SYNDICATE 2791

Report and Financial Statements
31 December 2023

MAP

Underwriting at Lloyd's

CONTENTS

CHAIRMAN'S REPORT

As our capital providers are aware, the 2021 year was another year of elevated catastrophe activity. It is therefore pleasing to report that with another strong performance from the closed years, particularly 2019 and prior, improving investment returns and a small but valuable underwriting profit from the closing year it has been possible to deliver a bottom result of just under 10% of stamp capacity.

Once again the result is a testament to MAP's steadfast adherence to its founding principles, as reiterated in Chris's report. In nearly half a century at Lloyd's, I have experienced three full property/casualty cycles, and the soft market from which we are now emerging was the longest of them all. Richard, Aidan, Chris and the team managed the volume down with great skill and underwriting discipline, allowing the Syndicate to declare profits in every year of account.

This discipline has laid the foundations for the strong premium growth the Syndicate has enjoyed since the market began to turn, and this is set to continue into 2024 with steady improvement in price adequacy. As businesses rebuild their balance sheets the momentum will inevitably shift back, but MAP has now established a strong portfolio of well priced and underwritten business, with respected market leaders in many classes and a highly effective supporting team, and I have every confidence they will continue to deliver excellent results.

D E S Shipley
Chairman
26 February 2024

SYNDICATE 2791

Underwriting Year Distribution Accounts
2021 Closed Year of Account
31 December 2023

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive)
C E Dandridge (Non-executive)
A S Foote (Non-executive)
T P Froehlich (Non-executive)
A Kong
P Langridge (resigned 31 July 2023)
T R McDermott
J J Parker (appointed 10 January 2023)
D E S Shipley (Non-executive Chairman)
C J Smelt (Active Underwriter)
R K Trubshaw

Company Secretary
J J Parker

Managing Agent's Registered Office
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
C J Smelt

Principal Investment Managers
Schroders Investment Management Limited

Statutory Auditor
Deloitte LLP
1 New Street Square
London
EC4A 3HQ

UNDERWRITER'S REPORT

2021 Year of Account

Capacity £400.4 million

The 2021 year of account has closed with a bottom-line profit of £39.6m distributable to members, equivalent to 9.9% of stamp capacity, compared with the forecast range of 2.5% to 7.5%. The 2021 pure year result was a profit of 5.7% or £22.8m; members benefitted from a gross back year release of £20.4m (£21.0m net of reinsurance, before agency profit commission).

Development of Closed Years (2020 and prior)

The total gross IBNR ('incurred but not reported') reserve, less future premiums, started the year at £137.5m, (at 31.12.23 rates of exchange £1 = US$1.27). £17.3m or 12.6% of this reserve was utilised in the calendar year, compared to the historical average of 7.4%. There was a gross back year release of £20.4m, and the IBNR reserve for 2021 has been set at £40.3m, meaning the ongoing total gross IBNR reserve is now £140.2m. There continues to be no fundamental change in either our reserving strategy or our ultimate completion factors. Most of the utilisation fell to the 2020 YOA, with 2019 and prior only using £1.5m or 1.5% of its IBNR.

The long-tail casualty classes generated a £7.0m gross back-year release, and now constitute 39.5% of the total remaining IBNR reserve (last year 35%). All years saw positive development with the exception of 2003, which experienced a small deterioration. Note that the casualty account grew in 2021 but still represents less than 10% of the 2021 portfolio, compared with nearly 26% at its peak in 2003.

The short-tail account generated a £6.6m gross back-year release. We no longer hold specific reserves for events prior to Superstorm Sandy (2012), all of which are now at least 10 years old and have seen little or no incurred movement. Superstorm Sandy improved during the year following resolution of an outstanding dispute, however, other matters remain and our reserve position on these items is broadly unchanged. There was little incurred movement on the 2017 and 2018 catastrophes, and our reserve position remains similar to last year. Given the stability and lack of outstanding claims on the 2019 events, Hurricane Dorian and the Japanese windstorms, we have removed the remaining specific IBNR.

The 2020 wind events experienced deterioration in the year, resulting in the gross ultimate moving out from $102.7m to $111.0m in the aggregate for Hurricane Laura, Hurricane Sally and Derecho, although this is partially mitigated by reinsurance recoveries. At year-end our gross ultimate provision for Covid-19 across all years of account is $19.6m, (last year $24.5m) of which $5.9m was incurred at year-end (last year $5.9m). Most litigation has developed favourably in the year, although uncertainty remains as to the ultimate resolution.

The balance of our total IBNR reserves relates largely to auto and other miscellaneous specialty classes. The £6.7m gross back-year release is largely driven by the auto account on the 2019 and 2020 years as the benign experience increasingly highlights the different development pattern for these years.

Pure Year 2021

Utilisation of capacity

The final utilisation was 80.7% at closing rates of exchange versus 71% last year for the 2020 YOA. The reinsurance spend was £104.9m or 32.4% of written premium net of acquisition costs, £42.2m of which was ceded via a US catastrophe quota share to Syndicate 6103.

Performance review

The catastrophic experience of 2020 in the US and the continuing depressed investment yields supported 19% more gross premium for 2021 than in 2020, marginally under the revised plan.

Unfortunately in 2021, the US experienced another year of above average historical catastrophe activity, notably Hurricane Ida which struck Louisiana in August 2021, causing $35bn–$40bn of insured loss. Although the levees in New Orleans largely held, the wind damage in Louisiana was somewhat similar to Hurricane Katrina, and there were significant impacts right the way up to the north-eastern States. In addition, Winter Storm Uri in February 2021 and Hurricane Ian which made landfall in Florida in September 2022 contributed to the syndicate's catastrophe experience for the 2021 YOA.

UNDERWRITER'S REPORT *continued*

2021 Year of Account *continued*

Performance review *continued*

For Hurricane Ida, we are projecting ultimate gross losses of $104.4m, (last year $103.0m) of which $95.8m had been incurred at year end (last year $92.8m). In contrast, the forecast ultimate combined effect of Winter Storm Uri and Hurricane Ian on syndicate 2791 is $17.0m (last year $16.4m). The syndicate's retrocession programme mitigates the net impact of Hurricane Ida and provides ongoing stability as the claims run off.

The casualty account grew in 2021, representing 9.6% (2020: 4.6%) of the gross income. The growth came predominantly from general liability where historical under performance has resulted in significant rate increases and tightening of conditions following withdrawals from the market. Our modest exposure is focused on transport business with reduced latency and contractors with a high ratio of premium to limit, written as insurance rather than reinsurance to better manage claims. As with all lines of business, we only participate on risks where we have the expertise to understand and quantify the risk. Overall, the casualty account has been reserved at an ultimate loss ratio of 98.2%, which equates to a completion factor more prudent than the historical average.

Overall closing provisions are £40.3m (gross claims less future premium) of which £8.9m relates to major events and £31.4m is general attrition.

The shift in yield curve at the end of 2022 resulted in a much-improved investment performance for the 2023 calendar year, with the syndicate achieving 4.9% profit versus a loss of 2.8% during 2022. In addition, our long-term strategy of prudent back-year reserving has generated a £21.0m net back year release, resulting in a positive bottom-line £39.6m or 9.9% return to members.

Analysis of premium written by syndicate classification

	Gross written £'000	Net written £'000
Property reinsurance	224,085	142,017
Direct and facultative property	61,724	45,293
Marine and offshore energy	19,966	19,791
Motor	34,609	33,147
Third party liability	29,981	29,981
Accident and health	6,837	6,837
Specialist lines	2,338	2,338
Terrorism and political risks	1,486	1,486
Total	**381,026**	**280,890**

Investment Return

The investment return generated over the last three years has contributed £11.0m to the 2021 closed year result. The calendar year returns net of expenses in each period were: -0.6% in 2021, -2.8% in 2022 and 4.9% in 2023.

In line with established policy, the 2021 year of account receives a proportion of the investment performance of the three calendar years as determined by a formula which measures assets held in each year of account and allocates the result accordingly.

The Effect of Exchange Rates on the 2021 Distribution Account

These accounts are reported over the three consecutive years from 2021, during which the GBP:USD exchange rate has moved from an average of 1.38 to a closing rate of 1.27 at the end of 2023. This has resulted in an exchange loss versus the average rates of £0.115m over the three year period as further set out in note 13.

Reinsurance Debtors

Recoverable amounts from reinsurers amount to £62.3m, virtually all of which is current. There are no provisions for bad debts on the syndicate's reinsurance balances.

An analysis of the security rating for the debtors within our statement of financial position at 31 December 2023 is set out below.

Debt table by security rating

Standard & Poor's rating	On paid claims £'m	On outstanding claims £'m	On IBNR £'m	Total £'m
AA	39.1	9.1	5.0	53.2
A	3.0	2.7	3.4	9.1
	42.1	11.8	8.4	62.3

2022 Year of Account Forecast

Ultimate gross premium is forecast up around 32% to £427m at year-end rates of exchange, which is a little over our business plan numbers due to expected inwards reinstatement premiums. Casualty classes accounted for £32.6m or 7.6% of the overall income.

For the third year in a row the US Gulf experienced a major hurricane, Ian, which impacted south-west Florida between Tampa and Naples, before running across the state south of Orlando and subsequently impacting the Carolinas – although the vast majority of the insured loss is in Florida.

For Hurricane Ian, we are projecting ultimate gross losses (net of cessions to Syndicate 6103) of $117.4m to the 2022 year of account ($140.5m last year), of which $86.1m had been incurred at year end. With the outwards reinsurance protection in place, the net impact is forecast to be around $70.0m.

The balance of account is trending in line with prior years, and investment yield should continue into 2024 given that the embedded return is now over 4%.

The current forecast is for the 2022 YOA to produce a profit of between 7.0% and 12.0% return on stamp.

An estimate of the 2022 underwriting result as at 36 months is set out below:

	£'000
Stamp capacity	400,265
Gross premiums written	518,583
Net premiums written	394,953
Claims incurred – net of reinsurance	(262,091)
Net operating expenses	(102,734)
Investment return	23,554
Profit commission	(9,577)
Personal expenses	(5,726)
Non-technical account foreign exchange	(71)
Estimate of profit for the year of account after personal expenses	38,308

Assumptions underlying the 2022 Estimated Result:

(i) There will be no material reinsurance failures.
(ii) Syndicate expenses, incurred in the calendar year 2024 to be charged to the 2022 year of account, will continue the pattern of previous years as refined by current budgets.
(iii) Exchange rates at 31 December 2024 will not be materially different from those at 31 December 2023.
(iv) Investment returns attributable to 2022 during 2024 = 3.7% for USD and 0.5% for all other currencies.
(v) Claims will be paid in line with our expected development patterns.
(vi) No material back year surplus or deficit arises from the RITC.

2023 Overview

The original 2023 syndicate business forecast (SBF) was produced in July 2022, prior to Hurricane Ian. In response to the demonstrable increase in loss incidence over the previous six years (2017-2022), for the 2023 YOA we adjusted our frequency loads for US hurricane from 140% to 179% of the indexed historic mean. Following Hurricane Ian, we took the decision not to re-submit our SBF immediately due to the uncertainty of clients' response to MAP's increase in catastrophe risk pricing and the markets muted reaction to the events of previous years. By the end of Q1, it became apparent that the market had moved materially, and our income was likely to exceed plan and potentially stamp capacity. Lloyd's were supportive of our intention to capitalise on the dislocated market and the revised byelaws provided a clear and efficient route to gain approval for an SBF in excess of stamp capacity. As such, a revised SBF of £566.0m was approved by Lloyd's and members.

Ultimate gross premium is forecast up around 25% to £533m at year end rates of exchange, which is over the original business plan numbers and, net of 6103, equal to 2023 YOA stamp capacity at £475m. Casualty classes accounted for £47.1m or 8.8% of the overall income.

The 2023 Atlantic hurricane season was again above average, with 20 named storms, 7 hurricanes and 3 major hurricanes, producing the most named storms of any El Nino influenced year. Fortunately, the only hurricane to make landfall in the US was Hurricane Idalia in August 2023 which came ashore near Keaton Beach, Florida, as a category 3 hurricane where there was limited insured values and as such, MAP's and the industry loss is not material. In the event Hurricane Idalia's track had taken the storm further south or west, the outcome could have been very different.

The 2023 YOA still has live risk and is at an early stage of development, however, given the underlying rate adequacy achieved and lack of insurance events in 2023, the signs are promising.

2024 Trading Conditions

The outlook for 2024 is positive, we have not yet experienced an influx of capital diluting the hard market. Last year's hurricane activity, albeit mostly offshore, in conjunction with the market deterioration on prior casualty years seen at year-end are supporting current pricing. There is evidence that the management of our competitors are enforcing broad brush edicts, be it mandatory rate increases across the board, attachment levels or blanket limits on line size, limiting underwriters' autonomy and compromising their ability to underwrite, all of which cause pricing anomalies, providing opportunities for MAP.

Stamp capacity has grown substantially for 2024, as much to cover actual achieved premium in 2023, as anticipated future 2024 premium growth, and I am confident it will allow us to take advantage of opportunities as they arise. Following the hurricane activity of 2023, it seems prudent to maintain the frequency loads in our catastrophe pricing applied last year - indeed on attritional tornado/hail perils we have tightened them further in response to the recent elevated loss incidence.

Timing is everything, with a hard market and limited catastrophe events, 2023 was a perfect year to take over the reins of syndicate 2791 from Richard. I have, however been living and breathing MAP for the last 20 years; I have been involved in the strategy and core underwriting principles of the business since inception and most importantly, I understand why it has been a success. The key principles which have led to success are pricing discipline, cycle management, underwriter autonomy, exposure management and alignment of interest.

Pricing discipline is fundamental. Every risk is priced individually from ground up, with the result recorded so the outcome can be back tested. We employ underwriters who are capable of analysing the risk and calculating the appropriate premium, giving them ownership of the result and the autonomy to negotiate with the brokers. This, in conjunction with controlling expenses, leads to effective cycle management whereby only business with an acceptable margin is written.

Line size and exposure management are essential to manage the volatility and shape of the assumed portfolio. Catastrophe exposure is managed to the inherent profit in the portfolio through the risk of ruin strategy, allowing the syndicate to write more cat risk in a hard market and forcing it to reduce in a softening market. Individual line sizes are kept modest, reducing the attritional volatility.

Alignment of interest, both internally and with capital, ensures everyone works towards a common goal and capital can be confident in our actions. Underwriters are remunerated on overall syndicate performance rather than their individual accounts to prevent parochial attitudes and encourage healthy peer review. All underwriters, and a substantial proportion of non-underwriting staff, have lines on the syndicate, exposing them to the potential downside of insurance.

2024 Trading Conditions *continued*

In 2023 we took the opportunity to recruit additional staff to support the business. Since the syndicate established in 2001, the regulatory burden has increased dramatically, from one set of accounts and being advised of an RBC ratio to producing three sets of accounts along with developing a detailed and complex capital model, all with ever tightening time frames. We have recruited to the finance, capital and claims teams to ensure we have the expertise and resource to support a successful managing agent.

The incoming portfolio that 2791 inherits for the 2024 YOA is adequately priced and well underwritten with signs suggesting that for 2024 at least, we should be able to hold our position. The next few years should hold great potential and having thoroughly enjoyed my first year as Named Underwriter for syndicate 2791, I look forward to the opportunities that the 2024 underwriting year and beyond present.

Seven Year Summary of Closed Years of Account

	Note	2015	2016	2017	2018	2019	2020	2021
Syndicate allocated capacity (£'m)		399.4	399.1	396.8	399.5	399.6	399.9	400.4
Number of Underwriting Members		1,691	1,710	1,701	1,681	1,639	1,597	1,554
Aggregate net premiums (£'m)		137.5	145.3	134.0	143.0	175.9	242.0	280.9
Results for illustrative share of £10,000		%	%	%	%	%	%	%
Utilisation of capacity at premium income monitoring rates of exchange		30.3	31.7	26.5	35.9	44.0	67.8	82.6
Gross premiums written (% of illustrative share)		42.7	46.7	39.9	44.7	56.6	80.6	95.2
Net premiums (% of illustrative share)		34.4	36.4	33.7	35.8	44.0	60.6	70.2
Profit (% of gross premiums)		27.7	17.7	9.6	6.5	13.0	2.5	10.4
Results for illustrative share of £10,000		£	£	£	£	£	£	£
Gross premiums	1	4,266	4,667	3,986	4,469	5,663	8,056	9,516
Net premiums		3,442	3,639	3,367	3,579	4,402	6,059	7,015
Reinsurance to close from an earlier year of account		6,220	5,440	5,415	4,863	4,530	4,667	5,616
Net claims		(1,579)	(1,750)	(2,306)	(2,475)	(1,839)	(3,581)	(3,752)
Reinsurance to close	2	(5,707)	(5,117)	(5,056)	(4,547)	(4,734)	(4,909)	(5,774)
Underwriting profit		**2,376**	**2,212**	**1,420**	**1,420**	**2,359**	**2,236**	**3,105**
Acquisition costs	1	(940)	(1,030)	(932)	(1,028)	(1,244)	(1,607)	(1,925)
Other syndicate operating expenses, excluding personal expenses		(200)	(210)	(160)	(175)	(203)	(169)	(194)
Reinsurers' commissions and profit participations		2	17	18	54	85	83	107
Exchange movement on foreign currency translation	4	22	32	(5)	(43)	(6)	(31)	11
Net investment income		292	95	224	227	46	(142)	275
Illustrative personal expenses:								
Managing agent's fee		(55)	(55)	(55)	(55)	(75)	(75)	(75)
Profit commission	3	(288)	(197)	(98)	(78)	(186)	(43)	(249)
Profit commission	5	(29)	(37)	(29)	(29)	(40)	(47)	(66)
Profit after illustrative personal expenses and illustrative profit commission		1,180	827	383	293	736	205	989

1. Gross premiums and syndicate operating expenses have been grossed up for brokerage costs.
2. Reinsurance to close is stated at relevant average rates applicable or when reserves were first set for each year of account.
3. Profit commission is reported on a pro forma basis before the application of the deficit clause brought forward.
4. Foreign currency realised gains and losses are included in exchange movement on foreign currency translation rather than within other syndicate operating expenses.
5. Other personal expenses include Lloyd's subscriptions and central fund contributions.

Solvency Capital Requirement

The managing agent is required to provide a Solvency Capital Requirement (SCR) to Lloyd's which sets the capital required to be held by the members of the syndicate for the prospective underwriting year. Lloyd's syndicate SCRs are combined to provide the basis of the Lloyd's internal model which the Prudential Regulation Authority originally approved in December 2016.

This amount is derived from the syndicate's loss distribution, which is calculated internally. It is the loss at the 99.5th confidence level, 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 on which it is participating but not another member's 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, for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Requirement (ECR). 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 2021 is 35% of the member SCR 'to ultimate'.

The syndicate's current capital requirement has been established using our internal Solvency II model which has been run within the capital regime as prescribed by Lloyd's. The internal model uses sophisticated mathematical models reflecting key risks within the syndicate. The risks are principally Insurance (catastrophes, pricing and reserving), Market (equity, liquidity, currency, interest rate and spread), Credit (brokers, investment and reinsurance) and Operational.

The following table sets out the syndicate's ECR which is unaudited:

2021 Approved Capital

Lloyd's ECR

	2021 £'m
2791	341.0

ECR capital is provided by the members of the syndicate from syndicate retained profits plus additional contributed assets held and managed by Lloyd's of London, known as Funds at Lloyd's or FAL.

European Union Business

The UK formally left the European Union with effect from 31 January 2020, with post-exit transition arrangements expiring on 31 December 2020.

