Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

IQUW

Syndicate 1856

Annual Accounts

31 December 2023

Contents

Directors and administration
IQUW Syndicate Management Limited

Directors

Francois-Xavier B Boisseau (Chairman)
Peter A Bilsby
Charlotte Constable (appointed 4 July 2023)
Catherine M E Farnworth (resigned 16 December 2023)
Michele J Faull
Daniel P Flueckiger (resigned 28 March 2023)
John G Holland (appointed 16 December 2023)
Martin Hall
David J Harris
Richard A Hextall (resigned 28 July 2023, re-appointed 9 February 2024)
David E Morris
Nathan R Ott
Heather I Thomas
Christopher E Watson (appointed 28 March 2023)

Company Secretary
Renuka S Fernando

Managing Agent's Registered Office
30 Fenchurch Street
England EC3M 3BD

Managing Agent's Registered Number
00426475

Syndicate Active Underwriter
Steven Tebbutt

Bankers
Lloyds Bank plc
Citibank NA
RBC Investor and Treasury Services

Investment Managers
Conning Asset Management Limited
New England Asset Management Limited

Independent Auditors
PricewaterhouseCoopers LLP

Report of the managing agent

IQUW Syndicate Management Limited (the "Managing Agent"), the managing agent of Syndicate 1856 (the "Syndicate") presents its report for the year ended 31 December 2023 which has been prepared under the regulations outlined in Note 2 to the annual accounts, using the presentational currency of Pound Sterling.

The managing agent has an agreed exemption from preparing separate underwriting year accounts for the closed 2021 year of account.

Principal activity

The principal activity of the Syndicate remains the transaction of general insurance and reinsurance business in the Lloyd's market, underwriting a mixture of reinsurance, property, aviation, marine, motor, energy and professional lines business, as well as a range of specialty lines including cyber, crisis management, terrorism, and political risks. The Syndicate's functional currency is US Dollars.

Review of the business

The Syndicate's key financial performance indicators during the year were as follows:

Financial Year £m	2023 Total	2022 Total
Gross premium written	736.6	544.0
Net premiums written	587.8	440.5
Net earned premium	510.1	332.4
Net incurred claims	(238.4)	(240.1)
Investment income	14.0	0.6
Operating expenses	(175.1)	(101.4)
Movements on foreign exchange	(2.6)	(5.2)
Profit/(Loss) for the financial year	108.0	(13.7)
Claims ratio	46.7 %	72.2 %
Expense ratio	34.3 %	30.5 %
Combined operating ratio	81.1 %	102.7 %

The result for the Syndicate in calendar year 2023 was a profit of £108.0 million (2022: loss of £13.7 million). The underwriting stance on property reinsurance led to strong performance despite insured Nat Cat losses in 2023 exceeding $100 billion. There were strong margins across most classes.

Gross premium written grew by 35.4% (2022: 186%) during 2023. There was strong rate movement across the portfolio building on higher rates achieved in 2022.

Absolute levels of expense have grown to £175.1 million in 2023 (2022: £101.4 million). £129.1m of this is due to higher commissions as a result of increased Gross premium written. The remaining increase was driven by increased variable compensation (£18.1m) linked to syndicate profitability and the continued build out of the underwriting team, management and operational functions.

The Syndicate's business is written in a divisional structure reflecting the markets covered. The major lines and the 2023 gross written premium are summarised by division below.

Gross Written Premium £m	**2023 Total**	2022 Total
Reinsurance	175.2	132.1
Property	188.6	166.6
Professional Lines	84.4	65.8
Marine & Aviation	152.2	97.2
Specialty	122.1	74.4
Motor	14.1	7.9
Total	736.6	544.0

Outwards reinsurance

The Syndicate purchases reinsurance contracts to reduce gross exposures to within net risk appetite, the impact of individual large losses as well as the accumulation of claims that may arise from the same event.

In 2023, the Syndicate purchased per occurrence and aggregate reinsurance cover to protect the Direct Property and Property Treaty lines of business from large catastrophe loss. Separate reinsurance was purchased to protect against the potential systemic occurrence of losses across the marine, energy, political violence, and terrorism lines. Proportional reinsurance was purchased to protect the cyber and professional lines portfolios. Further reinsurance was purchased for other classes as appropriate.

Investment report

Total investment return was £14.0m (2023: 3.4%, 2022: 1.1%) including investment income for the Syndicate of £8.3 million (2022: £2.0 million). The Syndicate's invested assets totalled £347.2 million at 31 December 2023 (2022: £177.5 million).

2023 was a mixed year, with ongoing high levels of inflation resulting in interest rate rises continuing with uncertainty about future rate direction due to the risk of recession and an economic hard landing. However, the second half of the year saw positive investment returns, driven by a decline in yields as markets reacted to signs of easing inflationary pressures which carried into the last two months of the year.

Capital

For the 2023 year of account, £563.3 million (97.0%) of the capital to support the Syndicate's underwriting is provided by IQUW Corporate Member Limited. The remaining £17.5 million (3.0%) of the Syndicate's capacity provided by Alpha Insurance Analysts ("Alpha") Limited based on a 2-year limited tenancy agreement. Alpha were offered 2.5% for the 2024 year of account as ICP General Partner Limited have taken a 0.5% capacity individually.

