £81.1m) includes £49.6m (2022: £68.3m) of releases from reserves in respect of prior accident years.

	2023 £000	2022 £000
Marine	24,417	35,257
Property	3,425	6,577
Energy	(1,195)	19,844
Reinsurance	8,115	(343)
Aviation	534	4,761
Casualty	14,301	2,201
Total prior year releases	**49,597**	**68,297**

17. CLAIMS DEVELOPMENT

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2023 in all cases.

Claims development table gross of reinsurance

	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	Total £000
Estimate of cumulative claims											
At end of underwriting year	(155,107)	(160,959)	(130,501)	(173,078)	(164,878)	(158,782)	(205,224)	(235,746)	(302,367)	(260,566)	
One year later	(296,657)	(300,671)	(275,362)	(303,353)	(359,126)	(495,048)	(465,568)	(537,049)	(602,028)		
Two years later	(289,226)	(263,848)	(249,708)	(274,880)	(378,377)	(464,572)	(445,492)	(525,712)			
Three years later	(262,849)	(238,113)	(230,845)	(254,693)	(353,717)	(445,712)	(409,956)				
Four years later	(265,843)	(234,340)	(218,415)	(244,811)	(346,489)	(435,963)					
Five years later	(261,260)	(222,875)	(211,252)	(239,824)	(347,518)						
Six years later	(252,312)	(216,585)	(208,183)	(239,527)							
Seven years later	(246,782)	(212,466)	(200,901)								
Eight years later	(243,289)	(210,724)									
Nine years later	(241,318)										
Less gross claims paid	233,635	205,324	194,161	215,981	311,573	373,427	280,985	250,270	155,599	39,478	2,260,433
Gross claims reserve	(7,683)	(5,400)	(6,740)	(23,546)	(35,945)	(62,536)	(128,971)	(275,442)	(446,429)	(221,088)	(1,213,780)
Gross claims reserve for 2013 and prior years											(37,446)
Total gross claims reserve											**(1,251,226)**

17. CLAIMS DEVELOPMENT (continued)

Claims development table net of reinsurance

	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	Total £000
Estimate of cumulative claims											
At end of underwriting year	(111,450)	(97,716)	(83,091)	(82,927)	(98,859)	(110,978)	(160,858)	(184,531)	(233,582)	(243,645)	
One year later	(228,238)	(200,233)	(175,774)	(192,396)	(237,405)	(298,840)	(336,208)	(396,088)	(508,448)		
Two years later	(221,312)	(194,285)	(177,018)	(193,697)	(263,124)	(270,130)	(319,671)	(394,907)			
Three years later	(203,402)	(177,076)	(169,979)	(183,862)	(249,414)	(264,517)	(306,637)				
Four years later	(206,395)	(176,025)	(162,098)	(177,371)	(250,050)	(256,766)					
Five years later	(201,541)	(167,634)	(155,949)	(173,946)	(247,816)						
Six years later	(194,254)	(162,260)	(154,937)	(174,080)							
Seven years later	(191,424)	(158,696)	(149,960)								
Eight years later	(188,941)	(157,477)									
Nine years later	(187,253)										
Less net claims paid	181,917	153,801	152,454	149,456	224,893	213,785	221,774	196,656	143,974	39,087	1,677,797
Net claims reserve	(5,336)	(3,676)	2,494	(24,624)	(22,923)	(42,981)	(84,863)	(198,251)	(364,474)	(204,558)	(949,192)
Net claims reserve for 2013 and prior years											(27,839)
Total net claims reserve											**(977,031)**

18. FINANCIAL LIABILITIES AT AMORTISED COST

	2023 £000	2022 £000
Creditors arising out of direct insurance operations	67,267	52,136
Creditors arising out of reinsurance operations	101,329	116,495
Other creditors	90,042	59,188
Total	**258,638**	**227,819**

19. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2023 £000	2022 £000
Due within one year	67,267	52,133
Due after one year	-	3
Total	**67,267**	**52,136**

20. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2023 £000	2022 £000
Due within one year	101,320	116,481
Due after one year	9	14
Total	**101,329**	**116,495**

21. OTHER CREDITORS

	2023 £000	2022 £000
Due within one year		
Amount due to Managing Agent	87,873	53,972
Amount due to IDCs	1,405	4,405
Other creditors	764	811
Total	**90,042**	**59,188**

22. GROSS DISTRIBUTION

The gross distribution payable to the member was £68.2m (2022: receivable of £1.5m). £44.7m of the Funds in Syndicate were released during this year (2022: release of £45.3m). Income relating to these funds retained has been included within the Statement of Profit and Loss (Non-Technical Account).