At this date all Lloyd's members, including Syndicate 2791, were no longer able to benefit from EU passporting provisions and lost the necessary EU regulatory permissions to underwrite (re)insurance business domiciled in, and emanating from, the European Economic Area (EEA).

To ensure continued market access for syndicates to European (re)insurance business post 'Brexit', Lloyd's established a Belgian subsidiary – Lloyd's Insurance Company S.A. (LIC) – authorised and regulated as an insurance entity by the National Bank of Belgium and regulated by the Belgian Financial Services and Markets Authority.

This 100% owned European domiciled subsidiary is capitalised in accordance with Solvency II rules and is licensed to write non-life risks across the European Economic Area (EEA).

From its establishment all 'live' business underwritten by Lloyd's Insurance Company S.A. has been 100% reinsured back to the originating Lloyd's syndicate.

On 1 January 2021, Lloyd's affected an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer) to Lloyd's Insurance Company S.A. in respect of all relevant non-life direct EEA insurance written by the Lloyd's market between 1993 and 2020.

European Union Business *continued*

The structure of this Part VII transfer from Lloyd's, coupled with the reciprocal operation of the reinsurance arrangement between the relevant syndicates and Lloyd's Insurance Company S.A., meant that there was no consequential impact on Syndicate 2791's income statement or statement of financial position.

Results relating to risks subject to the Part VII transfer are now reported under the inwards reinsurance class of business, reflecting the contractual transfer of liability to Lloyd's Insurance Company S.A.

To ensure regulatory compliance with the requirements of the Insurance Distribution Directive in respect of 'outsourcing', for 2022 Lloyd's Insurance Company S.A. (LIC) was required to modify its operating model, with many managing agents, MAP included, electing to second certain underwriting staff on a part-time basis to the UK branch office of Lloyd's Insurance Company S.A.

The insurance debtors in note 16, insurance creditors in note 18 and the net technical provisions analysis at 31 December 2023 by class of business in note 4 now reflect the transferred business under inwards reinsurance.

Future Developments

The syndicate continues to transact the majority of its business in the classes of general insurance and reinsurance that it has transacted historically.

Disclosure of Information to the Auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors Appointed after the Year End

Nicholas Williams was appointed as Executive Director on 1 January 2024.

This managing agent's report was approved by the Board of Managing Agency Partners Limited on 26 February 2024 and signed on its behalf by:

C J Smelt

Active Underwriter

Managing Agency Partners Limited

26 February 2024

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 ('the Lloyd's Regulations') require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

The managing agent must prepare the syndicate underwriting year accounts which give a true and fair view of the result of the closed year of account.

In preparing the syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and, where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these underwriting year accounts.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate underwriting year accounts comply with the Lloyd's Regulations. 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.

INDEPENDENT AUDITOR'S REPORT

to the Members of Syndicate 2791

Independent auditor's report to the members of Syndicate 2791 – 2021 closed year of account

Report on the audit of the syndicate underwriting year accounts for the 2021 closed year of account for the three years ended 31 December 2023.

Opinion

In our opinion the syndicate underwriting year accounts of Syndicate 2791 (the 'syndicate'):

- give a true and fair view of the profit for the 2021 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the syndicate underwriting year accounts which comprise:

- the income statement: technical account – general business;
- the income statement: non-technical account;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland", the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

Basis for opinion

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

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts and our auditor's report thereon. The managing agent is responsible for the other information contained within the annual report. Our opinion on the syndicate underwriting year accounts does not cover the other information and 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 underwriting year 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 themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the syndicate underwriting year accounts under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), and for being satisfied that they give a true and fair view of the result, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue 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 underwriting year accounts.

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

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

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

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

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

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

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

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our procedures performed to address them are described below:

- Auditing standards require that we presume there to be a significant risk of fraud relating to the recognition of revenue. For Syndicate 2791, we relate this significant risk to the estimation of pipeline premiums on proportional reinsurance and delegated authority business, specifically the estimated premium income factor adjustment that is applied by management at a block of business level. In response our testing included, for each block of business, comparing management's prior year estimated premium adjustments to the current year and challenging the validity of the rationale behind the adjustments.
- Valuation of technical provisions includes assumptions requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks, we involved our actuarial specialists to develop independent estimates of the technical provisions.
- For Syndicate 2791 we have identified short tail and long tail specific claims reserves as a significant risk and fraud risk due to the wide range of outcomes that may be supportable for each claim. For a sample of these specific claims we: obtained and inspected case documentation for each loss; challenged management on any areas of judgement made when interpreting case information; considered the completeness of information used in determining the carried reserve; considered the overall level of consistency year on year in the valuation of specific reserves; and reviewed claims files to identify evidence of changes in the reserve held during 2023 and assessed whether these changes are appropriate.

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

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

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

Report on other legal and regulatory requirements

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

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

- the information given in the managing agent's report for the financial year for which the syndicate underwriting year accounts are prepared is consistent with the syndicate underwriting year accounts; and
- the managing agent's report has been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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

Matters on which we are required to report by exception

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

- the managing agent in respect of the syndicate has not kept adequate or proper accounting records; or
- the syndicate underwriting year accounts are not in agreement with the accounting records or
- we have not received all the information and explanations we require for our audit; or
- the syndicate underwriting year accounts are not in compliance with the requirements of paragraph 5 of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 6 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Ben Newton, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

26 February 2024

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

2021 Closed Year of Account for the three years ended 31 December 2023

	Note	2021 £'000
Syndicate allocated capacity		400,386
Earned premiums, net of reinsurance		
Gross premiums written	*4*	381,026
Outward reinsurance premiums		(100,136)
Earned premiums, net of reinsurance		280,890
Reinsurance to close premiums received, net of reinsurance	*5*	224,851
Allocated investment return transferred from the non-technical account		11,008
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		(250,446)
Reinsurers' share		100,220
		(150,226)
Reinsurance to close premium payable, net of reinsurance	*6*	(231,170)
Acquisition costs		(77,087)
Reinsurers' commissions and profit participations		4,291
Administrative expenses	*8*	(23,379)
Net operating expenses		(96,175)
Balance on the technical account – general business	*12*	39,178

INCOME STATEMENT NON-TECHNICAL ACCOUNT

2021 Closed Year of Account for the three years ended 31 December 2023

	Note	2021 £'000
Balance on the technical account for general business		39,178
Investment return	*11*	11,008
Allocated investment return transferred to general business – technical account		(11,008)
Non-technical account foreign exchange	*13*	541
Profit for the 2021 Closed Year of Account excluding other comprehensive income		39,719

STATEMENT OF COMPREHENSIVE INCOME

2021 Closed Year of Account for the three years ended 31 December 2023

	Note	2021 £'000
Profit for the 2021 Closed Year of Account excluding other comprehensive income		39,719
Exchange differences on foreign currency translation	*13*	(115)
Profit for the 2021 Closed Year of Account including other comprehensive income being profit distributed to members		39,604

STATEMENT OF FINANCIAL POSITION

2021 Closed Year of Account as at 31 December 2023

	Note	2021 £'000
Assets		
Financial Investments	*14,19*	247,266
Deposits with ceding undertakings	*15*	19
Debtors	*16*	73,138
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	*7*	20,229
Other assets		
Cash at bank and in hand	*19*	2,957
Prepayments and accrued income		
Accrued interest		815
Other prepayments and accrued income		261
Total assets		344,685
Liabilities		
Amounts due to members	*17*	39,604
Reinsurance to close premiums payable to close the account – gross amount	*7*	240,935
Other creditors	*18*	60,271
Accruals and deferred income		3,875
Total liabilities		344,685

The financial statements on pages 17 to 34 were approved by the Board of Managing Agency Partners Limited on 26 February 2024 and were signed on its behalf by:

C J Smelt
Active Underwriter

T R McDermott
Finance Director

26 February 2024

STATEMENT OF CASH FLOWS

2021 Closed Year of Account for the three years ended 31 December 2023

	Note	2021 £'000
Operating profit on ordinary activities		39,719
Movement in gross technical provisions		240,935
Movement in reinsurers' share of gross technical provisions		(20,229)
Movement in debtors		(74,214)
Movement in creditors		64,146
Investment return		(11,008)
Exchange differences on foreign currency translation		5,508
Net cash inflow from operating activities		244,857
Cash flows from investing activities		
Purchase of equity and debt instruments		(536,944)
Sale of equity and debt instruments		292,681
Investment income received		14,199
Movement in deposits with ceding undertakings		(19)
Movement in overseas deposits and commingled fund		(11,805)
Net cash outflow from investing activities		(241,888)
Movement in cash and cash equivalents		2,969
Cash and cash equivalents at 1 January		–
Cash and cash equivalents at 31 December	*19*	2,969

NOTES TO THE ACCOUNTS

2021 Closed Year of Account for the three years ended 31 December 2023

1. Basis of Preparation and Statement of Compliance

These financial statements have been prepared under the 2008 Regulations and in accordance with the Syndicate Accounting Byelaw (No.8 of 2005) and applicable accounting standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied.

As permitted by FRS 103 the syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years for any Underwriting Year of Account. For 2021's Underwriting Year Distribution Account each calendar year result is aggregated using the relevant years' average rates of exchange for each item in the income statements. The reinsurance to close received by 2021 from 2020 is presented as both a premium and as part of the reinsurance to close payable at the same rates, which are the rates at 1 January 2023. Any changes made to the opening reinsurance to close are accounted for at the average rates ruling during calendar year 2023.

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

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2021 year of account which has been closed by reinsurance to close at 31 December 2023. Consequently, the statement of financial position represents the assets and liabilities of the 2021 year of account with the income statements and the statement of cash flows reflecting the transactions for that year of account during the three-year period until closure.

As each syndicate year of account is a separate annual venture, comparatives are not required to be disclosed.

Reinsurance to close

A Reinsurance to Close (RITC) is a reinsurance which closes a year of account and transfers the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to any income due to the closing year of account into an open year of account of the same or a different syndicate in return for a premium.

Effective at each year-end 31 December, the RITC process means that all assets and liabilities have been transferred to a reinsuring year of account. To this extent, the risks that the syndicate is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the Syndicate Annual Accounts. Accordingly, these underwriting year accounts do not include the associated risk disclosures required by section 34 of FRS 102 and section 4 of FRS 103. Full disclosures relating to these risks are provided in the main Annual Accounts of the syndicate. In addition, certain other disclosure requirements under FRS 102 and FRS 103, such as the disclosure of a Statement of Changes in Members' Balances, have not been provided as they are not required for a proper understanding of the underwriting year accounts.

The functional currency is US dollars, but the financial statements are prepared in sterling which is the presentational currency of the syndicate and rounded to the nearest £'000.

Syndicate 2791 cedes business under a quota-share treaty to Syndicate 6103 which is operated on a funds withheld basis by Syndicate 2791. Syndicate 6103 holds no cash or investments. All of Syndicate 6103's funds are held by Syndicate 2791 which makes payments of liabilities on Syndicate 6103's behalf. Debtors and creditors between the syndicates are grossed up in the syndicate statement of financial position and upon the closure of each year of account, normally after 36 months, the assets and liabilities of that closing year are netted off as part of the commutation settlement with Syndicate 6103. Syndicate 6103 is also managed by the managing agent, MAP.

2. Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

In the course of preparing the financial statements no judgements have been made in the process of applying the syndicate's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statements.

However, the nature of estimation means that actual outcomes could differ from those estimates.

It should however be noted that upon RITC the uncertainties are transferred to the accepting year of account of the syndicate, being the 2022 year of account at 31 December 2023.

2. Judgements and Key Sources of Estimation Uncertainty *continued*

The following are the syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions (reinsurance to close premium payable) (see note 7)

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson methods and individual reserving at contract level.

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

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from pricing and other models of the business accepted and assessments of underwriting conditions.

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

The directors consider the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. In addition, where losses are not settled until several years after the expiration of the policy in question, the estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments. The methods used, and the estimates made, are reviewed regularly.

Where the amount of any material salvage and subrogation recoveries is separately identified it is reported as an asset. Changes in assumptions, quantum or complexity of claims can affect the value of these provisions.

Estimates of future premiums (see note 16)

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental. The main assumption underlying these estimates is that past premium development can be used to project future premium development.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider whether the estimates of gross future premium are fairly stated on the basis of the information available currently to them. However, the ultimate receivable will vary as a result of subsequent information or events and this may result in significant adjustments.

The estimated premium income in respect of facility contracts, for example binding authorities and lineslips, includes an estimate of the underlying business attaching to each facility at the statement of financial position date.

2. Judgements and Key Sources of Estimation Uncertainty *continued*

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques.

These valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Accounting Policies

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

Insurance contracts

An insurance contract (including inwards reinsurance contract) is defined as a contract containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause the syndicate to pay significant additional benefits in any scenario. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year of account as well as adjustments made in the year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received at the statement of financial position date.

Premiums written are disclosed before the deduction of acquisition costs and taxes or duties levied on them and are treated as fully earned.

Premiums for contracts where the syndicate delegates underwriting authority to another party (e.g. binding authorities, lineslips or proportional treaties) use an estimate of the proportion of premiums incepted at the reference date as an estimate based on historical inception patterns, if no pattern exists business is assumed to incept evenly over the term of the delegated authority.

Acquisition costs

Acquisition costs comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued and the insured agrees to pay a fee directly to the intermediary without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

An element of underwriters costs are transferred from administrative expenses to other acquisition costs as they are considered to be appropriate indirect costs arising from the conclusion of insurance contracts and are connected with the processing of proposals and the issuing of policies. The amount transferred is based on underwriters headcount and an estimate of time spent on the administration of insurance policies written and is earned in line with premium.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers. They are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as to which the recovery is credited.

3. **Accounting Policies** *continued*

Reinsurance to close premium payable

The RITC premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims IBNR), net of estimated collectable reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein.

The estimate of claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. It also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

Future unallocated loss adjustment expenses

An accrual for all future unallocated loss adjustment expenses ('ULAE') is made if applicable. The ULAE is comprised of those costs which are related to the settlement of earned claims but which are not directly attributable to individual claims. ULAE expenses are undiscounted and include the expenses of managing the run-off of the business on the basis the business is a going concern. Costs of administration of the reinsurance programme are included in the gross ULAE. Separate reserves are established for each year of account.

Legal provisions

The syndicate may be subject to legal disputes in the normal course of business. Provisions for such events and their related costs are recognised within expenses and accruals where there is an expected present obligation relating to a past event or evidence exists of the requirement for a general provision that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle an obligation.

The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Insurance receivables and payables

Insurance receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received. They are derecognised when the obligation is settled, cancelled or expired.

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as sterling as the syndicate is based in the UK, complies with UK reporting standards and this enables simpler comparisons to other Lloyd's insurance syndicates.

The syndicate records transactions in four settlement currencies being sterling, US dollars, Canadian dollars and Euros and when reported these currencies are translated in the income statement at the average rates of exchange for each calendar year of the 36 month period respectively. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

As permitted by FRS 103, the syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently, all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date, or if appropriate, at the forward contract rate.

Exchange differences from the functional currency (US dollars) arising from the retranslation of opening balances and between average and year-end rates to the presentational currency are included in the statement of comprehensive income.

All other exchange differences are included in the general business non-technical account.

3. Accounting Policies *continued*

Foreign currency translation continued

Where Canadian dollars or Euros are sold or bought relating to the profit or loss of the closed underwriting account after 36 months, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where US dollars relating to the profit or loss of a closed underwriting account are bought or sold by the syndicate on behalf of the members on that year, any exchange profit or loss accrues to those members.

The following rates of exchange to sterling have been used in the preparation of these accounts:

	Year-end rate	Average rates during		
	2023	**2023**	2022	2021
USD	**1.27**	**1.24**	1.24	1.38
CAD	**1.68**	**1.68**	1.61	1.72
EUR	**1.15**	**1.15**	1.17	1.16

Syndicate 6103 funds withheld basis

Syndicate 2791 has purchased a proportional reinsurance contract from Syndicate 6103 also managed by Managing Agency Partners Limited. This proportional reinsurance contract operates on a funds withheld basis; reinsurance premium less recoveries payable to Syndicate 6103 are withheld by Syndicate 2791. The withheld funds are invested alongside Syndicate 2791's other investments until Syndicate 6103 closes the relevant year of account, normally at 36 months.

At the closure, by Reinsurance to Close of Syndicate 6103 the net funds are released to the members of Syndicate 6103. Syndicate 2791 has the right to request funds from the members of Syndicate 6103 if its net balance becomes a liability.

The contract between the syndicates provides that an investment return is payable by Syndicate 2791 on the average net balance owed to Syndicate 6103. The return mirrors that achieved by Syndicate 2791 on its own funds, principally, the credit for reinsurance trust fund in respect of US dollar balances.

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the statement of financial position date. For this purpose listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the statement of financial position date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Some investments are not listed or in a market not regarded as active because:

- quoted prices are not readily and regularly available; or
- prices do not represent actual and regularly occurring market transactions on an arm's length basis.

In such circumstances the syndicate then seeks to establish fair value by using third party administrators with experience in valuing such assets using valuation techniques as described below:

- using recent arm's length transactions between knowledgeable, willing parties (if available);
- reference to the current fair value of other instruments that are substantially the same; and
- discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial investment.

3. Accounting Policies *continued*

Unlisted investments continued

The syndicate participates in hedge/credit funds and related financial instruments for which there are no available quoted market prices. The valuation of these hedge funds is based on fair value techniques (as described above). The fair value of the hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds.

Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of any illiquid share classes, and the timing of the latest available valuations. The cost of syndicate investments is deemed to be the aggregate of market value at the accepted RITC date of those investments still held at the current statement of financial position date, and purchases during the period.

Deposits with ceding undertakings

Deposits with ceding undertakings are measured at cost less allowance for impairment.

Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

As detailed above with regard to funds withheld on behalf of Syndicate 6103, investment income earned in the period is reduced by the amount payable to Syndicate 6103.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

Allocation of investment return

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments are generated by insurance related assets.

Investment management expenses

Comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

Operating expenses

Where expenses are incurred by, or on behalf of, the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the managed syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

An element of underwriters costs are transferred from administrative expenses to other acquisition costs as detailed in the acquisition costs accounting policy note.

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.

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 statement of financial position under the heading 'Debtors'.

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

3. Accounting Policies *continued*

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to a hurdle rate (whereby the profit commission rate reduces to 17.5%) and the operation of a deficit clause. This is charged to the syndicate on an earned basis but does not become payable until after the year of account closes, normally at 36 months. When the syndicate makes a loss that loss will be debited by year of account until fully utilised reducing the following two years of account's results for the purpose of calculating profit commission.

4. Segmental Analysis

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

	Gross written premiums (1) £'000	Gross claims incurred (2) £'000	Net operating expenses (4) £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
2021 year of account						
Direct insurance						
Accident and health	5,532	(1,608)	(2,793)	(7)	1,124	(5,960)
Fire and other damage to property	60,740	(33,876)	(17,985)	(4,367)	4,512	(20,838)
Marine, aviation and transport	13,823	(7,299)	(4,708)	358	2,174	(8,170)
Motor (other classes)	24,650	(7,889)	(8,881)	(1,931)	5,949	(10,160)
Third party liability	20,757	(14,841)	(4,886)	(46)	984	(32,196)
Miscellaneous	677	1,426	(628)	(7)	1,468	(3,378)
	126,179	(64,087)	(39,881)	(6,000)	16,211	(80,702)
Reinsurance	254,847	(185,326)	(56,294)	(1,268)	11,959	(140,004)
Total	381,026	(249,413)	(96,175)	(7,268)	28,170	(220,706)

1. Gross premiums earned are identical to gross premiums written.
2. Gross claims incurred comprise gross claims paid and movement in gross technical provisions.
3. All premiums are concluded in the UK.
4. Net operating expenses include reinsurers' commissions and profit participations.
5. All 2020 and prior years of account movements during 2023 are reflected in the above figures.
6. The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

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

	Direct £'000	Reinsurance £'000	Total £'000
UK	17,842	4,762	22,604
EU countries	106	10,776	10,882
US	84,430	218,640	303,070
Other	23,801	20,669	44,470
Total	126,179	254,847	381,026

Total commissions on direct gross premiums written amount to £29.1m.