Climate change and environment matters

IQUW Holdings Bermuda Limited and subsidiaries ("the IQUW Group") are committed to considering sustainability in its business decisions and to intelligently using data and automation to enhance the management of risks from climate change, and to supporting its customers in the move towards a low carbon economy.

The IQUW Group's (re)insurance products actively support climate change resilience, protecting society from the physical risks of climate change through underwriting classes of business that help rebuild infrastructure and communities after natural disasters. In addition, IQUW is committed to reducing with a view to eliminating by 2030, its exposure to thermal coal-fired power plants, thermal coal mines, oil sands and new arctic energy exploration activities across its insurance offerings and investment holdings.

The Syndicate imposes guidelines on its external investment managers in relation to the constituents of the investment portfolios and acceptable asset classes. The performance of the investment managers is regularly reviewed to confirm adherence to these guidelines along with any appropriate assessment and change to the investment strategy (such as growing the Syndicate's sustainability assets).

Employee matters

All staff in the UK are employed by IQUW Administrative Services Limited ("IQUW ASL") and the full staff cost disclosures are included in the notes to those accounts. Amounts are recharged to the Syndicate depending on the work performed and resources used.

Principal Risks and Uncertainties

A description of the principal risks and uncertainties facing the Syndicate and how it manages risks is set out in note 5. In particular, the Syndicate is exposed to Insurance Risk, Financial Risk, Operational Risk and Strategic Risk.

Principal risk	Impact	Management and mitigation
Insurance risk, including underwriting risk and reserving risk	The predominant risk to which the Syndicate is exposed is insurance risk, which is assumed through the underwriting process, namely: fluctuations in the frequency, severity and timing of insured events and claims settlements relative to expectation. Risks are categorised into (a) underwriting risk including the risk of catastrophe and systemic insurance losses, and (b) reserving risk being the risk that provisions held to cover insurance claim losses turn out to be insufficient. On underwriting risk, the Syndicate is especially exposed to the impact of losses from individual events or catastrophes and from the potential aggregation of risks exposed to the same event. On reserving risk, the 2021 and 2022 YOA have material exposure to Russia-Ukraine which is currently very difficult to quantify.	The Board sets the Syndicate's underwriting strategy and risk appetite, seeking to benefit from identified opportunities considering other market conditions. Specific underwriting objectives such as aggregation limits, reinsurance protection thresholds, geographical disaster event risk exposures, and line of business diversification parameters are prepared and reviewed by management. All underwriting staff and binding agencies are set strict parameters in relation to the levels and types of business they can underwrite. Estimates of losses arising from realistic disaster events using statistical models are used to manage exposures within risk appetite thresholds. The Syndicate purchases reinsurance to manage underwriting risk. The Syndicate is subject to both an internal and external, independent actuarial review of the claim provisions. The provision estimates are subject to regular and rigorous review by management and the final provision approved by the Board. Booked reserves include a net margin which is a 65th percentile uplift above the best estimate to mitigate the uncertainty within the estimates.

Principal risk	Impact	Management and mitigation
Financial risk, including credit risk, market risk and liquidity risk	The Syndicate is exposed to financial risk arising from its financial assets, namely that investment income may be insufficient to fund its obligations. This risk is categorised into: (a) credit risk; (b) market risk: and (c) liquidity risk.	The Syndicate's core business is to accept insurance risk, while its appetite for other risks is low. Acceptable levels of credit risk are achieved by placing limits on exposure to singular and grouped counterparties, and to geographical and industry segments. Within investments, counterparty credit risk is mitigated by concentrating debt and fixed income investments in high quality instruments with defined guidelines. The Syndicate business plan for 2023 accounted for inflation risk, and inflation has been monitored to ensure price adequacy. The Syndicate engages external investment managers to actively manage the market risk associated with financial investments. Adequate liquidity is continually assessed by the Syndicate to ensure at least a threshold of liquid assets is always readily available.
Operational Risk including regulatory risk	The Syndicate is exposed to the risk of loss from people, processes or systems, or external events with origins outside the scope of other risk categories. The Managing Agent actively monitors and controls its operational risks.	The Syndicate's core business is to accept insurance risk, while its appetite for other risks is low. The Managing Agent following implementation of the FCA PS21/3 Operational Resilience regulation actively monitors and controls its operational risks and has an ongoing focus on safeguarding the well-being of its employees, serving its brokers and policyholders, and preserving operational continuity even in the event of severe market wide disruption. The Syndicate is overseen by a well-resourced Compliance function with compliance controls embedded throughout the business and a programme of staff training.

Principal risk	Impact	Management and mitigation
Strategic Risk including capital management, culture, reputation, and strategy selection & execution risks.	The Syndicate is exposed to the inability to implement appropriate business plans and strategies, make decisions, or adapt to the business environment.	The Syndicate ensures that the strategic objectives are met through a robust Risk Management Framework and Governance Structure. From the strategy, the Risk Owners define key risk appetites that must be met, and any deviation is identified with an action plan implemented. The Syndicate continues to meet the regulatory and internal thresholds of Capital in accordance with Solvency II. The Syndicate conducts regular reviews of emerging/horizon scanning across the 1st Line that identifies and manages future impacts for which the business must prepare and respond. The Syndicates approach to risk management using the three lines of defence is expanded on further in Note 5 Risk management. The Managing Agent has a strategy to achieve a diverse, inclusive, and high performing culture, which is adopted through education, initiatives, and policies. The success of outcomes is seen through data collected, behaviours and pulse surveys.