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

23. CASH AND CASH EQUIVALENTS

	2023 £000	2022 £000
Cash at bank and in hand	114,051	113,294
Other Financial Investments	14,163	13,314
Total	**128,214**	**126,608**

Cash at bank and in hand includes £28.4m (2022: £21.6m) of Singapore funds. The Singapore funds relate to the Singapore and Offshore Insurance Funds ('SIF' and 'OIF' respectively) assets held in trust in accordance with the Lloyd's Asia (Singapore policies) Instruments 2002 and Lloyd's Asia (Offshore policies) Instrument 2002. Under the terms of the standard mandate agreement all powers, authorities and discretions of the Managing Agent's trustees and of the Managing Agent are delegated to individuals who are officers of Munich Re Syndicate Singapore Pte Limited, an IDC of the Syndicate.

Only Other Financial Investments comprising of call deposits with maturities of three months or less from the acquisition date that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

24. RELATED PARTIES

Münchener Rückversicherungs–Gesellschaft Aktiengesellschaft in München ('Munich Re')

Munich Re Syndicate Limited is wholly owned by Munich Re Specialty Group Ltd (MRSGL), which is wholly owned by Munich Re. The Syndicate placed a total of £14.9m (2022: £16.2m) outwards reinsurance premium with its ultimate parent undertaking under 38 different contracts for the 2023 year of account (2022: 43). These contracts provided the Syndicate with cover within the normal course of business and the transactions were carried out at arm's length.

Munich Re Capital Limited ('MRCL')

MRCL is the corporate member of the Syndicate. MRCL's immediate parent company is MRSGL.

T E Artmann and D J R Hoare are directors of MRCL.

Munich Re Syndicate Limited ('MRSL')

During the year, the Syndicate has paid fees to MRSL, the Managing Agent of the Syndicate, amounting to £1.8m (2022: £1.7m). MRSL's immediate parent company is MRSGL. The outstanding net balances at year end were £87.9m due from the Syndicate (2022: £54.0m due from the Syndicate).

The managing agent has paid £49.7m (2022: £39.6m) in shared service recharges for the ordinary day to day running costs related to the Syndicate.

Munich Ergo Asset Management GmbH ('MEAG')

MEAG is Munich Re's asset management company. The Syndicate paid a total of £0.9m (2022: £0.7m) for asset management and accounting services in 2023.

24. RELATED PARTIES (continued)

Munich Re Specialty Insurance (UK) Limited ('MRSI')

MRSI is an IDC, wholly owned by MRSGL and predominantly produces UK provincial Marine business for the Syndicate under a binding authority. From 2022, it includes the business from Groves, John & Westrup Limited. Business produced by MRSI amounts to approximately 11.2% (2022: 10.7%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2023.

On 31 December 2011, the Syndicate provided a subordinated loan of £0.2m to MRSI, and, in January 2022, the subordinated loan to GJW of £0.7m was transferred over to MRSI. This was necessary to ensure the continued regulatory compliance of MRSI. This loan bears interest at Secured Overnight Financing Rate ('SOFR') plus 1%. This loan is repayable not less than two years from the date on which the loan is made; or not less than two years from the date on which the borrower gave notice in writing to the Lender and the FCA. The outstanding net balances at year end were £3.3m due from the Syndicate (2022: £4.4m due from the Syndicate).

T E Artmann, T Coskun, G K Hill and D J R Hoare are directors of MRSI.