5. Reinsurance to Close Premium Receivable

	Syndicate 2791 £'000	Syndicate 6103 £'000	Total £'000
Gross reinsurance to close premium receivable	242,692	7,411	250,103
Reinsurance recoveries anticipated	(25,252)	–	(25,252)
Reinsurance to close premium receivable, net of reinsurance	217,440	7,411	224,851

At 1 January 2023, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2020 year of account.

6. Movement in Underwriting Reserves

The following table reconciles the reinsurance to close in the income statement to the statement of financial position:

	Reserves at average rate £'000	Exchange to closing rate £'000	Closing RITC £'000
2020 and prior opening balance	(217,440)	10,566	(206,874)
Movement in paid, outstanding and IBNR in year	45,026	6,399	51,425
Change in three year period (2021 pure)	(54,720)	(6,501)	(61,221)
Movement in unallocated loss and loss adjustment expenses	(4,036)	–	(4,036)
	(231,170)	10,464	(220,706)

The exchange difference arising from the retranslation of the opening reinsurance to close liabilities is exactly matched by the assets transferred in at 1 January 2023 in currency and therefore the effect to the income statement is nil.

7. Reinsurance to Close Premium Payable

	2020 and prior £'000	2021 pure £'000	2021 £'000
Gross outstanding claims	53,825	26,897	80,722
Reinsurance recoveries anticipated	(6,233)	(5,574)	(11,807)
Net outstanding claims	47,592	21,323	68,915
Provision for gross claims incurred but not reported	107,690	43,603	151,293
Reinsurance recoveries anticipated	(4,717)	(3,705)	(8,422)
Provision for net claims incurred but not reported	102,973	39,898	142,871
Unallocated loss and loss adjustment expenses	6,285	2,635	8,920
Net premium for reinsurance to close	156,850	63,856	220,706

A positive run-off of £21.0m on the 2020 and prior years' reserves (2019 and prior: £22.8m) was experienced in the year. This change to the previous closed year reserves was 10.1% of the relevant provisions brought forward.

The reinsurance to close is effected to the 2022 year of account of Syndicate 2791.

8. Administrative Expenses

	£'000
Personal expenses	5,645
Managing agent's profit commission	9,962
Other administrative expenses	7,772
Administrative expenses	23,379

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

Administrative expenses include:	2791 £'000	6103 £'000	Total £'000
Fees for the audit of the syndicate	245	17	262
Audit related assurance	106	20	126
	351	37	388

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns.

9. Staff Numbers and Costs

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	£'000
Wages and salaries	4,786
Social security costs	577
Other pension costs	301
	5,664

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

The average number of employees employed by the managing agent but working for the syndicate during the three years was as follows:

Administration and finance	19
Underwriting	28
Claims	7
	54

10. Emoluments of the Directors of Managing Agency Partners Limited

The directors of Managing Agency Partners Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Emoluments	1,253

The 2021 year of account has been charged with active underwriter's remuneration as follows:

	£'000
Emoluments – Active Underwriter	324

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

11. Investment Return

	£'000
Investment income	
Income from investments	7,871
Gains on the realisation of investments	2,549
Losses on realisation of investments	(2,512)
	7,908
Net unrealised gains and losses	3,792
Investment expenses and charges	
Investment management expenses, including interest payable	(788)
Investment return charged to Syndicate 6103	96
	(692)
Total Investment Return	11,008

All investment return arises from investments designated as fair value through profit and loss.

12. Balance on the Technical Account – General Business

	2020 and prior years of account £'000	2021 pure year of account £'000	Total 2021 £'000
Balance excluding investment return and operating expenses	19,409	104,936	124,345
Brokerage and commission on gross premium	164	(77,251)	(77,087)
Allocated investment return	–	11,008	11,008
Net operating expenses other than acquisition costs	(1,174)	(17,914)	(19,088)
	18,399	20,779	39,178

13. Exchange Gains and Losses

Exchange gains and losses arise as follows:

	£'000
On 2021 balances brought forward at 1 January 2023: from opening to closing rates	2,270
On transactions during the calendar year: from average to year end rates	(1,844)
	426
Represented by:	
Non-technical account foreign exchange	541
Exchange differences on foreign currency translation	(115)
	426

14. Financial Investments

	Market value £'000	Cost £'000
Investments:		
Shares and other variable yield securities and units in unit trusts	54,414	52,729
Debt securities and other fixed income securities	174,735	175,091
Participation in investment pools	1,249	1,090
Deposits with credit institutions	724	724
Overseas deposits as investments	11,817	11,495
	242,939	241,129
Hedge Funds/Alternative Assets:		
Shares and other variable yield securities and units in unit trusts	4,015	4,307
Debt securities and other fixed income securities	–	–
Participation in investment pools	312	281
Deposits with credit institutions	–	–
Overseas deposits as investments	–	–
	4,327	4,588
Total Investments:		
Shares and other variable yield securities and units in unit trusts	58,429	57,036
Debt securities and other fixed income securities	174,735	175,091
Participation in investment pools	1,561	1,371
Deposits with credit institutions	724	724
Overseas deposits as investments	11,817	11,495
	247,266	245,717

Within "Shares and other variable yield securities and units in unit trusts" £11.9m are listed on a recognised exchange. These comprise 4.8% of the total market value of investments.

15. Deposits with Ceding Undertakings

This balance represents a claims float held by Lloyd's Insurance Company, Brussels (LIC) to settle Part VII claims.

16. Debtors

	£'000
Arising out of direct insurance operations	365
Arising out of reinsurance operations	58,591
Inter-syndicate loan	795
Members' agents' fees advances	1,505
Non-standard personal expenses due from members (overseas taxation)	40
Outstanding settlements on investments	8,591
Reinsurers' profit commission and overriding commission	3,251
	73,138

Debtors arising out of reinsurance operations of £58.6m include funds due in respect of Syndicate 6103 of £38.3m.

17. Amounts Due to Members

	£'000
Profit for the 2021 closed year of account due to members at 31 December 2023	39,604

18. Other Creditors

	£'000
Arising out of direct insurance operations	
Policyholders	–
Intermediaries	2,979
Arising out of reinsurance operations	47,391
Managing agent's profit commission	9,901
Inter-syndicate loan	–
Outstanding settlements on investments	–
	60,271

Creditors in respect of reinsurance operations of £47.4m include funds due to Syndicate 6103 of £42.2m.

19. Cash and Cash Equivalents

	£'000
Cash at bank and in hand	2,957
Short term deposits with financial institutions	12
	2,969

20. Related Parties

The managing agency (MAP), the Syndicates 2791 and 6103 and the directors of MAP are all related parties.

- MAP's relationship to the syndicates is governed by a managing agent's agreement.
- The syndicates' relationship to each other is governed by a reinsurance contract for each year of account.
- Some of the directors of the managing agency own shares in the ultimate parent of the managing agent and receive remuneration from the managing agent based on MAP's profitability.
- The directors also participate alongside other capital providers in the syndicate via the following unrelated entities: MAP Capital Limited, Nomina No 208 LLP and Nomina No 570 LLP.
- An investment fund in which the syndicate formerly held investments participated in the syndicate's capital and is deemed a related party by virtue of its participation in Syndicate 2791.

20. Related Parties *continued*

MAP's relationship to the syndicates

Managing agency fees amounting to £3.0m were paid to MAP for the 2021 year and profit commission of £9.9m (at closing rates) is also due to the managing agent in respect of the results for this year of account. Expenses totalling £9.9m were recharged to this year of account through acquisition and other administrative expenses. The key management compensation charged to the syndicate is disclosed in note 10. No profit related remuneration is payable by the syndicate to employees of MAP. The managing agency agreement contract setting out fees and profit commission payable to the managing agent is under standard terms set out by Lloyd's.

The syndicates' relationship to each other

The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract:

- Syndicate 6103 is obliged to accept 30% for 2021 year of account of all business written by Syndicate 2791 under certain categories of its property catastrophe book depending on the year of account. Syndicate 2791 retains the balance of this book net for its own account.
- Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791.
- A profit commission of 15% of profits, as defined in the contract, is payable to MAP.
- All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

Under the terms of the reinsurance contract the balance owed to Syndicate 2791 by Syndicate 6103 at the end of the period is £2.4m and will be settled through the Lloyd's distribution process. There are no other conditions or guarantees offered by Syndicate 2791 to Syndicate 6103 under the reinsurance contract.

The following transactions between the syndicates occurred for the 2021 year of account:

	£'000
Premiums ceded	(38,815)
Paid claims recovered	34,468
Ceding commission	1,946
Overriding commission	393
Investment income payable	96
Reinsurance to close premium	3,694
Managing agent's profit commission	–

The directors' ownership of MAP

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agent and syndicate.

The directors' interests in the ordinary share capital of MAP Equity Limited the ultimate holding company, which has an issued share capital of 250,000 £1 shares, at the statement of financial position date were as follows:

	A Shares (voting)	B Shares (non-voting)
A Kong	22,000	–
T R McDermott	–	2,500
J J Parker	–	1,000
C J Smelt	5,000	5,000
R K Trubshaw	33,000	–

20. Related Parties *continued*

The directors' participations in the syndicate

Messrs. Foote, Kong, Parker, Shipley, Smelt and Trubshaw, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited and/or corporate member Nomina No 208 LLP and/or corporate member Nomina No 570 LLP.

For the 2021 year of account MAP Capital Limited provided £61.1m of capacity on Syndicate 2791 representing 15.3% of capacity.

For the 2021 year of account Nomina No 208 LLP has provided £11.8m of capacity representing 3.0% of capacity.

For the 2021 year of account Nomina No 570 LLP has provided £4.2m of capacity representing 1.1% of capacity.

MAP has no direct or indirect interest in MAP Capital Limited, Nomina No 208 LLP or Nomina No 570 LLP. All capital is provided on an arm's length basis.

There are no other transactions or arrangements requiring disclosure.

21. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$0.9m; the letters of credit are fully collateralised with cash deposits held by Citibank, on the syndicate's account, of US$0.9m. The terms of these evergreen letters of credit are that the syndicate must put up 105% of assets as collateral and are held as long as the insureds and reinsureds have outstanding liabilities.

SYNDICATE 2791

Report and Financial Statements
31 December 2023

DIRECTORS AND ADMINISTRATION

MANAGING AGENT

Managing Agent
Managing Agency Partners Limited (MAP)

Directors
K Allchorne (Non-executive)
C E Dandridge (Non-executive)
A S Foote (Non-executive)
T P Froehlich (Non-executive)
A Kong
P Langridge (resigned 31 July 2023)
T R McDermott
J J Parker (appointed 10 January 2023)
D E S Shipley (Non-executive Chairman)
C J Smelt (Active Underwriter)
R K Trubshaw

Company Secretary
J J Parker

Managing Agent's Registered Office
Fitzwilliam House
10 St. Mary Axe
London
EC3A 8EN

Managing Agent's Registration
Registered in England; number: 03985640

SYNDICATE

Active Underwriter
C J Smelt

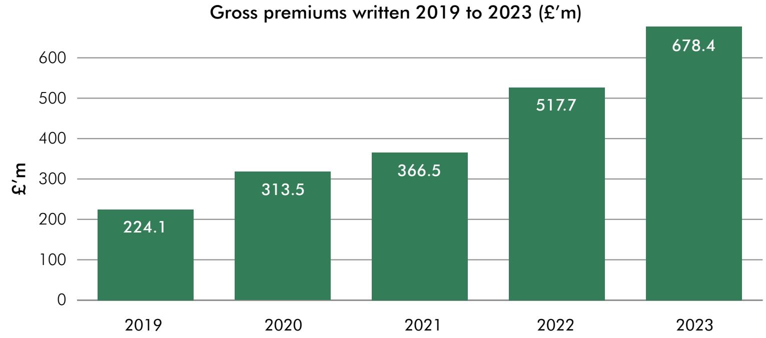
Principal Investment Managers
Schroders Investment Management Limited

Statutory Auditor
Deloitte LLP
1 New Street Square
London
EC4A 3HQ

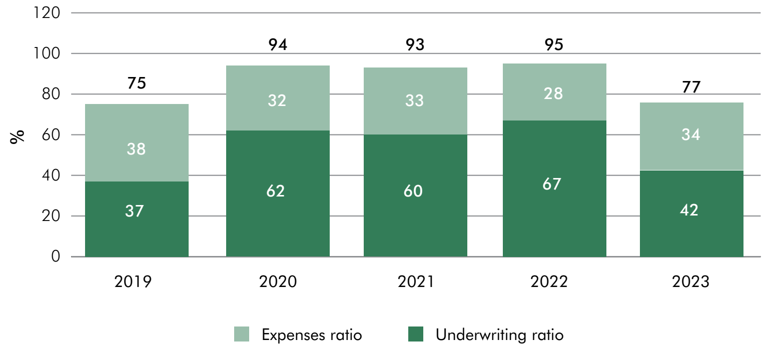
KEY FINANCIAL DATA

All data is at 31 December

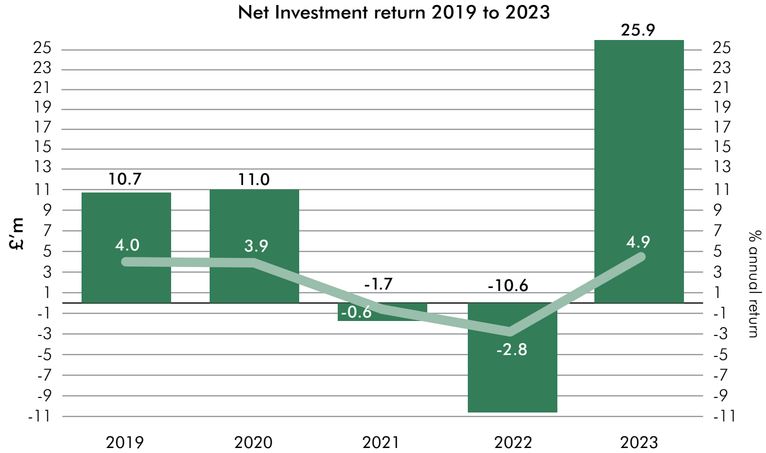
Gross premiums written 2019 to 2023 (£'m)



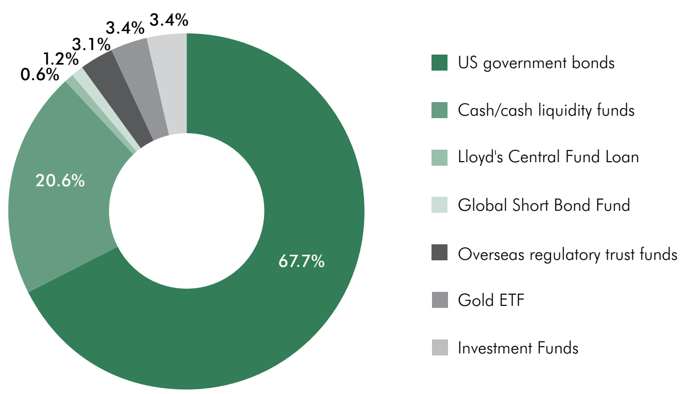
Combined ratio 2019 to 2023 (%)



Net Investment return 2019 to 2023



Total investment asset composition 2023



The directors of the managing agent present their report for the year ended 31 December 2023. The principal activity of the syndicate is that of writing insurance and reinsurance business.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and aggregate accounts) Regulations 2008 ('the 2008 Regulations'), FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

Separate underwriting year accounts for the closed 2021 year of account are attached to these accounts in the section headed Underwriting Year Distribution Accounts (pages 3 to 34).

UNDERWRITER'S REPORT

A Review of the Calendar Year Result

These financial statements are prepared focusing on the calendar year results under UK Generally Accepted Accounting Practices (GAAP) for insurance companies.

The 2023 calendar year produced an annually accounted profit of £138.3m (2022: £7.8m) on gross earned premiums of £632m (2022: £487.1m) gross of acquisition and reinsurance costs. The net combined ratio was 76.5% (2022: 95.0%).

Movement on underwriting years of account during the 2023 calendar year

	2020 and prior years £'000	2021 £'000	2021 and prior years £'000	2022 £'000	2023 £'000	**Total £'000**	2022 £'000
Gross written premium	(807)	4,870	4,063	52,662	621,711	**678,436**	517,726
Net premium earned	(2,097)	16,476	14,379	151,041	329,000	**494,420**	363,159
Net claims incurred	21,507	6,601	28,108	(87,023)	(150,558)	**(209,473)**	(244,755)
Acquisition costs	164	(4,840)	(4,676)	(40,535)	(76,886)	**(122,097)**	(92,116)
	19,574	18,237	37,811	23,483	101,556	**162,850**	26,288
Operating expenses	(1,175)	(10,108)	(11,283)	(7,134)	(28,259)	**(46,676)**	(8,296)
Investment income	–	14,366	14,366	7,826	3,740	**25,932**	(10,663)
Non-technical account foreign currency adjustment	(274)	(593)	(867)	(23)	419	**(471)**	242
Annual accounted profit	18,125	21,902	40,027	24,152	77,456	**141,635**	7,571
Currency translation differences	(428)	(548)	(976)	(506)	(1,830)	**(3,312)**	225
Total Comprehensive Income	17,697	21,354	39,051	23,646	75,626	**138,323**	7,796
As previously reported	–	553	553	(1,157)	–	**(604)**	(222)
Cumulative pure year result	17,697	21,907	39,604	22,489	75,626	**137,719**	7,574
Net annual accounting ratios:							
Claims ratio						**42%**	67%
Expense ratio						**34%**	28%
Combined ratio						**77%**	95%

2023	Gross Written Premium £'000	Net Written Premium £'000	Net Earned Premium £'000	Underwriting Profit/(Loss) £'000
Property direct	131,721	95,554	82,713	17,263
Reinsurance property	397,112	290,805	279,501	71,751
Marine	26,493	26,419	25,007	6,328
Motor and specialist	54,829	51,702	48,291	12,911
Liability	59,923	59,924	50,213	5,214
Accident and health	8,358	8,353	8,695	2,707
Total	678,436	532,757	494,420	116,174

2022	Gross Written Premium £'000	Net Written Premium £'000	Net Earned Premium £'000	Underwriting Profit/(Loss) £'000
Property direct	89,298	66,432	55,808	10,327
Reinsurance property	311,698	209,693	201,204	(13,152)
Marine	24,082	23,850	22,886	3,967
Motor and specialist	46,446	44,461	42,036	9,660
Liability	40,093	40,086	35,423	5,454
Accident and health	6,109	6,107	5,802	1,737
Total	517,726	390,629	363,159	17,993

2023 Overview

The original 2023 syndicate business forecast (SBF) was produced in July 2022, prior to Hurricane Ian. In response to the demonstrable increase in loss incidence over the previous six years (2017-2022), for the 2023 calendar year we adjusted our frequency loads for US hurricane from 140% to 179% of the indexed historic mean. Following Hurricane Ian, we took the decision not to re-submit our SBF immediately due to the uncertainty of the client's response to MAP's increase in catastrophe risk pricing and the markets muted reaction to previous events. By the end of Q1, it became apparent that the market had moved materially, and our income was likely to exceed plan and potentially stamp capacity. Lloyd's were supportive of our intention to capitalise on the dislocated market and the revised byelaws provided a clear and efficient route to gain approval for an SBF in excess of stamp capacity. As such, a revised SBF of £566.0m was approved by Lloyd's and members.