The most significant risks that have emerged or are emerging, and which are capable of having an impact on the Syndicate are set out below.

Catastrophes and large losses

The predominant risk to which the Syndicate is exposed is insurance risk, which is assumed through the underwriting process. The types of policies written by the Syndicate means that it is especially exposed to the impact of large losses from individual events or catastrophes and from the potential aggregation of risks exposed to the same event. The Syndicate manages its exposure through a number of techniques depending on the nature of the perils, including setting tolerances against realistic disaster scenarios, probabilistic aggregate exposure modelling and limits for geographical regions / industries. The approaches taken are summarised below:

- For natural catastrophes the risk appetites per business unit are defined based on the approved SBF plan on a gross and net basis for five key OEP/AEP metrics (North America windstorm, US & Canada Earthquake, European windstorm, Japan Earthquake and typhoon) . We also define risk appetites at a syndicate level, which are monitored on a gross, net, and final net basis.
- Non-natural catastrophes the risk appetites are based on the sum of limits exposed to pre-defined scenarios on a gross, net, and final net basis. We aim to have 2-4 scenarios per peak peril, covering the diverse specialty business written by IQUW. Risk tolerances are defined at the class and syndicate level, based largely on an intent to keep a maximum loss within the limits of our outwards reinsurance. We also define risk tolerances around the concentration of exposure within certain risk classes (e.g., no more than X% of limits from occupancies A, B or C) to ensure diversity within the portfolio.

Ukraine-Russia Conflict

The 2021 and 2022 underwriting years of Syndicate 1856 are exposed to claims relating to the Ukraine-Russia Conflict. Through its insurance and reinsurance portfolios, the Syndicate has exposure to war on land and contingent aviation war and hull coverage for lessors. Scenarios have been modelled based on splits between contingent Hull War and War on Land, including consideration of cancellation clause impacts. The nature of any losses arising from the conflict is an uncertainty for the Syndicate’s total reserves but does not increase that uncertainty significantly beyond the normal range of uncertainty for insurance liabilities at this stage of development. Gross reserves are currently contained within the reinsurance programme and it is believed that adverse development is unlikely to materially impact the net position.

The booked ultimates for these losses as at 31 December 2023 are £51.7 million gross of reinsurance and £21.3 million net of reinsurance (inclusive of inwards and outwards RIPs).

Israel-Gaza Conflict

For the 2023 underwriting year of Syndicate 1856, there is currently no net material exposure to the Israel-Gaza Conflict. This has not been reserved for separately, as it is believed this is adequately reserved for in general IBNR.

Economic Uncertainty Risk including Inflation Risk

Following the international events in recent years including the invasion of Ukraine and fiscal stimulus during the COVID-19 crisis has had a significant impact on inflation and consequently financial markets. The accumulation of these events has resulted in rising interest rates and volatility in the capital markets.

The 2023 business plan took account of higher inflation. Portfolio mix and claims costs have been closely monitored to ensure price adequacy. A similar approach has been adopted for the 2024 business plan.

The Managing Agent have explicitly considered economic and excess inflation in the reserving process when setting the best estimate reserves. Historical data is not likely to be representative of the current environment and traditional reserving techniques do not address this. The Managing Agent has allowed for both increases to outstanding claims and incurred but not reported ("IBNR") claims using the following approach:

- Uplifting outstanding claims reserves by a set factor (at class of business underwriting year level). This factor was derived by weighting calendar year inflation assumptions with the expected proportion of future claims to be paid in each calendar year. The expected pattern of claims payments was derived using relevant market risk code triangles at a class of business level.
- For IBNR claims the Managing Agent has uplifted the initial expected loss ratios ("IELRs") used in the reserving model. This uplift was estimated by projecting relevant market risk code triangles to ultimate, pre an allowance for the estimated inflation shock. This projection was used to derive relevant IELRs at a class of business level. The exercise was then repeated with the inflation shock applied (on a calendar year basis), to estimate an uplift to the IELRs used in the reserving model.

Climate change risk

IQUW Holdings Bermuda Limited and subsidiaries ("the IQUW Group") is committed to considering sustainability in its business decisions and to intelligently using data and automation to enhance the management of risks from climate change, and to supporting its customers in the move towards a low carbon economy.

The IQUW Group's (re)insurance products actively support climate change resilience, protecting society from the physical risks of climate change through underwriting classes of business that help rebuild infrastructure and communities after natural disasters.

The Syndicate's underwriting performance is exposed to the physical risk of climate change from increased frequency or severity of physical hazards because of global temperature increases. This impacts the property and marine classes especially. Furthermore, there are elements of the portfolio that may be exposed to transition risk following potential regulator or government intervention, and to liability risk from potential increased litigation raising the climate change.

Transitional risk is considered through the emerging risk register. The Syndicate considers; changing the portfolio mix; previously held assumptions used in the business (such as within the internal model) and the needs of the policy holders.