Munich Re Syndicate Singapore Pte Limited ('MRSS')

MRSS is a non-profit making IDC owned by MRSGL and produces Marine business from S.E. Asia exclusively for the Syndicate under a binding authority. Business produced by MRSS amounts to approximately 4.3% (2022: 3.6%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2023. The outstanding net balances at year end were £20.3m due to the Syndicate (2022: £11.1m due to the Syndicate).

T E Artmann is a director of MRSS.

Roanoke International Brokers (MENA) Limited ('RIBML')

RIBML is an insurance broker in the Middle East which is wholly owned by MRSGL. Business produced by RIBML amounts to approximately 0.0% (2022: 0.4%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2023, where the gross brokerage income generated by RIBML in the year ending to 31 December 2023 was £0.7m (2022: £0.3m). The outstanding net balances at year end were £0.7m due from the Syndicate (2022: £0.6m due from the Syndicate).

There were no directors in common between the managing agent and RIBML for 2023.

Munich Re Syndicate Labuan Limited ('MRSLAB')

MRSLAB is a non-profit making IDC owned by MRSGL and produces Marine business from Malaysia exclusively for the Syndicate under a binding authority. Business produced by MRSLAB amounts to approximately 0.2% (2022: 0.4%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2023. The outstanding net balances at year end were £2.9m due to the Syndicate (2022: £0.9m due to the Syndicate).

There were no directors in common between the managing agent and MRSLAB for 2023.

24. RELATED PARTIES (continued)

Munich Re Specialty Group N.A Inc. ('Roanoke US')

Munich Re Specialty Group N.A. Inc. is a directly wholly owned company by MRSGL and produces Marine business from the USA for the Syndicate under a binding authority. Business produced by Roanoke US amounts to approximately 9.4% (2022: 12.6%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2023. The outstanding net balances at year end were £64.9m due to the Syndicate (2022: £37.6m due to the Syndicate).

T E Artmann is a director of Munich Re Specialty Group N.A.

Roanoke International Brokers Limited ('RIBL')

RIBL is an insurance broker wholly owned by MRSGL. RIBL conducts business both with the Syndicate and third parties. The gross brokerage income generated by RIBL in the year ending to 31 December 2023 was £6.5m (2022: £6.0m). A high percentage of this brokerage is from the placement of business through the above mentioned IDCs. There were no outstanding balances with the Syndicate at the year-end.

There were no directors in common between the managing agent and RIBL for 2023.

Munich Re Risk Solutions Ireland Limited ('MRRSI')

MRRSI is a wholly owned subsidiary of MRSGL which was set up for the Syndicate to enable it to have continued access to EEA business via the Lloyd's Brussels platform following Brexit. As of 31 December 2023, MRRSI has written £2.2m of reinsurance contracts (2022: £2.0m). There were no outstanding balances with the Syndicate at the year-end.

T Coskun is a director of MRRSI.

MRSG UK Services Limited ('MRSGUKS')

MRSGUKS is a wholly owned subsidiary of MRSGL, which is the sole employer within the subgroup. There were no outstanding balances with the Syndicate at the year-end.

T E Artmann is a director of MRSGUKS.

25. FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's, which is held in trust and known as Funds at Lloyd's ('FAL'). These assets are in the form of letters of credit from Munich Re. 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 the PRA's requirements and resource criteria. FAL is determined by a number of factors including the nature and amount of risk in respect of business that has been underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources.

However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

26. FUNDS IN SYNDICATE

MRCL holds investments in the Syndicate used to support the Syndicate's capital requirements, along with the FAL. This gives the Syndicate the ability to manage these funds under the same investment mandate as the other funds of the Syndicate that are held within the premium trust funds.

27. FOREIGN EXCHANGE RATES

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

	2023 Year-end rate	2023 Average rate	2022 Year-end rate	2022 Average rate
Euro	1.15	1.15	1.13	1.17
US dollar	1.27	1.24	1.20	1.24
Canadian dollar	1.68	1.68	1.63	1.61

28. POST BALANCE SHEET EVENTS

A cash distribution of £133.6m to members will be proposed in relation to the 2021 year of account (2022: £68.2m cash call in relation to the 2020 year of account).