The 2023 Atlantic hurricane season was again above average, with 20 named storms, 7 hurricanes and 3 major hurricanes, producing the most named storms of any El Nino influenced year. Fortunately, the only hurricane to make landfall in the US was Hurricane Idalia in August 2023 which came ashore near Keaton Beach, Florida, as a category 3 hurricane where there was limited insured values and as such, MAP's and the industry loss is not material. In the event Hurricane Idalia's track had taken the storm further south or west, the outcome could have been very different.

Net earned premium volume was up 36.1% over 2022, the back years, 2020 and prior, contributed £21m to the annual result. All three open years had a positive impact on the GAAP result, particularly 2023 with the lack of catastrophe claims and a positive investment return of £25.9m (2022 was a £10.7m loss) further boosted the profit.

2024 Trading Conditions

The outlook for 2024 is positive, we have not yet experienced an influx of capital diluting the hard market. Last year's hurricane activity, albeit mostly offshore, in conjunction with the market deterioration on prior casualty years seen at year-end are supporting current pricing. There is evidence that the management of our competitors are enforcing broad brush edicts, be it mandatory rate increases across the board, attachment levels or blanket limits on line size, limiting underwriters' autonomy and compromising their ability to underwrite, all of which cause pricing anomalies, providing opportunities for MAP.

Stamp capacity has grown substantially for 2024, as much to cover actual achieved premium in 2023, as anticipated future 2024 premium growth, and I am confident it will allow us to take advantage of opportunities as they arise. Following the hurricane activity of 2023, it seems prudent to maintain the frequency loads in our catastrophe pricing applied last year - indeed on attritional tornado/hail perils we have tightened them further in response to the recent elevated loss incidence.

Timing is everything, with a hard market and limited catastrophe events, 2023 was a perfect year to take over the reins of syndicate 2791 from Richard. I have, however been living and breathing MAP for the last 20 years; I have been involved in the strategy and core underwriting principles of the business since inception and most importantly, I understand why it has been a success. The key principles which have led to success are pricing discipline, cycle management, underwriter autonomy, exposure management and alignment of interest.

Pricing discipline is fundamental. Every risk is priced individually from ground up, with the result recorded so the outcome can be back tested. We employ underwriters who are capable of analysing the risk and calculating the appropriate premium, giving them ownership of the result and the autonomy to negotiate with the brokers. This, in conjunction with controlling expenses, leads to effective cycle management whereby only business with an acceptable margin is written.

Line size and exposure management are essential to manage the volatility and shape of the assumed portfolio. Catastrophe exposure is managed to the inherent profit in the portfolio through the risk of ruin strategy, allowing the syndicate to write more cat risk in a hard market and forcing it to reduce in a softening market. Individual line sizes are kept modest, reducing the attritional volatility.

Alignment of interest, both internally and with capital, ensures everyone works towards a common goal and capital can be confident in our actions. Underwriters are remunerated on overall syndicate performance rather than their individual accounts to prevent parochial attitudes and encourage healthy peer review. All underwriters, and a substantial proportion of non-underwriting staff, have lines on the syndicate, exposing them to the potential downside of insurance.

In 2023 we took the opportunity to recruit additional staff to support the business. Since the syndicate established in 2001, the regulatory burden has increased dramatically, from one set of accounts and being advised of an RBC ratio to producing three sets of accounts along with developing a detailed and complex capital model, all with ever tightening time frames. We have recruited to the finance, capital and claims teams to ensure we have the expertise and resource to support a successful managing agent.

The incoming portfolio that 2791 inherits for the 2024 YOA is adequately priced and well underwritten with signs suggesting that for 2024 at least, we should be able to hold our position. The next few years should hold great potential and having thoroughly enjoyed my first year as Named Underwriter for syndicate 2791, I look forward to the opportunities that the 2024 underwriting year and beyond present.

FINANCIAL REPORT

Investment Return

The investment return for 2023 was 5.1%, £28.9m (2022: -2.7%, -£10.8m). Net of investment expenses the return was 4.9%, £27.7m (2022: -2.8%, -£11.3m.)

In line with our underwriting, the vast majority (88%) of syndicate investment assets are held in US dollars and this is where our narrative will focus.

The 2023 investment environment provided a very welcome relief following the past few years of negative returns. The US Federal Funds rate started the year at 4.50% and ended 2023 at 5.50%. A small rise in yields, when the yield is already high, suits our short duration US Treasury only laddered structure.

The syndicate continued to hold US Treasury only bonds throughout the year. The credit side of the fixed income market was constantly reviewed but the spreads remained at, in our view, unattractive levels. The decision was also taken to shorten the duration of the ladder from 2 years to 1 year. The duration of the overall US Treasury portfolio has decreased from 1.2 years to 0.6 years. Inflation continued to haunt the markets throughout the year with varying opinions on what the Fed will do and when. This uncertainty of when the Fed will cut rates remained at the year-end, and thus until there is definitive action (rather than just words) and the curve steepens so a term premium can be earned, it is likely the portfolio will remain short.

Our duration play proved a volatile ride through 2023. We continue to hold a portion (4% of total portfolio) of our US Treasury portfolio with a specialist US investment manager who focuses on the inflation expectations, which dictate the yields at the long end of the Treasury curve. The duration of this sub portfolio has remained just above 18 years. The 20-year yield proves a useful guide for monitoring the performance of this portfolio and the yield started and finished at roughly the same (4.1% to 4.2%). However, during the year the 20-year yield hit lows of 3.7% and highs of 5.3% as the market battled with its decision on whether the fight against inflation was won or not. As the total portfolio grew through 2023, a decision was taken to top up the long bond holdings on a monthly basis to maintain the proportional weighting of this duration exposure. The underlying economic data does not seem to marry up entirely with the media headlines around the strength of the US economy, and it is expected that growth will slow in the second half of the year. Credit card delinquencies rising is an obvious cause of concern, as this not only shows the immediate struggles consumers are facing but also has potential knock-on impacts down the line as some of those same consumers are penalised via credit refusal or punitive interest rates. The US Government debt continues to rack up, which in turn leads to a greater amount of unproductive expenditure on interest, another headwind to growth. It is possible that we see the Fed change tact and look to loosen the current restraints, which if done too soon could lead to another wave of inflation. Should that happen then the syndicate will reassess this long duration position.

During the first half of the year, it became clear that we were experiencing a truly hard underwriting market, and so consideration was given to increasing the weighting of risk assets in the investment portfolio. The syndicate has always sought to align the investment strategy with how the underwriting side is expected to perform, only taking risk where it is measured, balanced and proportionate.

In October, funds were transferred into three new investment funds, managed by two specialist US investment managers. The main investment fund is a global long short equity only fund. The portfolio manager has expertise in the energy and consumer sector and has performed very well since the fund started in 2022. Our investment saw a 14.3% net return in 2023.

Subscription into the other two new investment funds was also made in October. One of these funds is a global macro hedge fund, which essentially invests across an array of assets to get exposure to several well researched macro-economic themes that have been identified by their team. The other investment fund specialises in recognising undervalued global mining companies (predominately gold, silver, and electrification metals) at an early stage of their cycle, taking an activist stake and working with these companies to release their potential. Both of these funds require a partial lock up of three years, and the size of the investment was adjusted to reflect their illiquid nature.

Towards the end of 2023 the syndicate engaged with a new US investment consultant who has, and will continue to, bring new ideas and opportunities to the table for discussion as the syndicate continues its risking up process. Given the current yield that the risk-free US Government debt currently offers this process does not need to be rushed.

It is of note that the syndicate did not have any direct exposure to the charge of the "Magnificent Seven" (Apple, Microsoft, Alphabet, Amazon, Nvidia, Meta and Tesla) which saw the S&P 500 reverse the 2022 decline, and then some. Artificial Intelligence certainly has the potential to transform several industries, but to what extent and how quickly? It is hard to understand how these valuations can be supported in the long term given the number of unknowns for a sector that has just emerged on the public scene.

The holdings in gold performed well over 2023 with a 12.8% increase. The syndicate took the decision to further increase the holdings in the second half of the year via further purchases of the same two exchange traded funds on a monthly basis. The rise in the price of gold can be partially attributed to the continued purchasing of the commodity by central banks, along with the global consumption of jewellery. Given the ever-expanding US debt pile and the level of global political instability we could witness over the year, we are satisfied with our holding.

Euros have been invested across cash and a global short bond fund with a duration of 1.8 years. The composition of global government and corporate bonds saw a net return of 2.4%. The Canadian business continues to be swept over to a money market fund offering an attractive daily yield and given the insurance regulatory requirements, there are no plans to pursue any other strategy. The return on our Canadian assets was 4.7% for 2023. Finally, the Sterling balance has been held mainly in cash throughout the year. The small holding in a GBP liquidity fund was redeemed in the first quarter of 2023 and the balance has generally been lower than in the past but the GBP underwriting income has been strong enough to cover the administrative expenses of the syndicate without the need to convert dollars.

As before, there has been limited opportunity to display our responsible investment policy directly given the portfolio has, until very recently, only been invested in US Treasury bonds. In terms of partnering with a core portfolio investment manager, we are pleased to say that they continue to engage positively with ESG issues and therefore we continue to engage positively with them.

The table below sets out the returns by asset class in our portfolio:

Asset class	2023 Return %	2023 Closing assets as a proportion of portfolio %	2022 Return %	2022 Closing assets as a proportion of portfolio %
Cash/cash liquidity funds	**3.5**	**20.6**	0.8	12.4
US government bonds	**4.7**	**67.7**	(3.5)	74.9
Lloyd's central fund loan	**9.0**	**0.6**	(4.4)	0.8
Global Short Bond Fund	**2.8**	**1.2**	(4.7)	2.4
Overseas regulatory trust funds	**4.8**	**3.1**	(1.6)	5.6
Gold ETF	**12.8**	**3.4**	(0.7)	3.7
Investment Funds	**18.0**	**3.4**	10.8	0.2
Return	**5.1**		(2.7)	
Return after charges	**4.9**		(2.8)	

The key characteristics for each class are described below:

Cash and cash liquidity funds

These comprise either cash at bank or money market sweep accounts. The cash is spread across four different major banks. Both the USD cash and the CAD cash are swept to overnight money market accounts held by another counterparty.

US government bonds

These comprise of US Treasury notes and bills. The majority of the portfolio remained in a monthly laddered structure with some large holdings that will be maturing in May 2024 that were purchased in May 2022. The duration of this portfolio reduced from 1.2 years to 0.6 years throughout the year following decision to shorten the ladder. There is a further portion invested in 20 year plus US Treasury bonds (duration 18.5 years). Two large external US investment managers are engaged to run our debt portfolio, with one specializing in the long end of the curve. At the end of the year the Government bonds had a combined duration of around 1.5 years (2022: 1.9 years).

Global short bond fund

Excess Euros are invested in a global short bond fund with a duration at the year end of 1.8 years (2022: 1.9 years). The fund contains a mixture of both corporate and government bonds around the world, hedged back to Euros.

Lloyd's Central fund loan

In order to capitalise the Brussels office, Lloyd's required all managing agents to loan them an amount relevant to their forecast gross written premium for 2019 and 2020 underwriting years. As annual interest payments are subject to the discretion of the Council of Lloyd's, as is the loan repayment after a minimum of five years, we account for the loan under FRS102 as an equity instrument at fair value rather than a loan. The first tranche is expected to repaid in March 2024, as communicated by Lloyd's, pending PRA approval.

Investment Funds

Comprise of:

- Open ended long/short equity only fund which is managed by a US investment manager who specialises in the energy and consumer sectors. The majority of the investment fund balance is in this fund. There are quarterly redemptions with a 25% investment gate.
- Open ended global macro hedge fund that invests around several macro-economic themes using a multi asset approach. This US investment manager also manages a precious metals fund which uses in house expertise to select young mining companies to invest in which are at the start of their business cycle. Both funds have a partial lock up of 3 years.
- The remnants of an open-ended distressed credit/hedge fund managed by an US specialist manager. This comprises of a varied array of discrete illiquid assets which are expected to be liquidated gradually over several years.

Overseas regulatory trust funds

Separately regulated trust funds set up to satisfy local regulatory requirements. Each of these funds is managed conservatively by Lloyd's.

Gold ETF

Shares of two separate gold trusts that hold only physical gold in direct relation to the number of shares bought and sold, providing direct exposure to the price of gold. Further investment was made throughout the year.

Valuation risk

Investments are marked to market at bid prices at each period end with all changes taken through the underwriting account. Prices are supplied by external custodians for all investments with the exception of the Lloyd's central fund loan which is valued on a modelled basis using a valuation model supplied indirectly by an independent bank. The custodians obtain prices from independent sources, with each custodian having an audit of their pricing and control systems. In accordance with the custodian systems, prices are supplied by at least two pricing vendor sources. The pricing sources use market prices, or where it is more appropriate in illiquid markets, pricing models. We reconcile the custodian's overall prices to our manager's records to check for reasonableness. We also conduct a review of the proportion of assets that each manager deems to have a restricted market for valuation purposes. These reviews revealed no significant pricing issues.

Rating and the future

The credit rating of our assets is set out below:

31 December 2023

	Rating						
	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not Rated £'000	Total £'000
Shares and other variable yield securities and unit trusts	**46,041**	**49,114**	**2,003**	**–**	**–**	**48,620**	**145,778**
Debt securities	**–**	**446,997**	**–**	**–**	**–**	**–**	**446,997**
Participation in investment pools	**–**	**3,397**	**–**	**–**	**–**	**597**	**3,994**
Loans with credit institutions	**–**	**–**	**–**	**–**	**–**	**–**	**–**
Deposits with credit institutions	**–**	**–**	**724**	**–**	**–**	**–**	**724**
Overseas deposits as investments	**2**	**19,659**	**153**	**28**	**501**	**61**	**20,404**
Deposits with ceding undertakings	**–**	**–**	**358**	**–**	**–**	**–**	**358**
Reinsurers' share of claims outstanding	**–**	**36,563**	**42,977**	**–**	**–**	**–**	**79,540**
Cash at bank and in hand	**–**	**–**	**20,328**	**–**	**–**	**–**	**20,328**
Accrued interest	**–**	**2,084**	**–**	**–**	**–**	**–**	**2,084**
Total credit risk	**46,043**	**557,814**	**66,543**	**28**	**501**	**49,278**	**720,207**

31 December 2022

	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not Rated £'000	Total £'000
Shares and other variable yield securities and unit trusts	8,043	30,767	13,379	–	–	20,495	72,684
Debt securities	–	339,268	–	–	–	–	339,268
Participation in investment pools	–	3,445	–	–	–	919	4,364
Loans with credit institutions	–	–	–	–	–	–	–
Deposits with credit institutions	–	–	797	–	–	–	797
Overseas deposits as investments	2	24,801	190	16	373	51	25,433
Deposits with ceded undertakings	–	–	1,239	–	–	–	1,239
Reinsurers' share of claims outstanding	–	57,571	89,858	–	–	–	147,429
Cash at bank and in hand	–	–	9,015	–	–	–	9,015
Accrued Interest	–	741	–	–	–	–	741
Total credit risk	8,045	456,593	114,478	16	373	21,465	600,970

Of the £79.5m (2022: £147.4m) reinsurers' share of claims outstanding, £2.0m (2022: £8.1) is backed by undrawn trust fund assets.

Currency Translation Differences

Around 90% of the syndicate's assets are held in US dollars but, as results are published in sterling, changes in the GBP:USD exchange rate can significantly alter the reported sterling result. However, capital providers receive distributions in both currencies and are therefore by currency distribution unaffected by the accounting exchange loss booked.

The accounting exchange loss for the year is £3.3m (2022: £0.2m gain). This principally reflects the weakening of the US dollar against sterling from the opening rate of 1.20 to the current year end rate of 1.27 and is further detailed in note 13. We do not seek to hedge exchange exposure.

Reinsurance Balances

There are no provisions for bad debts on the syndicates' reinsurance balances.

An analysis of the security rating for the reinsurance balances on our statement of financial position at 31 December is set out below:

Debt table by security rating

	On paid claims	**On outstanding claims**	**On IBNR**	**2023 Total**	2022 Total
Standard & Poor's rating	**£'m**	**£'m**	**£'m**	**£'m**	£'m
AA	**5.0**	**16.1**	**26.9**	**48.0**	62.1
A	**86.2**	**19.5**	**17.1**	**122.8**	177.7
	91.2	**35.6**	**44.0**	**170.8**	239.8

Of the total reinsurance debtors rated A in the table above, the amounts owed by Syndicate 6103 are £117.6m (2022: £146.6m).

Our reinsurance security committee has authorised the use of a number of the insurance companies set up after the 2005 hurricanes. These companies have either no, or a low, Standard and Poor's security rating. As a result they are only accepted on to the syndicate's reinsurance programme if they offer acceptable alternative direct security (Letters of Credit or syndicate specific trust accounts).

Solvency Capital Requirement

The managing agent is required to provide a Solvency Capital Requirement (SCR) to Lloyd's which sets the capital required to be held by the members of the syndicate for the prospective underwriting year. Lloyd's syndicate SCRs are combined to provide the basis of the Lloyd's internal model which the Prudential Regulation Authority originally approved in December 2016.

This amount is derived from the syndicate's loss distribution, which is calculated internally. It is the loss at the 99.5th confidence level, 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 on which it is participating but not another member's 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 for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Requirement (ECR). 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 is 35% (2022: 35%) of the member SCR 'to ultimate'.

The syndicate's current capital requirement has been established using our internal Solvency II model which has been run within the capital regime as prescribed by Lloyd's. The internal model uses sophisticated mathematical models reflecting key risks within the syndicate. The risks are principally Insurance (catastrophes, pricing and reserving), Market (equity, liquidity, currency, interest rate and spread), Credit (brokers, investment and reinsurance) and Operational. The following table sets out the syndicate's ECR which is unaudited:

	2024 £'m	2023 £'m
2791	511.9	425.8

European Union Business

The UK formally left the European Union with effect from 31 January 2020, with post-exit transition arrangements expiring on 31 December 2020.

At this date all Lloyd's members, including Syndicate 2791, were no longer able to benefit from EU passporting provisions and lost the necessary EU regulatory permissions to underwrite (re)insurance business domiciled in, and emanating from, the European Economic Area (EEA).

To ensure continued market access for syndicates to European (re)insurance business post 'Brexit', Lloyd's established a Belgian subsidiary – Lloyd's Insurance Company S.A. (LIC) – authorised and regulated as an insurance entity by the National Bank of Belgium and regulated by the Belgian Financial Services and Markets Authority.

This 100% owned European domiciled subsidiary is capitalised in accordance with Solvency II rules and is licensed to write non-life risks across the European Economic Area (EEA).

From its establishment all 'live' business underwritten by Lloyd's Insurance Company S.A. has been 100% reinsured back to the originating Lloyd's syndicate.

On 1st January 2021, Lloyd's affected an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer) to Lloyd's Insurance Company S.A. in respect of all relevant non-life direct EEA insurance written by the Lloyd's market between 1993 and 2020.

The structure of this Part VII transfer from Lloyd's, coupled with the reciprocal operation of the reinsurance arrangement between the relevant syndicates and Lloyd's Insurance Company S.A., meant that there was no consequential impact on Syndicate 2791's income statement or statement of financial position.