Directors' interests and interests in other Group Companies

The directors of IQUW Syndicate Management Limited ("IQUW SML") who were in office during the year and up to the date of signing the financial statements were:

Francois-Xavier B Boisseau	Independent Non-Executive Chairman
Peter A Bilsby	Chief Executive Officer
Charlotte Constable	Chief Financial Officer - (appointed 4 July 2023)
Catherine M E Farnworth	Chief Risk Officer - (resigned 16 December 2023)
Michele J Faull	Independent Non-Executive Director
Daniel P Flueckiger	Non-Executive Director - (resigned 28 March 2023)
Martin Hall	Active Underwriter Syndicate 218
David J Harris	Independent Non-Executive Director
Richard A Hextall	Group Chief Financial Officer - (resigned as Executive Director 28 July 2023 reappointed Non-Executive Director 9 February 2024)
John G Holland	Group Chief Risk Officer (appointed 16 December 2023)
David E Morris	Group Director of Underwriting
Nathan R Ott	Non-Executive Director
Heather I Thomas	Independent Non-Executive Director
Christopher E Watson	Non-Executive Director - (appointed 28 March 2023)

Disclosure of information to the auditors

The Directors of IQUW SML who held office at the date of approval of the Report of the Managing Agent confirm that, so far as each of them is aware, there is no relevant audit information of which the Syndicate's auditors are unaware, and each Director has taken all the steps that they ought to have taken as a Director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Syndicate auditors

The Syndicate's auditors, PricewaterhouseCoopers LLP, are deemed reappointed under the provisions of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Annual general meeting ("AGM")

Notice is hereby given that the managing agent does not propose holding a Syndicate AGM this year unless objections to this proposal or the intention to reappoint the auditors are received from Syndicate members by 30 April 2024.

On behalf of the Board:

Peter Bilsby
Director
27 February 2024

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the managing agent's report and the annual accounts in accordance with applicable law and regulations comprising FRS 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 require the managing agent to prepare 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 annual accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK Accounting Standards comprising FRS 102, have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate Annual Accounts; and
- prepare the Syndicate 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 Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' 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 1856
Report on the audit of the syndicate annual accounts

Opinion

In our opinion, Syndicate 1856's Syndicate Annual Accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2023 and of its profit and cash flows for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); 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 accounts included within the Syndicate 1856 Annual Accounts (the "Annual Report"), which comprise: the Balance sheet - assets and the Balance sheet – liabilities, both as at 31 December 2023; the statement of comprehensive income – technical account for general business, the statement of comprehensive income – non-technical, the statement of other comprehensive income, the cashflow statement, and the statement of changes in members' balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the syndicate annual accounts section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

To the best of our knowledge and belief, we declare that non-audit services prohibited by the FRC's Ethical Standard were not provided.

Other than those disclosed in note 9, we have provided no non-audit services to the syndicate in the period under audit.

Conclusions relating to going concern

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

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

However, because not all future events or conditions can be predicted, this conclusion is not a guarantee as to the syndicate's ability to continue as a going concern.

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

Reporting on other information

The other information comprises all of the information in the Annual Report other than the syndicate annual accounts and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. 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 based on these responsibilities.

With respect to the Report of the managing agent (the "Managing Agent's Report"), we also considered whether the disclosures required by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 have been included.

Based on our work undertaken in the course of the audit, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us also to report certain opinions and matters as described below.

Managing Agent's Report

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 year ended 31 December 2023 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we did not identify any material misstatements in the Managing Agent's Report.

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts

As explained more fully in the Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the syndicate annual accounts in accordance with the applicable framework and for being satisfied that they give a true and fair view. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the Managing Agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing as applicable, matters related to going concern and using the going concern basis of accounting unless it is intended for the syndicate to cease operations, or it has no realistic alternative but to do so.

Auditors' responsibilities for the audit of the syndicate annual accounts

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

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

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the syndicate annual accounts. We also considered those laws and regulations that have a direct impact on the syndicate annual accounts such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the syndicate annual accounts (including the risk of override of controls), and determined that the principal risks were related to management bias in accounting estimates and judgement and posting of inappropriate journals. Audit procedures performed by the engagement team included:

- Discussions with the Audit Committee, management, internal audit, and the syndicate's compliance function, including consideration of known or suspected instances of non-compliance with laws and regulation and fraud;
- Assessment of any matters reported on the Managing Agent's whistleblowing helpline and management's investigation of such matters;
- Reviewing relevant meeting minutes including those of the Board, the Audit Committee, the Risk Management Committee, the Reserving Committee, and correspondence with regulatory authorities, including Lloyd's of London, the Financial Conduct Authority and the Prudential Regulatory Authority;
- Reviewing, and challenging where appropriate, the assumptions and judgements made by management in their significant accounting estimates, in particular in relation to the estimation of claims outstanding, with a focus on the incurred but not reported ("IBNR") claims, and the estimation of gross premiums written;
- Designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing; and
- Identifying and testing journal entries based on selected fraud risk criteria, in particular journal entries posted with unusual account combinations.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the syndicate annual accounts. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

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

Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

Other required reporting

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

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the managing agent in respect of the syndicate; or
- certain disclosures of Managing Agent remuneration specified by law are not made; or
- the Syndicate annual accounts are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Sean Forster (Senior statutory auditor)
for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
27 February 2024

Statement of comprehensive income – technical account for general business
For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Earned premium, net of reinsurance			
Gross premium written	6	736.6	544.0
Outward reinsurance premium		(148.8)	(103.5)
Net premium written		587.8	440.5
Change in the provision for unearned premium			
Gross amount		(86.7)	(119.9)
Reinsurers' share		9.0	11.8
Change in the net provision for unearned premium		(77.7)	(108.1)
Earned premium, net of reinsurance	13	510.1	332.4
Allocated investment return transferred from non-technical account	7	14.0	0.6
Claims incurred, net of reinsurance			
Claims paid:			
Gross amount		(169.3)	(129.2)
Reinsurers' share		30.4	16.3
Net claims paid	14	(138.9)	(112.9)
Change in the provision for claims:			
Gross amount		(109.6)	(191.6)
Reinsurers' share		10.1	64.4
Change in the net provision for claims	14	(99.5)	(127.2)
Claims incurred, net of reinsurance		(238.4)	(240.1)
Net operating expenses	8	(175.1)	(101.4)
Balance on the technical account for general business		110.6	(8.5)

All amounts relate to continuing operations.

The notes on pages 23 to 47 form an integral part of these annual accounts.

Statement of comprehensive income – non- technical account
For the year ended 31 December 2023

	Note	**2023 £m**	2022 £m
Balance on the technical account for general business		**110.6**	(8.5)
Investment return:			
Investment income	7	**8.3**	2.0
Unrealised gains/(losses) on investments	7	**1.3**	(1.4)
Realised gains on investments	7	**4.4**	–
Investment expenses and charges	7	**(0.1)**	–
Total investment return		**14.0**	0.6
Allocated investment return transferred to general business technical account		**(14.0)**	(0.6)
Foreign exchange gain/(loss)	12	**0.7**	(2.8)
Profit/(loss) for the financial year		**111.3**	(11.3)

The notes on pages 23 to 47 form an integral part of these annual accounts.

Statement of other comprehensive income
For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Profit/(loss) for the financial year		**111.3**	(11.3)
Foreign currency translation differences	12	**(3.3)**	(2.4)
Total recognised gains/(losses) in the financial year		**108.0**	(13.7)

The notes on pages 23 to 47 form an integral part of these annual accounts.

Balance sheet - assets
At 31 December 2023

	Note	2023 £m	2022 £m
Investments			
Financial investments	11	**347.2**	177.5
Deposits with ceding undertakings		**–**	0.1
		347.2	177.6
Reinsurers' share of technical provisions			
Provision for unearned premium	13	**31.0**	23.2
Claims outstanding	14	**143.0**	139.5
		174.0	162.7
Debtors			
Debtors arising out of direct insurance operations	16	**116.4**	74.6
Debtors arising out of reinsurance operations	17	**144.9**	109.3
Other debtors	18	**16.1**	4.2
		277.4	188.1
Other assets			
Cash at bank and in hand		**46.9**	30.4
Overseas deposits	11	**36.7**	26.5
		83.6	56.9
Prepayments and accrued income			
Accrued interest and rent		**0.2**	–
Deferred acquisition costs	15	**67.5**	47.5
Other prepayments and accrued income		**5.3**	4.2
		73.0	51.7
Total assets		**955.2**	637.0

The notes on pages 23 to 47 form an integral part of these annual accounts.

Balance sheet – liabilities
At 31 December 2023

	Note	2023 £m	2022 £m
Capital and reserves			
Members' balances		**102.1**	(37.5)
Technical provisions			
Provision for unearned premium	13	**296.3**	222.6
Claims outstanding	14	**472.7**	383.6
		769.0	606.2
Creditors			
Creditors arising out of direct insurance operations	19	**7.1**	2.1
Creditors arising out of reinsurance operations	20	**65.4**	59.9
		72.5	62.0
Other liabilities			
Other creditors	21	**11.6**	6.3
Total liabilities (and members' balance)		**955.2**	637.0

The notes on pages 23 to 47 form an integral part of these annual accounts.

The Syndicate annual accounts on pages 16 to 47 were approved by the Board on 23 February 2024 and signed on behalf of the Syndicate's managing agent by:

Charlotte Constable
Finance Director

27 February 2024

Statement of changes in members' balances
For the year ended 31 December 2023

	2023 **£m**	2022 £m
Members' balances brought forward at 1 January	(37.5)	(22.1)
Recognised profit/(loss) for the financial year	108.0	(13.7)
(Refund) of loss from members' personal reserve fund	–	(4.3)
Cash call	31.6	–
Exchange difference	–	2.6
Total members' balances	102.1	(37.5)

The refund to members of £4.3 million in the prior year arose from an overcollection from the members.

Members participate in syndicates by reference to years of account and their ultimate result. Assets and liabilities are assessed with reference to policies incepting in that year of account.

The notes on pages 23 to 47 form an integral part of these annual accounts.

Cash flow statement

For the year ended 31 December 2023

	Note	2023 £m	2022 £m
Net cash flows from operating activities			
Profit/(Loss) for the financial year		111.3	(11.3)
Adjustments for movement in general insurance unearned premium and outstanding claims	13	193.6	350.7
Movement in reinsurers' share of unearned premium and outstanding claims	13	(19.9)	(89.0)
Investment return	7	(14.0)	(0.6)
Movement in other assets/(liabilities)		(120.2)	(100.4)
Net cash inflow from operating activities		150.8	149.4
Net cash flows from investing activities			
Purchase of equity and debt instruments		(317.7)	(179.4)
Sales of equity and debt instruments		143.0	68.7
Investment income received		8.3	2.1
Other	22	2.4	(21.0)
Net cash used in investing activities		(164.0)	(129.6)
Net cash flows from financing activities			
Distribution loss/open year cash calls made		31.6	(4.2)
Net cash generated in (used in) financing activities		31.6	(4.2)
Net increase in cash at bank and in hand		18.4	15.6
Cash and cash equivalents at the beginning of the year		30.4	14.6
Foreign exchange on cash and cash equivalents		(1.9)	0.2
Cash and cash equivalents at the end of the year		46.9	30.4

The notes on pages 23 to 47 form an integral part of these annual accounts.