Results relating to risks subject to the Part VII transfer are now reported under the inwards reinsurance class of business, reflecting the contractual transfer of liability to Lloyd's Insurance Company S.A.

To ensure regulatory compliance with the requirements of the Insurance Distribution Directive in respect of 'outsourcing', for 2022 Lloyd's Insurance Company S.A. (LIC) was required to modify its operating model, with many managing agents, MAP included, electing to second certain underwriting staff on a part-time basis to the UK branch office of Lloyd's Insurance Company S.A.

The insurance debtors in note 16, insurance creditors in note 18 and the net technical provisions analysis at 31 December 2023 by class of business in note 4 now reflect the transferred business under inwards reinsurance.

Future Developments

The syndicate continues to transact the majority of its business in the classes of general insurance and reinsurance that it has transacted historically.

Research and Development

The type of insurance risk the syndicate writes are often bespoke to an insured and in the ordinary course of business we develop and research new policies, wording or coverages to meet our insured's needs.

RISK MANAGEMENT

We have established a risk management framework whose primary objective is to protect the syndicate from events which negatively impact current and future returns.

Principal Risks and Uncertainties

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover, that the frequency or severity of insured events will be higher than expected, or that estimates of claims subsequently prove to be insufficient. Underwriting strategy is agreed by MAP's Board and set out in the Syndicate Business Plan which is submitted to Lloyd's each year. Processes are in place to identify, quantify and manage aggregate exposures and technical prices within each of our underwriting classes. Reinsurance is purchased where appropriate to our risk appetite and reduces the retained financial impact of catastrophic loss. Reserves set are subject to stress testing and independent review.

Credit risk

Credit risk is the risk of default or the inability of one or more of the syndicate's reinsurers or brokers to settle their debts as they fall due.

Reinsurance is only placed with security that meets the criteria agreed by the Board where possible collateral in the form of trust funds is requested before reinsurance is placed with some reinsurers. Use is made of independent rating agencies. Business is only accepted through accredited Lloyd's brokers who are reviewed by the Agency's Security Committee and business accepted via binding authority is subject to a process of rolling review. Aggregate exposure to any counterparty is monitored regularly and a robust system of credit control is in place, itself subject to the Agency's Security Committee. Exposure to investment counterparties is monitored by a specialist investment reporting company and reviewed by the Investment Committee. This Committee includes a non-executive director with expertise in US fund management. Investment guidelines are set and monitored in view of the syndicate's liability exposures and their durations.

Liquidity risk

This is the risk that the syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. Liquidity management forms an important part of the financial management practices of the syndicate. Cash flow projections and budgetary controls are maintained and reported upon to the Board.

Market risk

Market risk is the potential adverse financial impact of changes in value of financial instruments caused by fluctuations in foreign currency, interest rates or equity prices. The potential impact of market risk elements is reported to the Board and the potential financial impact of changes in market value is monitored through the use of an economic scenario generator in the capital setting process. This risk is managed by spreading the investments over a number of investment managers who each specialise in a market sector or type of investment evaluation.

Foreign currency exchange risk

We operate from the United Kingdom but over 90% of our premiums and claims are settled in currencies other than sterling. Our reported financial results are denominated in sterling and are therefore affected by the exchange rate against sterling of our main currency assets (US dollars, Euros and Canadian dollars). The syndicate settles its surplus assets in both sterling and US dollars as each underwriting year closes or earlier if a solvency transfer is approved. We do not therefore seek to hedge the US dollar exposure. Other currencies are tracked against sterling to ensure the amount of exposure is monitored and if needed appropriate action taken.

Interest rate risk

Interest rate risk is the potential adverse financial impact of changes in value of assets and liabilities caused by rising or falling market interest rates. For example, debt and fixed income securities are exposed to actual fluctuations or changes in market perception of current or future interest rates. Exposure to interest rate risk is monitored through the use of Value-at-Risk analysis, scenario testing, stress testing and duration reviews. Interest rate risk is managed by matching of assets and liabilities to within five years.

Operational risk

Operational risk is the potential adverse financial and reputational impact of inadequate or failed internal processes, people and systems or from external events. An internal risk assessment process has been developed to assess the potential impact and probability of certain events and a system of internal controls has been implemented to mitigate the risks. These controls have been monitored by Senior Management and the Board whilst their ongoing effectiveness is validated through both the ongoing risk assessment and internal audit process.

Regulatory risk

The managing agent and the syndicate are required to comply with the requirements of the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The managing agent has a Risk and Assurance Director who monitors regulatory developments and assesses the impact on agency policy. They are supported by a Compliance Manager who carries out a compliance monitoring program.

The managing agent continues to monitor its performance, capital strength, financial and reputational credibility against "The Principles" for doing business at Lloyd's. We remain committed to nurturing a positive relationship with Lloyd's, ensuring open channels of communication are maintained.

Climate change risk

Stress tests have been carried out as part of the ORSA process (and detailed in the Quarterly Risk Report and Annual ORSA report), which assess the potential impact of climate change across the major risk categories (Underwriting, Reserving, Market, Operational and Credit Risk). It was not thought that any of the scenarios stress tested would materially impact capital or profitability over a one-year time horizon. The Executive and Risk Committee reviewed the climate change stress testing as part of the ORSA report.

CORPORATE GOVERNANCE

Directors and Directors' Interests

The directors of the managing agent who served during the year ended 31 December 2023 together with their participations on the syndicate were as follows:

	2023 year of account £'000	2022 year of account £'000
K Allchorne (Non-executive)	–	–
C E Dandridge (Non-executive)	–	–
A S Foote (non-executive) (1)	593	500
T P Froehlich (Non-executive)	–	–
A Kong (1) (2)	2,945	2,485
P Langridge (Resigned 31 July 2023)	–	–
T R McDermott	–	–
J J Parker (appointed 10 January 2023) (1)	19	–
D E S Shipley (Non-executive Chairman) (1)	7,277	6,139
C J Smelt (1) (2)	2,791	2,353
R K Trubshaw (1)	11,718	9,881

(1) Participate via MAP Capital Limited and/or Nomina No 208 LLP and/or Nomina No 570 LLP, unaligned corporate members.

(2) Include participations of related parties.

The total capacity of the 2023 year of account of the syndicate was £473.6m.

Governance Framework

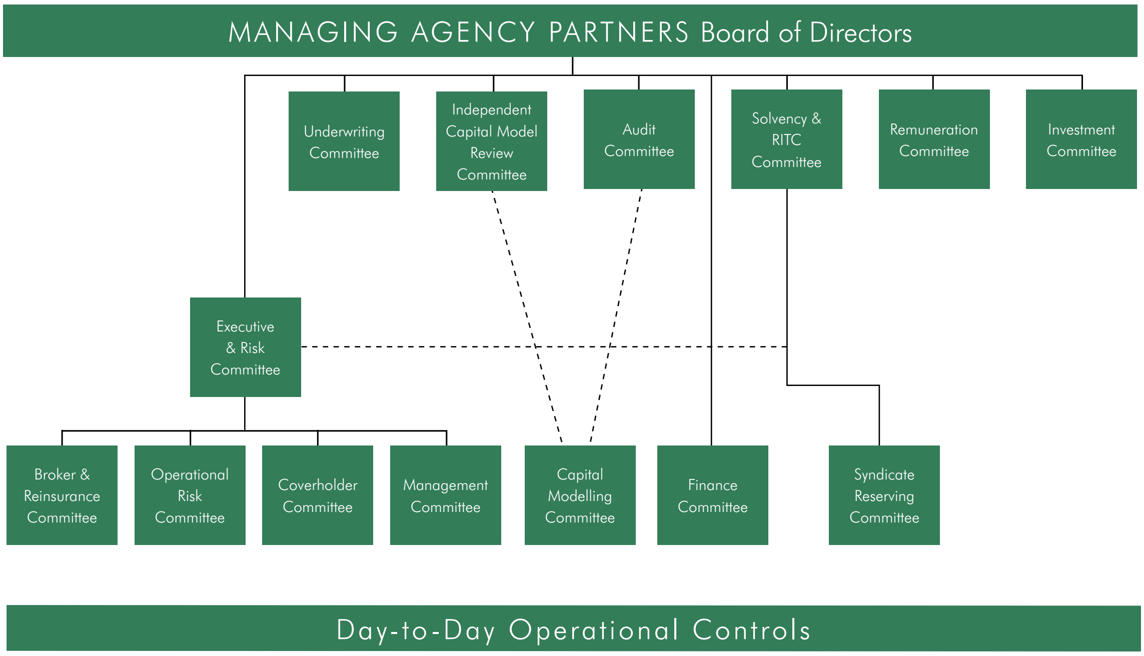
MAP maintains a clear organisational and governance framework with the role and responsibility of the Board, sub-committees, directors and senior staff clearly defined and documented.

An established risk management framework operates in respect of the identification, assessment, management and monitoring of all core areas of risk to which the business is exposed in its day-to-day activities (insurance risk, market risk, reserving risk, credit risk, liquidity risk and operational risk) with defined and articulated risk appetites in all areas.

MAP operates a three lines of defence approach to its operations. The first line of defence is the day to day operational level controls; the second line of defence being a framework for monitoring and managing risks and controls; and the third being challenge through both:

- oversight committees each comprising a majority of non-executive directors; and
- independent assurance review through the Internal Audit Function.

The Committee Structure is shown below:



Reappointment of Auditors

Deloitte LLP are deemed to be reappointed as the syndicate's auditors.

Disclosure of Information to the Auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the agency and the syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Directors Appointed after the Year End

Nicholas Williams was appointed as Executive Director on 1 January 2024.

Annual General Meeting

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) MAP does not propose holding a Syndicate Annual General Meeting of the members of the syndicate. Members may object to this proposal within 21 days of the issue of these accounts. Any such objection should be addressed to J J Parker, Risk & Assurance Director at the registered office of Managing Agency Partners Limited.

This managing agent's report was approved by the Board of Managing Agency Partners Limited on 26 February 2024 and signed on its behalf by:

C J Smelt
Active Underwriter
Managing Agency Partners Limited
London
26 February 2024

J J Parker
Company Secretary

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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 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:

1. select suitable accounting policies which are applied consistently;
2. make judgements and estimates that are reasonable and prudent;
3. state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. prepare the annual accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to presume that the syndicate will do so.

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

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

Independent auditor's report to the members of Syndicate 2791

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 2791 (the 'syndicate'):

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

We have audited the syndicate annual financial statements which comprise:

- the income statement: technical account – general business;
- the income statement: non-technical account;
- the statement of comprehensive income;
- the statement of changes in members' balances;
- the statement of financial position – assets;
- the statement of financial position – liabilities;
- the statements of cash flows; and
- the related notes 1 to 30.

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

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

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

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

We have nothing to report in this regard.

Responsibilities of managing agent

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

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

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

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

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

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

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

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

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

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

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

As a result of performing the above, we identified the greatest potential for fraud or non-compliance with laws and regulations in the following areas, and our procedures performed to address them are described below:

- Auditing standards require that we presume there to be a significant risk of fraud relating to the recognition of revenue. For Syndicate 2791, we relate this significant risk to the estimation of pipeline premiums on proportional reinsurance and delegated authority business, specifically the estimated premium income factor adjustment that is applied by management at a block of business level. In response our testing included, for each block of business, comparing management's prior year estimated premium adjustments to the current year and challenging the validity of the rationale behind the adjustments.
- Valuation of technical provisions includes assumptions requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks, we involved our actuarial specialists to develop independent estimates of the technical provisions.

- For Syndicate 2791 we have identified short tail and long tail specific claims reserves as a significant risk and fraud risk due to the wide range of outcomes that may be supportable for each claim. For a sample of these specific claims we: obtained and inspected case documentation for each loss; challenged management on any areas of judgement made when interpreting case information; considered the completeness of information used in determining the carried reserve; considered the overall level of consistency year on year in the valuation of specific reserves; and reviewed claims files to identify evidence of changes in the reserve held during 2023 and assessed whether these changes are appropriate.

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

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

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

Report on other legal and regulatory requirements

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

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

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

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Ben Newton, ACA (Senior statutory auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, UK

26 February 2024

INCOME STATEMENT TECHNICAL ACCOUNT – GENERAL BUSINESS

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Earned premiums, net of reinsurance			
Gross premiums written	4	**678,436**	517,726
Outward reinsurance premiums		**(145,679)**	(127,097)
Net premiums written		**532,757**	390,629
Change in the provision for unearned premiums:			
Gross amount		**(46,434)**	(30,671)
Reinsurers' share		**8,097**	3,201
Change in the net provision for unearned premiums		**(38,337)**	(27,470)
Earned premiums, net of reinsurance		**494,420**	363,159
Allocated investment return transferred from the non-technical account	11	**25,932**	(10,663)
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	4,6	**(252,841)**	(227,711)
Reinsurers' share		**83,163**	48,525
Net claims paid		**(169,678)**	(179,186)
Change in the provision for claims			
Gross amount	4	**21,819**	(132,897)
Reinsurers' share		**(61,614)**	67,328
Change in the net provision for claims		**(39,795)**	(65,569)
Claims incurred, net of reinsurance		**(209,473)**	(244,755)
Acquisition costs		**(131,341)**	(98,907)
Change in deferred acquisition costs	7	**9,244**	6,791
Reinsurers' commissions and profit participations		**6,567**	4,969
Administrative expenses	8	**(53,243)**	(13,265)
Net operating expenses	4	**(168,773)**	(100,412)
Balance on the technical account for general business		**142,106**	7,329

All operations are continuing.

INCOME STATEMENT NON-TECHNICAL ACCOUNT

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Balance on the general business technical account		**142,106**	7,329
Investment return	*11*	**25,932**	(10,663)
Allocated investment return transferred to general business technical account		**(25,932)**	10,663
Non-technical account foreign exchange	*13*	**(471)**	242
Profit for the financial year		**141,635**	7,571

STATEMENT OF COMPREHENSIVE INCOME

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Profit for the financial year		**141,635**	7,571
Exchange differences on foreign currency translation	*13*	**(3,312)**	225
Total comprehensive income for the year		**138,323**	7,796

STATEMENT OF CHANGES IN MEMBERS' BALANCES

for the year ended 31 December 2023

	2023 £'000	2022 £'000
Members' balances brought forward at 1 January	**7,574**	29,181
Total comprehensive income for the year	**138,323**	7,796
Members' agents fees 2020 (2019) year of account	**(1,536)**	(1,550)
Payments of profit to members' personal reserve funds for the 2020 (2019) year of account	**(6,642)**	(27,853)
Members' balances carried forward at 31 December	**137,719**	**7,574**

STATEMENT OF FINANCIAL POSITION ASSETS

as at 31 December 2023

	Note	2023 £'000	2022 £'000
Investments			
Financial investments	*14,20*	**617,897**	442,546
Deposits with ceding undertakings	*15*	**358**	1,239
Reinsurers' share of technical provisions			
Provision for unearned premiums	*5*	**34,003**	27,551
Claims outstanding	*6*	**79,540**	147,429
		113,543	174,980
Debtors			
Debtors arising out of direct insurance operations	*16*	**41,588**	36,230
Debtors arising out of reinsurance operations	*16*	**232,489**	228,069
Other debtors	*17*	**37,314**	16,168
		311,391	280,467
Other assets			
Cash at bank and in hand	*20*	**20,328**	9,015
Prepayments and accrued income			
Accrued interest		**2,084**	741
Deferred acquisition costs	*7*	**42,445**	35,072
Other prepayments and accrued income		**1,026**	1,383
		45,555	37,196
Total assets		**1,109,072**	945,443

STATEMENT OF FINANCIAL POSITION LIABILITIES

as at 31 December 2023

	Note	2023 £'000	2022 £'000
Capital and reserves			
Members' balances		**137,719**	7,574
Technical provisions			
Provision for unearned premiums	*5*	**192,772**	154,998
Claims outstanding	*6*	**545,891**	596,911
		738,663	751,909
Creditors			
Creditors arising out of direct insurance operations	*18*	**5,033**	5,193
Creditors arising out of reinsurance operations	*18*	**188,474**	173,768
Other creditors	*19*	**34,433**	2,540
		227,940	181,501
Accruals and deferred income		**4,750**	4,459
Total liabilities		**1,109,072**	945,443

The financial statements on pages 55 to 84 were approved by the Board of Managing Agency Partners Limited on 26 February 2024 and were signed on its behalf by:

C J Smelt
Active Underwriter

T R McDermott
Finance Director

26 February 2024

STATEMENT OF CASH FLOWS

for the year ended 31 December 2023

	Note	2023 £'000	2022 £'000
Operating profit on ordinary activities		**141,635**	7,571
Movement in gross technical provisions		**(13,246)**	226,184
Movement in reinsurers' share of gross technical provisions		**61,437**	(83,115)
Movement in debtors		**(39,283)**	(111,568)
Movement in creditors		**46,730**	62,702
Investment return		**(25,932)**	10,663
Members' agents' fee advances		**(1,536)**	(1,550)
Exchange differences on foreign currency translation		**(15,071)**	(51,391)
Net cash inflow from operating activities		**154,734**	59,496
Cash flows from investing activities			
Purchase of equity and debt instruments		**(311,204)**	(383,011)
Sale of equity and debt instruments		**154,991**	350,344
Investment income received		**14,258**	681
Movement in deposits with ceding undertakings		**882**	2,404
Movement in overseas deposits and commingled fund		**4,375**	(3,459)
Net cash (outflow) from investing activities		**(136,698)**	(33,041)
Cash flows from financing activities			
Payments of profit to members' personal reserve funds		**(6,642)**	(27,853)
Net Cash (outflow) from financing activities		**(6,642)**	(27,853)
Movement in cash and equivalents		**11,394**	(1,398)
Cash and cash equivalents at 1 January		**9,061**	10,105
Exchange differences on opening cash		**(99)**	354
Cash and cash equivalents at 31 December	*20*	**20,356**	9,061

1. Basis of Preparation and Statement of Compliance

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

The functional currency is US dollars, but the financial statements are prepared in sterling which is the presentational currency of the syndicate and rounded to the nearest £'000. As permitted by FRS 103 the syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

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

The result for the year is determined on the annual basis of accounting in accordance with UK GAAP.

Syndicate 2791 cedes business under a quota-share treaty to Syndicate 6103 which operates on a funds withheld basis with Syndicate 2791. Syndicate 6103 is also managed by the managing agent, MAP. Syndicate 6103 holds no cash or investments. All the syndicate's funds are held by Syndicate 2791 which makes payments of liabilities on Syndicate 6103's behalf. Debtors and creditors between the syndicates are grossed up in the syndicate statement of financial position and upon the closure of each year of account, normally after 36 months, the assets and liabilities of that closing year are netted off as part of the commutation settlement with Syndicate 6103.

2. Judgements and Key Sources of Estimation Uncertainty

The preparation of the financial statements require management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year.

In the course of preparing the financial statements no judgements have been made in the process of applying the syndicate's accounting policies, other than those involving estimations that have had a significant effect on the amounts recognised in the financial statements.

However, the nature of estimation means that actual outcomes could differ from those estimates.

The following are the syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions (see notes 6 & 27)

For insurance contracts, estimates have to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not yet reported (IBNR) at the reporting date. It can take a significant period of time before the ultimate claims cost can be established with certainty and for some types of policies, IBNR claims form the majority of the liability in the statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as Chain Ladder, Bornheutter-Ferguson methods and individual reserving at contract level.

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

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from pricing and other models of the business accepted and assessments of underwriting conditions.

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

The directors consider that the provisions for gross claims and related reinsurance recoveries are fairly stated on the basis of the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. In addition, where contracts are yet to expire, or where losses are not settled until several years after the expiration of the policy in question, the estimates are considered to be more volatile and consequently are subjected to additional management judgemental prudence adjustments. The methods used, and the estimates made, are reviewed regularly.