Notes to the accounts

1. General information

IQUW Syndicate Management Limited ("IQUW SML") is the managing agent of Syndicate 1856 (the "Syndicate"). The principal activity of the Syndicate is the transaction of general insurance and reinsurance business at Lloyd's and through the Lloyd's Brussels platform Lloyd's Insurance Company S.A ("LIC").

2. Statement of compliance and basis of preparation

This Annual Report has been prepared using the annual basis of accounting as required by regulation 5 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable accounting standards in the United Kingdom, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" or "FRS 102") and Financial Reporting Standard 103 "Insurance Contracts" ("FRS 103") where applicable.

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

These annual accounts are presented in UK pounds sterling. The Syndicate's functional currency is US Dollars as that is the currency of the primary economic environment in which the Syndicate operates. All amounts have been rounded to the nearest hundred thousand and presented in millions, unless otherwise indicated.

3. Summary of significant accounting policies

The principal accounting policies applied in the preparation of these annual accounts are set out below. These policies have been consistently applied to all years presented, unless otherwise stated.

(i) Gross premium written

Gross premium written comprises premium on contracts incepted during the financial year as well as adjustments made in the year to premium written in prior accounting periods. Premium is shown gross of brokerage payable and exclude taxes and duties levied on them.

Premium written includes an estimate of gross premium written during the year. For certain contracts, premium is initially recognised based on estimates of ultimate premium. This occurs where pricing is based on variables, which are not known with certainty at the point of binding the policy. In determining the estimated premium, use is made of information provided by brokers and coverholders, past underwriting experience, the contractual terms of the policy, and prevailing market conditions. Subsequently, adjustments to those estimates arise as updated information relating to those pricing variables becomes available, for example due to declarations obtained on binding authority contracts, reinstatement premium on reinsurance contracts, or other policy amendments. Such adjustments are recorded in the period in which they are determined, and impact gross premium written in the income statements and premium received from insureds and cedants recorded on the balance sheet.

(ii) Unearned premium

Written premium is recognised as earned according to the risk profile of the policy. The provision for unearned premium comprises the proportion of gross and outwards reinsurance premium written, which is estimated to be earned in the following or subsequent financial years, computed using the daily pro-rata method weighted by the risk profile of the underlying policies.

(iii) Reinsurance premium ceded

Outwards reinsurance premium comprises premium on contracts incepted during the financial year. Outwards reinsurance premium is also disclosed gross of commissions and profit participations recoverable from reinsurers. Written outwards reinsurance premium is recognised as earned according to the coverage period and in line with the risk profile to which the inwards business being protected relates.

(iv) Investment return

Investment return comprises interest, realised and unrealised gains and losses on assets held at fair value through profit or loss.

Fair value realised gains and losses are calculated as the difference between net sales proceeds and fair value at acquisition.

Fair value unrealised gains and losses are calculated as the difference between the current fair value at the balance sheet date and the fair value at acquisition or at previous remeasurement date, adjusted for by excluding previously recognised unrealised gains and losses of those financial assets disposed of in the accounting period.

The returns on pooled investments arising in each calendar year are apportioned to years of account open during the calendar year in proportion to average funds available for investment on each year of account.

Investment return is initially recorded in the statement of comprehensive income – non technical account. A transfer is made from the statement of comprehensive income non-technical account to the statement of comprehensive income-technical account for general business. Investment return has been wholly allocated to the technical account as all investments relate to underwriting activities.

(v) Operating expenses

Where expenses are incurred by, or on behalf of, the Managing Agent for the administration of the Syndicate, these expenses are apportioned appropriately based on type of expense. Expenses that are incurred jointly are apportioned between IQUW SML and the Syndicate on bases depending on the amount of work performed, resources used, and the volume of business transacted. While Syndicate operating expenses are normally allocated to the year of account for which they are incurred, profit commission is charged to the 2023 underwriting year, to account for the 3% external capacity share.

(vi) Taxation

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

No provision has been made for any United States Federal income tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'Members' balances'. No provision has been made for any overseas tax payable by members on underwriting results.

(vii) Foreign currency

The functional currency of the Syndicate is US Dollars which is the currency of the primary economic environment in which the Syndicate operates.

Transactions denominated in foreign currencies are translated into US Dollars at the rates of exchange ruling at the date of the transaction. At the balance sheet date, monetary assets and liabilities are translated at the year-end rates of exchange. For foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

These annual accounts are presented in UK pounds sterling for which US Dollar balance sheet amounts are converted at the closing rate at 31 December 2023 and profit/(loss) items converted at year end average rate.