Where the amount of any material salvage and subrogation recoveries is separately identified it is reported as an asset.

Changes in assumptions, quantum or complexity of claims can affect the value of these provisions.

2. Judgements and Key Sources of Estimation Uncertainty *continued*

Estimates of future premiums (see notes 5 & 16)

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates are judgemental and the main assumption underlying these estimates is that past premium development can be used to project future premium development.

Estimates include an element of judgement with regard to the level of claims affected future premiums receivable by the syndicate. The methods used for assessing future premiums generally involve projecting from past experience, based on the development of claims and the related inwards premiums receivable against these claims. The directors consider whether the estimates of gross future premium are fairly stated on the basis of the information currently available to them. However, the ultimate premium receivable can vary as a result of subsequent information or events and this may result in significant adjustments.

Fair value of financial assets and derivatives determined using valuation techniques (see notes 14 & 29)

Where the fair values of financial assets and financial liabilities recorded on the statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques.

These valuation techniques include using recent arm's length transactions between knowledgeable, willing parties (if available), reference to the current fair value of other instruments that are substantially the same, discounted cash flow analyses and option pricing models. The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial instrument.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

3. Accounting Policies

Insurance contracts

An insurance contract (including inwards reinsurance contract) is defined as a contract containing significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause the syndicate to pay significant additional benefits. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Estimates are made for pipeline premiums, representing amounts due to the syndicate not yet received at the statement of financial position. Differences between such estimates and actual amounts will be recorded in the period in which the actual amounts are determined.

Premiums are disclosed before the deduction of acquisition costs and taxes or duties levied on them.

Premiums for contracts where the syndicate delegates underwriting authority to another party (e.g. binding authorities, lineslips or proportional treaties) use an estimate of the proportion of premiums incepted at the reference date as an estimate based on historical inception patterns, if no pattern exists business is assumed to incept evenly over the term of the delegated authority.

Unearned gross premiums

Written premiums are recognised evenly over the term of the contract for those contracts where the incidence of risk does not vary over the term. Contracts where the incidence of risk differs over the term are earned based on 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 statement of financial position date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

3. Accounting Policies *continued*

Acquisition costs and deferred acquisition costs

Acquisition costs, comprising commission and other direct or indirect costs related to the acquisition of insurance contracts are deferred to the extent that they are attributable to premiums unearned at the statement of financial position date. The value of commission paid to insurance intermediaries is determined based on the contractual amounts recorded in all contracts. Where, however, policies are issued and the insured agrees to pay a fee directly to the intermediary without reference to the insurer, the written premium comprises the premium payable to the insurer and accounting for broker acquisition costs is inappropriate.

An element of underwriters costs are transferred from administrative expenses to other acquisition costs as they are considered to be appropriate indirect costs arising from the conclusion of insurance contracts and are connected with the processing of proposals and the issuing of policies. The amount transferred is based on underwriters headcount and an estimate of time spent on the administration of insurance policies written and is earned in line with premium.

Reinsurance premium ceded

Outwards reinsurance purchased consists of excess of loss contracts and proportional reinsurance contracts. Initial excess of loss premiums are accounted for in the year of inception. Premiums ceded to reinstate reinsurance cover or additional premiums payable on loss are recognised when they may be assessed with reasonable certainty. Proportional outward reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

Reinsurers' commissions and profit participations

Overriders and fees due from reinsurers are accrued in accordance with the contractual terms of each arrangement and earned over the policy contract period.

Profit commission receivable from reinsurers is accounted for in the period the related profit is recognised.

Unearned reinsurance premium

Reinsurance premiums paid to purchase excess of loss reinsurance contracts are earned evenly over the period at risk. Proportional reinsurance premiums are earned in the same accounting period as the inwards business being reinsured.

Claims provisions and related recoveries

Claims paid comprise claims and claim handling expenses paid during the period.

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 and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the statement of financial position date based on statistical methods. Separate reserves are established for each year of account.

Minor loss funds are simply treated as claims paid. Where material, loss fund cash flows are reflected as debtors within prepayments and accrued income. Related claims paid are subsequently booked within the income statement with equivalent rolling cash top-ups maintaining the quantum of the loss fund. As claims paid develop and outstanding liabilities reduce, the level of the loss funds held in the balance sheet is reduced and funds returned to the syndicate.

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

Future unallocated loss adjustment expenses

An accrual for all future unallocated loss adjustment expenses (ULAE) is made. The ULAE is comprised of those costs which are related to the settlement of earned claims but which are not directly attributable to individual claims. ULAE expenses are undiscounted and include the expenses of managing the run-off of the business on the basis the business is a going concern. Costs of administration of the reinsurance programme are included in the gross ULAE. Separate reserves are established for each year of account.

3. Accounting Policies *continued*

Legal provisions

The syndicate may be subject to legal disputes in the normal course of business. Provisions for such events and their related costs are recognised within expenses and accruals where there is an expected present obligation relating to a past event or evidence exists of the requirement for a general provision that can be measured reliably and it is probable that an outflow of economic benefit will be required to settle an obligation.

The directors of the managing agent do not expect the outcome of these claims, either individually or in aggregate, to have a material effect upon the syndicate's operations or financial position. As allowed by FRS 102, further disclosure has not been given as it may seriously prejudice the outcome of any legal proceedings.

Insurance receivables and payables

Insurance receivables and payables are recognised when due and measured on initial recognition at the fair value of the consideration received. They are derecognised when the obligation is settled, cancelled or expired.

Bad debt

Bad debts are provided for only where specific information becomes available to suggest a debtor may be unable or unwilling to settle its debts to the syndicate. Specific information may be directly attributed to the debtor company or may be indirect information from a rating agency or other source. The provision is calculated on a case by case basis.

Unexpired risks provision

A provision for unexpired risks may be made, if necessary, where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date exceed unearned premiums and premiums receivable, after the deduction of any deferred acquisition costs.

The assessment of whether an unexpired risk provision is required is based on information available at the statement of financial position date, which may include evidence of relevant previous claims experience on similar contracts. The assessment is not required to take into account any new claims events occurring after the statement of financial position date as these are non-adjusting events.

The provision for unexpired risks is calculated by reference to all classes of business, which are all managed together on a year of account basis, after taking into account relevant future investment return. The provision for unexpired risks is included in technical provisions in the statement of financial position.

Foreign currency translation

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates. The functional currency of this syndicate is US dollars as the majority of the underwriting business, cash flows and expenses are in US dollars. We have chosen to maintain our presentational currency as sterling as the syndicate is based in the UK, complies with UK reporting standards and to enable simpler comparisons to other Lloyd's insurance syndicates.

The syndicate records transactions in four settlement currencies being Sterling, US dollars, Canadian dollars and Euros and when reported these currencies are translated in the income statement at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

As permitted by FRS 103, the syndicate has continued with its existing accounting policy to treat non-monetary assets and liabilities arising from insurance contracts (which include items such as unearned premiums and deferred acquisition costs) the same as monetary assets and liabilities. Consequently, all assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the statement of financial position date, or if appropriate, at the forward contract rate.

Exchange differences from the functional currency (US dollars) arising from the retranslation of opening balances and between average and year-end rates to the presentational currency are included in the statement of comprehensive income.

All other exchange differences are included in the general business non-technical account.

3. Accounting Policies *continued*

***Foreign currency translation** continued*

The following rates of exchange have been used in the preparation of these accounts.

	2023		2022	
	Year end	**Average**	Year end	Average
USD	**1.27**	**1.24**	1.20	1.24
CAD	**1.68**	**1.68**	1.63	1.61
EUR	**1.15**	**1.15**	1.13	1.17

Financial investments

As permitted by FRS 102, the syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

Financial instruments recognition and derecognition

Financial instruments are recognised in the statement of financial position at such time as the syndicate becomes a party to the contractual provisions of the financial instrument. Purchases and sales of financial assets are recognised on the trade date, which is the date the syndicate commits to purchase or sell the asset. A financial asset is derecognised when the contractual rights to receive cash flows from the financial assets expire, or where the financial assets have been transferred, together with substantially all the risks and rewards of ownership. Financial liabilities are derecognised if the group's obligations specified in the contract expire, are discharged or cancelled.

Derivative financial instruments

The syndicate does not have any derivative financial instruments. As the syndicate has no derivatives it has not designated any derivatives as fair value hedges, cash flow hedges or net investment hedges.

Investment values

Financial investments are valued at fair value. Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction on the measurement date.

Listed investments

Listed and other quoted investments are stated at current bid value at the statement of financial position date. For this purpose, listed and quoted investments are stated at market value and deposits with credit institutions are stated at cost.

The cost of syndicate investments is the amount paid on the purchase date for those investments still held at the statement of financial position date.

Deposits

All deposits with credit institutions are stated at cost.

Unlisted investments

Some investments are not listed, or in a market not regarded as active because:

- quoted prices are not readily and regularly available; or
- prices do not represent actual and regularly occurring market transactions on an arm's length basis.

In such circumstances the syndicate then seeks to establish fair value by using third party administrators with experience in valuing such assets using valuation techniques as described below:

- using recent arm's length transactions between knowledgeable, willing parties (if available);
- reference to the current fair value of other instruments that are substantially the same; and
- discounted cash flow analyses and option pricing models.

The chosen valuation technique makes maximum use of market inputs and relies as little as possible on estimates. It incorporates all factors that market participants would consider in setting a price, and is consistent with accepted economic methodologies for pricing financial instruments. Inputs to valuation techniques reasonably represent market expectations and measures of the risk-return factors inherent in the financial investment.

The syndicate participates in a single hedge/credit fund and related financial instruments for which there are no available quoted market prices. The valuation of the hedge fund is based on fair value techniques (as described above). The fair value of the hedge/credit fund portfolio is calculated by reference to the underlying net asset values (NAVs) of each of the individual funds. Consideration is also given to adjusting such NAV valuations for any restriction applied to distributions, the existence of side pocket provisions, and the timing of the latest available valuations.

3. **Accounting Policies** *continued*

Unlisted investments continued

The syndicate participates in central fund loans which are equity financial instruments for which there are no available quoted market prices. The valuation of these loans is also based on fair value techniques and is calculated by reference to the original cost, date of issuance, expected redemption date and market valued discount rate for each of the individual loans.

Deposits with ceding undertakings

Deposits with ceding undertakings are measured at cost less allowance for impairment.

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

Fair value of financial assets

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

Level 1: quoted (unadjusted) prices in active markets for identical assets that we can assess at the valuation date.

Level 2: other techniques used for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Level 3: techniques are used which use inputs that have a significant effect on the recorded fair value that are not based on observable market data.

For assets held in investment funds with limited look through to individual underlying assets, the syndicate has adopted the following rules for the fair value hierarchy:

Rules for Funds		Fair value level adopted
1.	If the underlying assets are 100% short term bonds or cash.	Level 1 or 2
2.	If the security is a fund which is subscribed/redeemed on a daily basis.	Level 2
3.	If the security is a non-publically tradable fund which has fair value statement available and 95%+ of the fund is determined by the administrator to be Level 1.	Level 2
4.	If security is a fund which has a lock up period of 3 months or more.	Level 3
5.	If the security is a non-publically tradable fund which has a fair value statement available and less than 95% of the fund is determined by the administrator to be Level 1.	Level 3

Offsetting of financial instruments

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

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

Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price.

Movements in unrealised gains and losses on investments represent the difference between their valuation at the statement of financial position date and their purchase price or, if they have been previously valued, their valuation at the last statement of financial position date, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

As detailed above with regard to funds withheld on behalf of Syndicate 6103, investment income earned in the period is reduced by the amount payable to Syndicate 6103.

Purchases and sales of investments are recognised on the trade date, which is the date the syndicate commits to purchase or sell the assets. Funds receivable or payable after the trade date are recorded in debtors and creditors respectively until settled.

3. **Accounting Policies** *continued*

Allocation of investment return

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

Investment management expenses

These comprise contractual fees and profit commissions payable to external third party investment managers for managing the syndicate's investment funds. They are accrued in the period to which they relate.

Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

Lloyd's central fund loan

The syndicate has made a loan to Lloyd's whose principle use is for tier 1 capitalising of Lloyd's EU subsidiary, Lloyd's Insurance Company S.A. The loan is anticipated to be repayable after five years but this is not guaranteed. It generates interest income to the syndicate, adjusted on a rate over the base rate. Both the repayment of the loan and the payment of interest is subject to Council of Lloyd's approval. As the loan is not unconditionally recoverable it is treated as an Equity Instrument in line with FRS 102 in the balance sheet line - Shares and other variable yield securities. The asset is valued at fair value (level 3) and that fair value is reviewed annually. Interest income on the loan is accrued on the date the payment is approved by the Council of Lloyd's.

Operating expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of managed syndicates, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicates are apportioned between the agency company and the syndicates on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

An element of underwriters costs are transferred from administrative expenses to other acquisition costs as detailed in the acquisition costs accounting policy note.

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.

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 statement of financial position under the heading 'other debtors'.

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

Pension costs

MAP operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to a hurdle rate (whereby the profit commission rate reduces to 17.5%) and the operation of a deficit clause. This is charged to the syndicate on an earned basis but does not become payable until after the year of account closes, normally at 36 months. When the syndicate makes a loss that loss will be debited by year of account until fully utilised reducing the following two years of account's results for the purpose of calculating profit commission.

4. Segmental Analysis

An analysis of the technical account before investment return is set out below:

2023 **Direct insurance**	**Gross premiums written £'000**	**Gross premiums earned £'000**	**Gross claims incurred £'000**	**Net operating expense £'000**	**Reinsurance balance £'000**	**Net technical result £'000**	**Net claims incurred of prior accident year £'000**	**Net technical provisions £'000**
Accident and health	**7,067**	**7,387**	**(2,455)**	**(3,667)**	**(6)**	**1,259**	**1,213**	**11,182**
Motor (third party liability)	**(119)**	**256**	**20**	**(138)**	**(4)**	**134**	**6**	**981**
Motor (other classes)	**36,410**	**33,116**	**(11,829)**	**(11,642)**	**(3,344)**	**6,301**	**6,044**	**37,813**
Marine, aviation and transport	**20,789**	**17,798**	**(6,178)**	**(6,607)**	**27**	**5,040**	**1,873**	**25,915**
Fire and other damage to property	**117,399**	**103,052**	**(38,184)**	**(31,892)**	**(13,456)**	**19,520**	**12,108**	**82,105**
Third party liability	**45,501**	**37,789**	**(27,077)**	**(8,302)**	**(93)**	**2,317**	**950**	**89,682**
Miscellaneous	**366**	**369**	**1,379**	**(487)**	**–**	**1,261**	**1,767**	**3,347**
	227,413	**199,767**	**(84,324)**	**(62,735)**	**(16,876)**	**35,832**	**23,961**	**251,025**
Reinsurance accepted	**451,023**	**432,235**	**(146,698)**	**(106,038)**	**(99,157)**	**80,342**	**9,357**	**374,095**
Total	**678,436**	**632,002**	**(231,022)**	**(168,773)**	**(116,033)**	**116,174**	**33,318**	**625,120**

2022 Direct insurance	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Net operating expense £'000	Reinsurance balance £'000	Net technical result £'000	Net claims incurred of prior accident year £'000	Net technical provisions £'000
Accident and health	5,054	4,665	(1,117)	(2,063)	(4)	1,481	1,194	12,204
Motor (third party liability)	1,031	497	(300)	(192)	(6)	(1)	37	1,598
Motor (other classes)	30,298	28,396	(11,894)	(9,180)	(2,109)	5,213	3,917	40,320
Marine, aviation and transport	16,938	16,453	(8,438)	(4,827)	141	3,329	1,566	24,717
Fire and other damage to property	81,252	71,031	(35,976)	(19,226)	(10,470)	5,359	781	72,966
Third party liability	30,826	26,173	(15,198)	(5,382)	(89)	5,504	1,717	62,903
Miscellaneous	364	425	654	(217)	–	862	1,260	5,017
	165,763	147,640	(72,269)	(41,087)	(12,537)	21,747	10,472	219,725
Reinsurance accepted	351,963	339,415	(288,339)	(59,325)	4,494	(3,755)	(5,692)	357,204
Total	517,726	487,055	(360,608)	(100,412)	(8,043)	17,992	4,780	576,929

All premiums were concluded in the UK.

The business class split reported is a statutory reporting requirement but the business is managed by its own business classes and hence an element of allocation is used.

Net operating expenses include reinsurers' commissions and profit participations.

	2023 £'000	2022 £'000
Total commissions on gross direct premiums earned	**50,982**	39,579

4. Segmental Analysis *continued*

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

	Direct £'000	Reinsurance £'000	2023 £'000
UK	29,277	10,244	39,521
EU countries	(12)	21,657	21,645
US	161,186	369,712	530,898
Other	36,962	49,410	86,372
Total	**227,413**	**451,023**	**678,436**

	Direct £'000	Reinsurance £'000	2022 £'000
UK	15,989	5,620	21,609
EU countries	(164)	13,278	13,114
US	118,903	300,444	419,347
Other	31,035	32,621	63,656
Total	165,763	351,963	517,726

5. Provision for Unearned Premiums

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2023	154,998	(27,551)	127,447
Premiums written in year	678,436	(145,679)	532,757
Premiums earned in year	(632,002)	137,582	(494,420)
Foreign exchange	(8,660)	1,645	(7,015)
At 31 December 2023	**192,772**	**(34,003)**	**158,769**
At 1 January 2022	111,076	(21,682)	89,394
Premiums written in year	517,726	(127,097)	390,629
Premiums earned in year	(487,055)	123,896	(363,159)
Foreign exchange	13,251	(2,668)	10,583
At 31 December 2022	154,998	(27,551)	127,447

Provision for unearned premiums include £4.8m (2022: £4.5m) in respect of Syndicate 6103.

6. Claims Outstanding

	Gross £'000	Reinsurers' share £'000	Net £'000
At 1 January 2023	596,911	(147,429)	449,482
Claims incurred in current underwriting year	231,022	(21,549)	209,473
Claims paid during year	(252,841)	83,163	(169,678)
Foreign exchange	(29,201)	6,275	(22,926)
At 31 December 2023	**545,891**	**(79,540)**	**466,351**
At 1 January 2022	414,649	(70,183)	344,466
Claims incurred in current underwriting year	360,608	(115,853)	244,755
Claims paid during year	(227,711)	48,525	(179,186)
Foreign exchange	49,365	(9,918)	39,447
At 31 December 2022	596,911	(147,429)	449,482

Claims outstanding includes £35.0m (2022: £59.5m) in respect of Syndicate 6103.

7. Deferred Acquisition Costs

	2023 £'000	2022 £'000
At 1 January	**35,072**	25,382
Change in deferred acquisition costs	**9,244**	6,791
Foreign exchange	**(1,871)**	2,899
At 31 December	**42,445**	35,072

8. Administrative Expenses

	2023 £'000	2022 £'000
Personal expenses	**7,322**	5,761
Managing agent's profit commission	**35,054**	85
Other administrative expenses	**10,867**	7,419
Administrative expenses	**53,243**	13,265

2023 Administrative expenses include:	**2791 £'000**	**6103 £'000**	**Total £'000**
Auditors' remuneration			
Fees for the audit of the syndicate	**267**	**17**	**284**
Audit related assurance	**105**	**19**	**124**
	372	**36**	**408**

2022 Administrative expenses include:	2791 £'000	6103 £'000	Total £'000
Auditors' remuneration			
Fees for the audit of the syndicate	231	16	247
Audit related assurance	98	18	116
	329	34	363

Audit related assurance includes reporting required by law and regulation, reviews of interim financial information and reporting on regulatory returns.

Personal expenses comprise managing agent's fees, Lloyd's subscriptions and central fund contributions.

9. Staff Costs and Numbers

All staff are employed by the managing agent. The following amounts were recharged to the syndicate in respect of salary costs:

	2023 £'000	2022 £'000
Wages and salaries	**7,133**	5,175
Social security costs	**669**	646
Other pension costs	**528**	348
	8,330	6,169

Included above are the employment costs of underwriters attributable to acquisition of business and those of claims staff treated within the technical account as Acquisition Costs and Loss Adjustment Expenses respectively.

9. Staff Numbers and Costs *continued*

The average number of employees employed by the managing agent but working for the syndicate during the year was as follows:

	2023	2022
Administration and finance	19	19
Underwriting	29	26
Claims	8	7
	56	52

Profit related remuneration in respect of all directors and staff is wholly paid and borne by the managing agent.

10. Emoluments of the Directors of Managing Agency Partners Ltd

The directors of MAP received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2023 £'000	2022 £'000
Emoluments	1,399	1,265

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

	2023 £'000	2022 £'000
Emoluments – Active Underwriter	306	335

11. Investment Return

	2023 £'000	2022 £'000
Investment income		
Income from investments	11,168	5,475
Gains on the realisation of investments	4,688	160
Losses on the realisation of investments	(1,344)	(4,954)
	14,512	681
Net unrealised gains and losses on investments	14,351	(11,512)
Investment expenses and charges		
Investment management expenses, including interest payable	(1,183)	(462)
Investment return payable to Syndicate 6103	(1,748)	630
	(2,931)	168
Total investment return	25,932	(10,663)

All investment return arises from investments designated as fair value through profit and loss.

The syndicate is now disclosing losses on the realisation of investments within investment income rather than investment expenses and charges. There is no change to the total investment return.

12. Calendar Year Investment Yield

Average syndicate funds available for investment:

	2023 £'000	2022 £'000
Sterling	21,500	22,147
US dollars	591,371	436,628
Canadian dollars	47,408	36,337
Euros	21,961	20,083
Combined sterling average syndicate funds available for investment	545,727	414,001
Investment return – gross of investment expenses and return payable to Syndicate 6103	28,862	(10,832)

Analysis of calendar year investment yield by currency, before investment expenses:		
Sterling	3.7%	(1.8)%
US dollars	5.3%	(3.1)%
Canadian dollars	4.7%	1.5%
Euros	1.3%	(2.9%)
Combined	4.9%	(2.8%)

13. Exchange Gains and Losses

Exchange gains and losses arise as follows:

	2023	2022
	£'000	£'000
On balances brought forward: from opening to closing rates	**(746)**	(221)
On transactions during calendar year: from average to year end rates	**(3,037)**	688
	(3,783)	467
Represented by:		
Non-technical account foreign exchange	**(471)**	242
Exchange differences on foreign currency translation	**(3,312)**	225
	(3,783)	467

14. Financial Investments

	Market value		Cost	
	2023	2022	**2023**	2022
	£'000	£'000	**£'000**	£'000
Investments:				
Shares and other variable yield securities and units in unit trusts	**141,763**	68,844	**137,373**	69,360
Debt securities and other fixed income securities	**446,997**	339,269	**447,911**	349,016
Participation in investment pools	**3,397**	3,445	**2,970**	3,144
Deposits with credit institutions	**724**	797	**724**	797
Overseas deposits as investments	**20,404**	25,433	**19,847**	25,361
	613,285	437,788	**608,825**	447,678
Hedge Funds/Alternative Assets/Central Fund Loan:				
Shares and other variable yield securities and units in unit trusts	**4,015**	3,839	**4,307**	4,307
Debt securities and other fixed income securities	**–**	–	**–**	–
Participation in investment pools	**597**	919	**538**	792
Deposits with credit institutions	**–**	–	**–**	–
Overseas deposits as investments	**–**	–	**–**	–
	4,612	4,758	**4,845**	5,099
Total Investments:				
Shares and other variable yield securities and units in unit trusts	**145,778**	72,683	**141,680**	73,667
Debt securities and other fixed income securities	**446,997**	339,269	**447,911**	349,016
Participation in investment pools	**3,994**	4,364	**3,508**	3,936
Deposits with credit institutions	**724**	797	**724**	797
Overseas deposits as investments	**20,404**	25,433	**19,847**	25,361
	617,897	442,546	**613,670**	452,777

Within "Shares and other variable yield securities and units in unit trusts" and "Participation in investment pools" £30.9m (2022: £30.5m) are listed on a recognised exchange. These comprise 5% (2022: 6.9%) of the total market value of investments.

14. Financial Investments *continued*

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

2023	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	111,663	8,188	25,927	145,778
Debt securities and other fixed income securities	–	446,997	–	446,997
Participation in investment pools	–	3,397	597	3,994
Loans and deposits with credit institutions	724	–	–	724
Overseas deposits	–	248	20,156	20,404
Total	112,387	458,830	46,680	617,897

2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	24,271	44,573	3,839	72,683
Debt securities and other fixed income securities	–	339,269	–	339,269
Participation in investment pools	–	3,445	919	4,364
Loans and deposits with credit institutions	797	–	–	797
Overseas deposits	–	269	25,164	25,433
Total	25,068	387,556	29,922	442,546

Within "Shares and other variable yield securities and units in unit trusts" is an amount of £4.0m (2022: £3.8m) in relation to the Lloyd's central fund loan. This comprises 0.6% (2022: 0.9%) of the total market value of investments and is classed as level 3 in the table above.

15. Deposits with Ceding Undertakings

This balance represents a claims float held by Lloyds Insurance Company, Brussels (LIC) to settle Part VII claims.

16. Debtors Arising Out of Insurance Operations

	2023 £'000	2022 £'000
Arising out of direct insurance		
Due from intermediaries – within one year	41,297	36,230
Due from intermediaries – after one year	291	–
	41,588	36,230
Arising out of reinsurance operations		
Due from intermediaries – within one year	186,145	176,001
Due from intermediaries – after one year	46,344	52,068
	232,489	228,069

Debtors arising out of reinsurance operations of £232.5m (2022: £228.1m) include funds due in respect of Syndicate 6103 of £90.4m (2022: £93.8m).

17. Other Debtors

	2023 £'000	2022 £'000
Due within one year		
Inter-syndicate loan	**21,977**	740
Reinsurers' profit commission and overrider receivable	**795**	3,316
Non-standard personal expenses due from members (overseas taxation)	**3,526**	36
Members' agents fees funded	**40**	1,536
Outstanding settlements on investments	**1,505**	626
Sundry debtors	**22**	15
	27,865	6,269
Due after one year		
Inter-syndicate loan	**238**	1,924
Reinsurers' profit commission and overrider receivable	**5,752**	4,869
Non-standard personal expenses due from members (overseas taxation)	**292**	98
Members' agents fees funded	**3,167**	3,008
	9,449	9,899
	37,314	16,168

18. Creditors Arising Out of Insurance Operations

	2023 £'000	2022 £'000
Arising out of direct insurance operations		
Intermediaries – due within one year	**4,915**	5,193
– due after one year	**118**	–
	5,033	5,193
Arising out of reinsurance operations		
Reinsurance accepted – due within one year	**10,274**	8,430
– due after one year	**–**	–
Reinsurance ceded – due within one year	**63,129**	62,865
– due after one year	**115,071**	102,473
	188,474	173,768

Creditors in respect of reinsurance operations of £188.5m (2022: £173.8m) include withheld funds due to Syndicate 6103 of £157.3m (2022: £138.5m).

19. Other Creditors

	2023 £'000	2022 £'000
Managing agent's profit commission	**34,430**	1,852
Outstanding settlements on investments	**–**	524
Sundry creditors	**3**	164
	34,433	2,540

Of the managing agent's profit commission creditors above £24.5m (2022: £0.1m) fall due after one year.

20. Cash and Cash Equivalents

	2023 £'000	2022 £'000
Cash at bank and in hand	**20,328**	9,015
Short term deposits with financial institutions	**28**	46
	20,356	9,061

21. Related Parties

The managing agency (MAP), the managed Syndicates 2791 and 6103 and the directors of MAP are all related parties.

- MAP's relationship to the syndicates is governed by a managing agent's agreement.
- The syndicates relationship to each other is governed by a reinsurance contract for each year of account.
- Some of the directors of the managing agency own shares in the ultimate parent of the managing agent and receive remuneration from the managing agent based on MAP's profitability.
- The directors also participate alongside other capital providers in the syndicate via the following unrelated entities: MAP Capital Limited, Nomina No 208 LLP and Nomina No 570 LLP.
- An investment fund in which the syndicate formerly held investments participated in the syndicate's capital and is deemed a related party by virtue of its participation in Syndicate 2791.

MAP's relationship to the syndicates

Managing agency fees amounting to £3.6m were paid to MAP during 2023 (2022: £3.0m) and profit commission of £35.1m (2022: £0.1m) is also due to the managing agent in respect of the results for this calendar year. Expenses totalling £12.1m (2022: £10.6m) have been recharged during the year. The key management compensation charged to the syndicate is disclosed in note 10. No profit related remuneration is payable by the syndicate to employees of MAP. The managing agency agreement contract setting out fees and profit commission payable to the managing agent is under standard terms set out by Lloyd's.

The syndicates relationship to each other

The underwriting business of Syndicate 6103 is derived solely under a reinsurance contract with Syndicate 2791. Under the terms of this contract:

- Syndicate 6103 is obliged to accept 30% for 2023, 2022 and 2021 years of account of all business written by Syndicate 2791 under certain categories of its property catastrophe book depending on the year of account. Syndicate 2791 retains the balance of this book net for its own account.
- Syndicate 2791 receives a ceding commission of 5% and an overriding commission of 1% of gross written premiums ceded to Syndicate 6103 to cover personal expenses of Syndicate 6103 names borne by Syndicate 2791.
- A profit commission of 15% of profits, as defined in the contract, is payable to MAP.
- All funds are retained and invested by Syndicate 2791 on behalf of Syndicate 6103 and interest is payable (or charged on negative balances) to Syndicate 6103 at rates agreed.

Under the terms of the reinsurance contract the balance owed from Syndicate 2791 to Syndicate 6103 at the end of the period is £22.0m (2022: £21.9m owed to Syndicate 2791) and will be settled through the Lloyd's distribution process. Profit commission in respect of Syndicate 6103, for all years of account, at the end of the period of £4.0m (2022: £nil) will be settled by Syndicate 2791 from funds withheld as each year of account is commuted. There are no other conditions or guarantees offered by Syndicate 2791 to Syndicate 6103 under the reinsurance contract.

During the year, the following transactions between the syndicates occurred:

	2023 £'000	2022 £'000
Premiums receivable	**(61,888)**	(56,581)
Paid claims	**34,111**	32,921
Ceding commission	**3,340**	2,636
Overriding commission	**565**	426
Net interest received	**(1,748)**	630
Reinsurance to close premium – 2021 (2020) year of account	**3,694**	6,834
Balance owed (to)/by Syndicate 2791 (by)/to Syndicate 6103 at the end of the period:		
Due within one year	**(2,430)**	(8,959)
Due after one year	**24,476**	(12,901)

21. Related Parties *continued*

The directors' ownership of MAP

The managing agent, MAP, is a wholly owned subsidiary of Managing Agency Partners Holdings Limited, the equity of which is 90.1% owned by MAP Equity Limited, a company that is entirely owned by the staff of the managing agent and syndicate.

The directors' interests in the ordinary share capital of MAP Equity Limited, which has an issued share capital of 250,000 £1 shares, during the year, were as follows:

	A Shares (voting)	B Shares (non-voting)
A Kong	22,000	–
T R McDermott	–	2,500
J J Parker (appointed 10 January 2023)	–	1,000
C J Smelt	5,000	5,000
R K Trubshaw	33,000	–

The directors' participations in the syndicate

Messrs. Foote, Kong, Parker, Shipley, Smelt and Trubshaw, or their related parties, participate on Syndicate 2791 via a dedicated, but unaligned to the managing agent, corporate member MAP Capital Limited and/or corporate member Nomina No 208 LLP and/or corporate member Nomina No 570 LLP.

For the 2023 year of account MAP capital Limited provided £68.0m (2022: £60.1m) of capacity on Syndicate 2791 representing 14.4% (2022: 15.0%) of capacity.

For the 2023 year of account Nomina No 208 LLP has provided £13.1m (2022: £11.8m) of capacity representing 2.8% (2022: 3.0%).

For the 2023 year of account Nomina No 570 LLP has provided £4.7m (2022: £4.2m) of capacity representing 1.0% (2022: 1.1%).

MAP has no direct or indirect interest in MAP capital Limited, Nomina No 208 LLP or Nomina No 570 LLP. All capital is provided on an arm's length basis.

There are no other transactions or arrangements requiring disclosure.

22. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the managing agent, no amount has been shown in these 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.

23. Contingent Liabilities

Letters of credit

The syndicate has provided letters of credit to certain insureds and reinsureds to cover losses that might arise on their contracts written in the ordinary course of business. These amount to US$0.9m; the letters of credit are fully collateralised with cash deposits held by citibank, on the syndicate's account, of US$0.9m. The terms of these evergreen letters of credit are that the syndicate must put up 105% of assets as collateral and are held as long as the insureds and reinsureds have outstanding liabilities.

24. Events After the Reporting Period

In accordance with the reinsurance contract with Syndicate 6103, the 2021 year of account of that syndicate will be commuted. An RITC will be effected with this syndicate and the reserves carried for the 2021 year of account (amounting to £5.4m)) transferred to this syndicate during 2024.

25. Reinsurance to Close Premium Received from Syndicate 6103

At 1 January 2023, Syndicate 2791 accepted a Reinsurance to Close Premium from Syndicate 6103 in respect of Syndicate 6103's 2020 year of account. In addition, the reinsurance contact between Syndicate 2791 and Syndicate 6103 for the 2020 year of account has been commuted with Syndicate 2791 being paid in full for the liabilities assumed as at 1 January 2023.

26. Items not Disclosed in the Statement of Financial Position

The syndicate has the right to drawdown on collateral provided by certain reinsurers to the value of £2.0m (2022: £8.1m). The collateral can be cash mutual funds or treasuries. As those rights have not been exercised this contingent asset has not been recorded in the statement of financial position. As 6103 operates on a funds withheld basis, a right of offset applies to 2791 against its recoverable debt of £117.6m (2022: £45.8m). The syndicate has not been party to any other arrangement which is not reflected in its statement of financial position.

27. Risk Management

Insurance risk

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

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

The syndicate purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non-proportional basis. The syndicate has proportional reinsurance from two main sources, firstly a surplus treaty on direct property and per risk reinsurance and secondly from Special Purpose Arrangement 6103 (SPA 6103) on its Catastrophe reinsurance book susceptible to United States losses. Both types of proportional reinsurance are taken out to reduce the overall exposure to certain classes of business. Non-proportional reinsurance is primarily excess-of-loss reinsurance designed to mitigate the syndicate's net exposure to only property catastrophe losses.

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

The syndicate principally issues the following types of general insurance contracts: accident and health, motor, third-party liability, marine and property both direct and reinsurance. Risks usually cover twelve months duration.

The most significant insurance risks arise from natural disasters, claim inflation on longer term liabilities and the potential for under-pricing of insurance risk. Insurance risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geography. Furthermore, strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all procedures put in place to reduce the risk exposure of the syndicate. The syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities. The syndicate uses its own proprietary pricing models which set a technical price for each risk based on a required profitability margin. These models are actively back tested against underwriting performance by line of business and at individual risk level to ensure compliance with the syndicate's pricing strategy.

The syndicate has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g. hurricanes, earthquakes and flood damage). The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based on the syndicate's risk appetite as decided by management.

The overall aim is to limit the downside risk to a 10% ultimate loss on stamp capacity following any one of the Lloyd's prescribed Realistic Disaster Scenarios (RDS). The downside risk takes into account the net RDS loss, a reinsurance failure rate, a reinsurance margin over time (i.e. reinsurers will expect pay-back on gross losses) less anticipated profit on non-catastrophe exposed business – known as inside profit.

The Board monitors and reviews the inside profit calculation which alters due to market conditions and other factors. The syndicate uses its own proprietary risk management system 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.

27. Risk Management *continued*

Insurance risk continued

As a further guide to the level of catastrophe exposure written by the syndicate, the following unaudited table shows hypothetical claims arising for various realistic disaster scenarios based on the syndicate's risk exposures at 1 January 2024:

RDS	Market Loss (insured) £'m	Estimated Gross Claims £'m	Estimated Net Claims (after Reinst) £'m
Pinellas (West Coast Florida) Hurricane	192,865	441	107
Miami Dade Hurricane	199,334	367	69
Gulf of Mexico Hurricane	182,722	536	166
North East USA Hurricane	94,197	452	128
San Andreas (San Francisco) Earthquake	94,597	348	69
Elsinore (Los Angeles) Earthquake	87,394	284	81

The table below sets out the concentration of outstanding liabilities by line of business:

31 December 2023	**Gross Technical Provisions £'000**	**Reinsurance Technical Provisions £'000**	**Net Technical Provisions £'000**
Accident and health	**11,182**	**–**	**11,182**
Motor (third party liability)	**981**	**–**	**981**
Motor (other classes)	**46,134**	**8,321**	**37,813**
Marine, aviation and transport	**26,175**	**260**	**25,915**
Fire and other damage to property	**116,864**	**34,759**	**82,105**
Third party liability	**89,731**	**49**	**89,682**
Miscellaneous	**3,347**	**–**	**3,347**
Reinsurance acceptances	**444,249**	**70,154**	**374,095**
	738,663	**113,543**	**625,120**

31 December 2022	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
Accident and health	12,206	2	12,204
Motor (third party liability)	1,598	–	1,598
Motor (other classes)	51,869	11,549	40,320
Marine, aviation and transport	24,832	115	24,717
Fire and other damage to property	96,440	23,474	72,966
Third party liability	62,938	35	62,903
Miscellaneous	5,017	–	5,017
Reinsurance acceptances	497,009	139,805	357,204
	751,909	174,980	576,929

The geographical concentration of the outstanding liabilities is noted below. The disclosure is based on the currency of the regions in which the business is written. The analysis would not be materially different if based on the countries in which the risk or counterparties were situated.

31 December 2023	**Gross Technical Provisions £'000**	**Reinsurance Technical Provisions £'000**	**Net Technical Provisions £'000**
UK	**21,603**	**334**	**21,269**
EU	**29,561**	**6,807**	**22,754**
USA	**631,994**	**101,889**	**530,105**
Canada	**27,982**	**2,262**	**25,720**
Australia/Japan/Other	**27,523**	**2,251**	**25,272**
	738,663	**113,543**	**625,120**

27. Risk Management *continued*

***Insurance risk** continued*

31 December 2022	Gross Technical Provisions £'000	Reinsurance Technical Provisions £'000	Net Technical Provisions £'000
UK	20,311	85	20,226
EU	31,198	10,188	21,010
USA	650,634	161,165	489,469
Canada	24,226	1,822	22,404
Australia/Japan/Other	25,540	1,720	23,820
	751,909	174,980	576,929

Key assumptions

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

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

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit and members' balances.