Differences arising on translation of foreign currency amounts relating to insurance operations of the Syndicate are recognised in the profit/(loss) on financial exchange in the statement of comprehensive income - non-technical account. The translation of foreign currency transactions are included in the "foreign exchange (loss)/gain" and translation of presentational currency, where the translation of profits or losses at average rates are recognised in "currency translation differences".

(viii) Financial instruments

The managing agent has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Financial instruments are recognised in the balance sheet at such time as the Syndicate becomes a party to the contractual provisions of the financial instrument. 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 Syndicate's obligations specified in the contract expire, are discharged or cancelled.

Purchases and sales of financial assets are recognised on the trade date, which is the date the Syndicate commits to purchase or sell the assets.

Financial assets

The Syndicate has classified these assets into the following categories: financial assets at fair value through profit or loss, and loans and receivables.

Financial investments

Financial investment assets are designated at fair value through profit or loss on initial recognition where it is the Syndicate's strategy to manage those financial investments on a fair value basis. Internal reporting and performance measurement of these assets are also on a fair value basis. Note 11 sets out the amount of each class of financial asset that has been designated at fair value through profit or loss.

Investments carried at fair value through profit or loss are initially recognised at fair value with any associated transactions costs being expensed through the statement of comprehensive income – non-technical account.

If the market for an investment is not active, the valuation is based upon the net asset values of underlying holdings, which are independently sourced. The fair value of listed equity and debt securities is determined by reference to their quoted bid price at the balance sheet date.

Fair values for unlisted debt securities are estimated at the present value of their future cash flows, discounted at the market rate of interest at the reporting date.

Derivative financial instruments

Derivative financial instruments can be used to hedge the Syndicate's exposure to foreign exchange risk and the interest rate risk arising from investing activities. The investment managers use futures and option derivatives for investing activities. Derivative financial instruments are measured on initial recognition, and subsequently, at fair value. The gain or loss on remeasurement to fair value is recognised in the statement of comprehensive income – non-technical account.

The fair value of forward exchange contracts is based on their listed market price, if available. If a listed market price is not available, then fair value is estimated by discounting the difference between the contractual forward price and the current forward price for the residual maturity of the contract using a risk-free interest rate (based on government bonds).

Loans and receivables

Loans and receivables are recognised at amortised cost, being the fair value of consideration paid plus incremental direct transaction costs less any provision for impairments.

(ix) Cash and cash equivalents

Cash and cash equivalents include cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts, when applicable, are shown within current borrowings in liabilities.

For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts.

(x) Deferred acquisition costs

The costs of acquiring new business, which are incurred during the financial year, but where the benefit of such costs will be obtained in subsequent accounting periods, are deferred, and recognised as an asset to the extent that they are recoverable out of margins in future matching revenues. All other costs are expensed when they are incurred.

In respect of insurance contracts, acquisition costs comprise direct and indirect costs incurred in writing new contracts. Deferred acquisition costs are amortised over the life of the policy in line with the recognition of earned premium.

All deferred acquisition costs are tested for recoverability at each reporting date. The carrying values are adjusted to recoverable amounts and any resulting impairment losses are charged through the profit and loss account.

(xi) Claims provision and related recoveries

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

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

These methods generally involve projecting from past experience 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 premium rating and other pricing models of business accepted, together with assessments of underwriting conditions.

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

The Directors consider that the provision for gross claims and related reinsurance recoveries are fairly stated based on the information currently available to them. However, the ultimate liability will vary because of subsequent information and future events and this may result in significant adjustments to the amounts provided. Adjustments to the amounts of claims provisions established in prior years are reflected in the annual accounts for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

(xii) Unexpired risks provision

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

The provision for unexpired risks is calculated by reference to classes of business that are managed together. No account is taken of the relevant investment return arising from investments supporting the unexpired premiums and unexpired risk provisions.

(xiii) Reinsurance assets and liabilities

Amounts due to and from reinsurers are accounted for in a manner consistent with the insured policies and in accordance with the relevant reinsurance contract. Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, because of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. Objective factors that are considered when determining whether a reinsurance asset or group of reinsurance assets may be impaired include, but are not limited to the following:

- negative rating agency announcements of reinsurers;
- significant reported financial difficulties of reinsurers;
- actual breaches of credit terms such as persistent late payment or actual default; and
- adverse economic or regulatory conditions that may restrict future cash flows and asset recoverability.

Impairment losses on reinsurance assets are recognised in the profit and loss account.

(xiv) Bad debt

A full bad debt general provision is made for doubtful debts when a debtor balance is more than 1 year outside credit terms; beginning with a 75% provision at 9 months overdue. In addition to the general provision, a top-up is made by way of a specific provision where specific information is available to suggest a debtor may be unable or unwilling to settle its debt to the Syndicate. The provision is calculated on a case-by-case basis. Bad debt provisions are recognised in the profit and loss account.

(xv) Pension costs

IQUW Administration Services Limited ("IQUW ASL") operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and are included within net operating expenses.

(xvi) Profit commission

For the 2023 YOA, a 17.5% profit commission is being charged to the third party capital members only as the Managing Agent has exempted IQUW Corporate Member Limited from the profit commission. However, for the 2022 and 2021 year of accounts, no profit commission is being charged as these years of accounts are wholly aligned.

(xvii) Deposit components of reinsurance contracts

Where a deposit component exists in a reinsurance contract it is not unbundled and is recorded as part of the reinsurance assets. Any interest payable on the deposit component is accrued annually at the effective interest rate.