The underlying sensitivity analysis is performed by underwriting year and separately for large losses, those impacting or likely to impact our excess of loss reinsurance programme and those claims not covered by excess of loss reinsurance. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes, the assumptions were changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

Claim sensitivity

	2023 £'000	2022 £'000
Gross outstanding claims	**545,891**	596,911
Net outstanding claims	**466,351**	449,482
Impact of 10% increase in gross outstanding claims	**52,953**	58,387
Impact of 10% increase in net outstanding claims	**44,999**	43,646
Impact of 10% increase in long-tail casualty (gross and net) outstanding claims	**12,975**	11,671
Impact of 10% increase in gross CAT losses	**22,136**	33,771
Impact of 10% increase in net CAT losses	**11,791**	18,583

Long-tail casualty liabilities are both direct and reinsurance liabilities for the following lines of business: Directors and officers, errors and omissions, medical malpractice and other casualty.

The impact on both profit and members' balances of the gross reserves is the figure shown above less profit commission of £10.4m (2022: £6.3m).

The impact on both profit and members' balances of the net reserves is the figure shown above less profit commission of £9.0m (2022: £5.5m).

The impact on both profit and members' balances of the long tail casualty reserves is the figure shown above less profit commission of £2.6m (2022: £1.8m).

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

27. Risk Management *continued*

2023 Losses

The 2023 Atlantic hurricane season was again above average, with 20 named storms, 7 hurricanes and 3 major hurricanes, producing the most named storms of any El Nino influenced year. Fortunately, the only hurricane to make landfall in the US was Hurricane Idalia in August 2023 which came ashore near Keaton Beach, Florida, as a Category 3 hurricane where there was limited insured values and as such, MAP's and the industry loss is not material.

2022 Losses

Hurricane Ian made landfall in Florida on 28 September 2022 as a Category 4 hurricane and then made final landfall in South Carolina on 30th September 2022 as a Category 1 hurricane. The syndicate has material exposure to Hurricane Ian. The current ultimate estimated losses for Hurricane Ian are gross $168.1m (2022: $194.6m) and net $83.3m (2022: $80.8m). This loss is protected by both surplus reinsurance and excess of loss cover. Hurricane Ian remains covered within the excess of loss programme which offers protection for deterioration to the net ultimate loss. Like all previous similar losses, there is uncertainty around the ultimate outcome of this loss, but not significantly beyond the normal range of uncertainty for insurance liabilities at this stage of development.

2021 Losses

The syndicate continues to have material exposure to Hurricane Ida. The current ultimate estimated losses for Hurricane Ida are gross $146.7m (2022: $145.8m) and net $47.5m (2022: $48.3m). This loss is protected by both surplus reinsurance and excess of loss covers. Hurricane Ida remains covered within the excess of loss programme which offers some protection for deterioration to the net ultimate loss. The uncertainty around its ultimate outcome is increased but is not increased beyond the normal range of uncertainty for insurance reserves at this stage of development.

The syndicate continues to have material exposure to the Covid-19 pandemic loss mainly on known actively written business interruption covers. The current ultimate gross loss is $19.6m (2022: $24.5m) and net loss $19.0m (2022: $23.8m). Due to the nature of the Covid-19 loss there may be areas where active contract exclusions exist and it is possible these may be disputed by clients or where cover is granted following legal rulings. The syndicate has and will seek to defend exclusions where appropriate. For Covid-19 loss reserves the uncertainty around their ultimate outcome is increased but is not increased beyond the normal range of uncertainty for insurance reserves at this stage of development.

The syndicate continues to have material exposure to Irish Motor bodily injury claims in the 2016 and prior years of account. However, this exposure does not lead to a material increase in the uncertainty of the syndicate's total reserves in an adverse direction. For the avoidance of doubt, the syndicate has no material exposure to these claims in the 2017 and post years of account.

Claims development table

The following tables show the estimates of ultimate claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The ultimate claims estimates and cumulative payments are translated to sterling at the rate of exchange that applied to the statement of financial position at the end the current underwriting year. Each prior year is restated at the current exchange rates to provide a consistent view of changes to ultimate claims reserves.

The ultimate claims are adjusted for: the unearned proportion of claims, any unallocated future expense claims costs and cumulative payments to date, to provide the reconciliation to the syndicate's gross and net statement of financial position reserves.

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

The syndicate has accepted additional liabilities by way of reinsurance to close from Syndicate 6103 at each 36 months and 1 day for the underwriting years 2007 to 2020 inclusive. These liabilities are shown in the claims triangles below as if they had always been the liabilities of 2791 from the commencement of any underwriting year which has accepted reinsurance from Syndicate 6103.

27. Risk Management *continued*

Claims development table continued

Claim triangles

Gross insurance contract outstanding claims provision as at 31 December 2023

	2013 and prior £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000	**Total £'000**
Estimate of Gross Ultimate Claims												
12 months	2,735,456	93,802	88,164	89,735	123,322	132,579	106,630	195,115	283,218	372,584	298,065	
24 months	2,701,153	83,659	80,078	105,907	120,708	128,522	115,816	246,526	294,789	360,702	–	
36 months	2,681,262	85,165	78,619	100,543	122,038	131,646	115,809	253,262	280,268	–	–	
48 months	2,664,169	83,277	78,843	99,442	126,085	131,322	110,975	257,736	–	–	–	
60 months	2,651,831	82,755	79,352	98,764	125,715	128,727	104,032	–	–	–	–	
72 months	2,629,428	81,778	73,950	95,268	124,387	125,765	–	–	–	–	–	
84 months	2,608,700	79,794	72,247	92,053	121,769	–	–	–	–	–	–	
96 months	2,593,624	77,729	69,856	90,201	–	–	–	–	–	–	–	
108 months	2,577,170	76,716	68,252	–	–	–	–	–	–	–	–	
120 months	2,568,891	74,532	–	–	–	–	–	–	–	–	–	
132 months	2,561,572	–	–	–	–	–	–	–	–	–	–	
Total Ultimate losses 31 December	**2,561,572**	**74,532**	**68,252**	**90,201**	**121,769**	**125,765**	**104,032**	**257,736**	**280,268**	**360,702**	**298,065**	
Less cumulative paid claims	(2,516,434)	(67,338)	(60,886)	(79,334)	(109,594)	(112,709)	(81,423)	(214,626)	(209,768)	(197,363)	**(36,819)**	
Less unearned portion of ultimate losses	–	–	–	–	–	–	–	–	–	(6,604)	**(120,470)**	
Add ULAE provision at 31 December	1,672	364	357	395	518	595	995	1,389	2,635	5,061	**2,384**	
Gross claims liabilities at 31 December	**46,810**	**7,558**	**7,723**	**11,262**	**12,693**	**13,651**	**23,604**	**44,499**	**73,135**	**161,796**	**143,160**	**545,891**

Net insurance contract outstanding claims provision as at 31 December 2023

	2013 and prior £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	2020 £'000	2021 £'000	2022 £'000	2023 £'000	**Total £'000**
Estimate of Net Ultimate Claims												
12 months	2,208,723	83,467	78,590	74,763	110,368	126,359	96,702	168,870	165,135	246,651	249,407	
24 months	2,200,331	71,301	65,149	80,776	108,354	124,092	109,888	216,077	192,841	258,576	–	
36 months	2,180,703	72,180	64,280	77,997	105,970	127,949	111,055	221,537	180,772	–	–	
48 months	2,163,808	70,290	65,277	77,467	106,280	128,102	106,148	221,764	–	–	–	
60 months	2,151,564	70,190	65,252	77,083	104,863	125,544	99,067	–	–	–	–	
72 months	2,130,845	69,519	60,482	74,819	103,546	122,826	–	–	–	–	–	
84 months	2,111,433	67,892	59,489	72,410	101,961	–	–	–	–	–	–	
96 months	2,097,805	66,031	57,342	71,067	–	–	–	–	–	–	–	
108 months	2,083,526	65,185	55,874	–	–	–	–	–	–	–	–	
120 months	2,075,343	63,243	–	–	–	–	–	–	–	–	–	
132 months	2,068,186	–	–	–	–	–	–	–	–	–	–	
Total Ultimate losses 31 Dec	**2,068,186**	**63,243**	**55,874**	**71,067**	**101,961**	**122,826**	**99,067**	**221,764**	**180,772**	**258,576**	**249,407**	
Less cumulative paid claims	(2,024,460)	(57,156)	(50,238)	(63,571)	(90,255)	(109,933)	(76,327)	(181,483)	(119,550)	(130,689)	**(28,482)**	
Less unearned portion of ultimate losses	–	–	–	–	–	–	–	–	–	(6,219)	**(104,394)**	
Add ULAE provision at 31 December	1,672	364	357	395	518	595	995	1,389	2,635	5,061	**2,384**	
Net claims liabilities at 31 December	**45,398**	**6,451**	**5,993**	**7,891**	**12,224**	**13,488**	**23,735**	**41,670**	**63,857**	**126,729**	**118,915**	**466,351**

27. Risk Management *continued*

In 2023, there has been an overall net surplus in ultimate claims of £23.0m (2022: £7.0m deficit) due to higher than expected incurred movements across most classes of business.

28. Risk Management of Currency Risk

The tables below set out the underlying currency exposure to the syndicate although it should be noted that profits are only paid out in sterling and US dollars.

2023	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	Other £'000	Total £'000
Financial investments	4,015	564,574	8,188	33,983	3,359	–	3,778	617,897
Reinsurers' share of technical provisions	334	101,889	6,807	2,262	745	26	1,480	113,543
Insurance and reinsurance receivables	6,434	248,910	4,978	4,864	4,588	382	3,921	274,077
Cash and cash equivalents	4,727	427	15,174	–	–	–	–	20,328
Other assets	7,797	67,601	1,357	3,889	1,521	39	1023	83,227
Total assets	**23,307**	**983,401**	**36,504**	**44,998**	**10,213**	**447**	**10,202**	**1,109,072**
Technical provisions	(21,603)	(631,994)	(29,561)	(27,982)	(10,075)	(878)	(16,570)	(738,663)
Insurance and reinsurance payables	(1,515)	(188,354)	(207)	(1,629)	(759)	(427)	(616)	(193,507)
Other creditors	(4,500)	(34,665)	–	(18)	–	–	–	(39,183)
Total liabilities	**(27,618)**	**(855,013)**	**(29,768)**	**(29,629)**	**(10,834)**	**(1,305)**	**(17,186)**	**(971,353)**
Members' balances by currency	**(4,311)**	**128,388**	**6,736**	**15,369**	**(621)**	**(858)**	**(6,984)**	**137,719**

The largest currency within other financial investments are Swiss Francs.
If sterling was to weaken by 10% and 20% the impact on the above converted sterling profit would be a decrease of £15.8m and £35.5m respectively.

2022	GBP £'000	USD £'000	EUR £'000	CAD £'000	AUD £'000	JPY £'000	Other £'000	Total £'000
Financial investments	14,109	379,340	10,763	26,215	8,323	–	3,796	442,546
Reinsurers' share of technical provisions	85	161,165	10,188	1,822	662	25	1,033	174,980
Insurance and reinsurance receivables	2,443	245,960	5,259	4,843	3,691	614	1,489	264,299
Cash and cash equivalents	3,714	178	5,123	–	–	–	–	9,015
Other assets	7,184	39,886	2,854	3,035	1,137	35	472	54,603
Total assets	27,535	826,529	34,187	35,915	13,813	674	6,790	945,443
Technical provisions	(20,311)	(650,634)	(31,198)	(24,226)	(9,743)	(1,533)	(14,264)	(751,909)
Insurance and reinsurance payables	(1,287)	(174,399)	(226)	(1,467)	(437)	(473)	(672)	(178,961)
Other creditors	(2,438)	(4,544)	–	(17)	–	–	–	(6,999)
Total liabilities	(24,036)	(829,577)	(31,424)	(25,710)	(10,180)	(2,006)	(14,936)	(937,869)
Members' balances by currency	3,499	(3,048)	2,763	10,205	3,633	(1,332)	(8,146)	7,574

The largest currency within other financial investments are Swiss Francs.

If sterling was to weaken by 10% and 20% the impact on the above converted sterling profit would be a decrease of £0.5m and £1.0m respectively.

29. Other Risk Management Matters

	2023 £'000	2022 £'000
Impact of 50 basis point increase in interest rates on result	**(3,339)**	(3,138)
Impact of 50 basis point decrease in interest rates on result	**3,341**	3,140

The interest rate sensitivity analysis is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in interest rates on:

— Fixed rate financial assets; and

— Variable rate financial assets.

The first of these measures the impact on profit or loss for the year (for items recorded at fair value through the income statement) and on members' balances (for available for sale investments) that would arise in a reasonably possible change in interest rates at the reporting date on financial instruments at the period end. The second of these measures the change in interest income or expense over the period of the year attributable to a reasonably possible change in interest rates, based on floating rate assets and liabilities held at the reporting date.

The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis.

It should be noted that movements in these variables are non-linear.

The method used for deriving sensitivity information and significant variables did not change from the previous period.

The syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The impact of the above interest rate sensitivity is within our investment parameter guidelines and management tolerance.

Equity & commodity market price risk	2023 £'000	2022 £'000
Impact on result of 5% increase in Stock Market Prices	**–**	–
Impact on result of 5% increase in Gold Commodity Prices	**1,135**	833

The commodity price risk all relates to the syndicate's ETF gold investment of £22.7m.

There is zero equity price risk in 2023 as the syndicate does not have any long equity only exposure. There is equity exposure within the investment funds, but these are hedge funds where both long and short positions will be taken.

The market rate sensitivity analysis is performed for reasonably possible movements in market prices with all other variables held constant, showing the impact on profit and members' balances of the effects of changes in market prices. The syndicate held a limited portfolio of equities and commodities which were subject to price risk as shown in the table. This exposure benefits members through the enhanced longer term returns on equities and commodities compared with debt securities.

The exposure to equities and commodities is managed carefully to ensure that the syndicate's internal capital requirements are met at all times, as well as those mandated by the syndicate's external regulators.

The impact of the above market price sensitivity is within our investment parameter guidelines and management tolerance.

The Lloyd's central fund loan is treated as an equity instrument but due to it's underlying characteristics it does not present an equity price risk to the syndicate.

Maturity profiles

The maturity analysis presented in the table below shows the estimated contractual maturities for all syndicate assets and liabilities. For investment funds, an average maturity is applied based on the underlying securities.

Those items with no stated maturity are in respect of accounting timing entries for prepayments, unearned gross and ceded premium plus related deferred acquisition costs. These four items by their nature generate no future cash flow.

The maturity of other assets is based on the earliest date on which the gross undiscounted assets are expected to be received assuming conditions are consistent with those at the reporting date. The estimated timing of premium debtor balances uses contracted settlement due dates.

The maturity of liabilities is based on undiscounted contractual obligations, including interest payable. The estimated timing of claim payments uses estimated cash flows from the syndicate's reserving analysis. Repayments which are subject to notice are treated as if notice were to be given immediately. Members' balances are analysed based on the syndicate closing each year of account 36 months from inception.

29. Other Risk Management Matters

Maturity profiles continued

It should be noted that although the table illustrates contractual durations of financial investments, the majority of these assets can be redeemed whenever necessary to meet settlement of liabilities as they fall due.

2023	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	52,614	435,433	106,663	–	23,187	617,897
Deposits with ceding undertakings	–	358	–	–	–	358
Reinsurers' share of technical provisions – provision for unearned premiums	34,003	–	–	–	–	34,003
Reinsurers' share of technical provisions – claims outstanding	–	43,608	27,180	6,253	2,499	79,540
Debtors	–	255,307	56,084	–	–	311,391
Cash at bank and in hand	–	20,328	–	–	–	20,328
Accrued interest	–	1,144	778	–	162	2,084
Deferred Acquisition costs	42,445	–	–	–	–	42,445
Other prepayments and accrued income	1,026	–	–	–	–	1,026
Total assets	130,088	756,178	190,705	6,253	25,848	1,109,072
Members' balances	–	39,604	98,115	–	–	137,719
Technical provisions – provision for unearned premiums	192,772	–	–	–	–	192,772
Technical provisions – claims outstanding	–	227,096	171,210	60,434	87,151	545,891
Creditors	–	88,221	139,719	–	–	227,940
Accruals and deferred income	4,750	–	–	–	–	4,750
Total liabilities	197,522	354,921	409,044	60,434	87,151	1,109,072

2022	No stated maturity £'000	Up to a year £'000	1-3 years £'000	3-5 years £'000	>5 years £'000	Total £'000
Financial investments	21,414	156,337	250,904	–	13,891	442,546
Deposits with ceding undertakings	–	1,239	–	–	–	1,239
Reinsurers' share of technical provisions – provision for unearned premiums	27,551	–	–	–	–	27,551
Reinsurers' share of technical provisions – claims outstanding	–	59,602	51,448	19,684	16,695	147,429
Debtors	–	218,500	61,967	–	–	280,467
Cash at bank and in hand	–	9,015	–	–	–	9,015
Accrued Interest	–	100	541	–	100	741
Deferred Acquisition costs	35,072	–	–	–	–	35,072
Other prepayments and accrued income	1,383	–	–	–	–	1,383
Total assets	85,420	444,793	364,860	19,684	30,686	945,443
Members' balances	–	8,178	(604)	–	–	7,574
Technical provisions – provision for unearned premiums	154,998	–	–	–	–	154,998
Technical provisions – claims outstanding	–	182,084	183,493	89,414	141,920	596,911
Creditors	160	78,748	102,593	–	–	181,501
Accruals and deferred income	4,459	–	–	–	–	4,459
Total liabilities	159,617	269,010	285,482	89,414	141,920	945,443

30. Credit Risk

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position:

Credit risk – Aging and Impairment

2023	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other Financial investments:				
Shares and other variable yield securities				
and unit trusts	145,778	–	–	145,778
Debt securities	446,997	–	–	446,997
Participation in investment pools	3,994	–	–	3,994
Loans with credit institutions	–	–	–	–
Deposits with credit institutions	724	–	–	724
Overseas deposits as investments	20,404	–	–	20,404
Deposits with ceding undertakings	358	–	–	358
Reinsurers' share of unearned premiums	34,003	–	–	34,003
Reinsurers' share of claims outstanding	79,540	–	–	79,540
Debtors arising out of direct insurance operations	29,326	12,262	–	41,588
Debtors arising out of reinsurance operations	141,323	91,166	–	232,489
Other debtors	37,314	–	–	37,314
Cash at bank and in hand	20,328	–	–	20,328
Prepayments and accrued income	45,555	–	–	45,555
Total credit risk	1,005,644	103,428	–	1,109,072

Of the £79.5m (2022: £147.4m) reinsurers' share of claims outstanding, £2.0m (2022: £8.1m) is backed by undrawn trust fund assets.

2022	Neither past due nor impaired £'000	Past due £'000	Impaired £'000	Total £'000
Other Financial investments:				
Shares and other variable yield securities				
and unit trusts	72,683	–	–	72,683
Debt securities	339,269	–	–	339,269
Participation in investment pools	4,364	–	–	4,364
Loans with credit institutions	–	–	–	–
Deposits with credit institutions	797	–	–	797
Overseas deposits as investments	25,433	–	–	25,433
Deposits with ceded undertakings	1,239	–	–	1,239
Reinsurers' share of unearned premiums	27,551	–	–	27,551
Reinsurers' share of claims outstanding	147,429	–	–	147,429
Debtors arising out of direct insurance operations	24,942	11,288	–	36,230
Debtors arising out of reinsurance operations	125,308	102,761	–	228,069
Other debtors	16,168	–	–	16,168
Cash at bank and in hand	9,015	–	–	9,015
Prepayments and accrued income	37,196	–	–	37,196
Total credit risk	831,394	114,049	–	945,443

The syndicate has debtors that are past due but not impaired at the reporting date. The syndicate does not consider these debtors to be impaired on the basis of the stage of collection of amounts owed to the syndicate.

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