4. Judgements and key sources of estimation uncertainty

In the application of the accounting policies, which are described in note 3, the directors are required to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the year.

The following judgements, estimations and assumptions have had the most significant effect on amounts recognised in the financial statements.

(i) Valuation of general insurance contract liabilities

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. The carrying amount of the liability is disclosed in note 14. For general insurance contracts, estimates are made for the expected ultimate cost of claims notified at the balance sheet date and the cost of claims incurred but not yet reported. It can take a significant period before the ultimate cost of claims can be established with certainty, and the final outcome may be better or worse than that provided. The estimation of these claims is based on historical experience projected forward, and where the syndicate does not have sufficient historical experience this is supplemented with other data sources such as relevant market loss data. Since 2021, the Syndicate has aligned with the updated strategy of the Managing Agency, meaning historic experience is less reliable as an indicator for future trends. Due to this lack of relevant historical experience, reserving rely on LMA benchmark data to determine the Actuarial

Best Estimate's for the 2021 year of account onwards. The Syndicate's estimate of claims and related claims handling costs is mainly assessed through the application of several commonly accepted actuarial projection methodologies based on the following:

- paid claims development, where payments to date are extrapolated based upon market data and observed development of earlier years;
- the development of claims based on seasonally adjusted exposure curves;
- incurred claims development, where incurred claims to date for each year are extrapolated based upon observed development of earlier years; and
- expected ultimate loss ratios, which are estimated using an average of (developed) years, the averaging period varies depending on reserving subclass, but is based on historic claims trends and risk characteristics;
- Quarterly underwriter updates on expected premium and associated rating assumptions.
- Inflationary assumptions are set so as to allow for both exposure inflation and claims inflation, the former is set for economic inflation, and the latter with additional excess inflation (2%) and social inflation (1%)

The claims provisions are initially calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts recoverable from all the Syndicate's reinsurance arrangements, having due regard to collectability. Claims provisions are subject to regular review, both within the Syndicate and externally.

The Syndicate's management discusses and challenges the actuarial best estimate and selected booked claims provisions at the quarterly Reserve Committee ("RC") and at the Audit Committee ("AC"), whose membership includes non-executive directors with significant insurance experience. External actuaries are also engaged to calculate an independent best estimate of the ultimate cost of claims as at each 31 December and present a Statement of Actuarial Opinion ("SAO") against which the Syndicate's best estimate is assessed.

The total gross estimate for incurred but not reported losses as at 31 December 2023 is £330.5m (2022: £262.9m). The total net estimate for incurred but not reported losses as at 31 December 2023 is £238.4m (2022: £178.6m).

Major catastrophe's, both man-made and natural, and specific large losses are reviewed separately, and specific reserves are set. These reserves are set with input from the actuarial, claims and underwriting teams using market knowledge and historical experience. Further disclosure on the approach taken for both natural and non-natural catastrophes can be found on page 8.

A management margin is set, over and above the actuarial best estimate net reserves, non-cat only, to allow for inherent uncertainty within the reserves. The management margin is set at an uplift above actuarial best estimate claims reserve and is based on analysis of the reserve risk distributions and quantified uncertainties.

We have explicitly considered economic and excess inflation in the reserving process when setting the best estimate reserves as historical data is not likely to be representative of the current environment and traditional reserving techniques do not address this. The US CPI twelve month inflation to 31 December 2023 was 3.4%. We have allowed for both increases to outstanding claims and IBNR claims using the following approach:

1. Uplifting outstanding claims reserves by a set factor (at class of business underwriting year level). This factor was derived by weighting calendar year inflation assumptions with the expected proportion of future claims to be paid in each calendar year. The expected pattern of claims payments was derived using relevant market risk code triangles at a class of business level.
2. IBNR claims have been uplifted from the Initial expected loss ratios ("IELRs") used in the reserving model. This uplift was estimated by projecting relevant market risk code triangles to ultimate, pre an allowance for the estimated inflation shock. This projection was used to derive relevant IELRs at a class of business level. The exercise was then repeated with the inflation shock applied (on a calendar year

basis), to estimate an uplift to the IELRs used in the reserving model.

(ii) Premium estimates

Gross premium written is initially based on estimated premium income ("EPI") of each contract. EPI is based on information provided by the brokers, policyholders, coverholders, past underwriting experience, and the contractual terms of the policy. Uncertainty arises because EPI could be different to the signed premium ultimately received. This risk is mitigated by detailed reviews of EPI and signed premium and regular reviews that coverholder income is coming through as expected.

Premium in respect of insurance contracts underwritten under binding authorities is booked as the underlying contracts incept. Premium is earned on a pro-rata basis that is seasonally adjusted for the risk exposure of the policy. The carrying value amount of the unearned premium is disclosed in note 13.

Gross premium written includes an estimation for reinstatement premium which is determined based on incurred losses held in the technical provisions. Reviews of the reinstatement premiums held is carried out on a regular basis as part of the reserve review process.

5. Risk Management

The Syndicate's overall appetite for accepting and managing varying classes of risk is defined by the Managing Agent's Board ("Board"). The Board has developed a governance framework and has set risk management policies and procedures which include risk identification, risk assessment, risk response, risk monitoring, and risk reporting. The objective of these policies and procedures is to protect the Syndicate's members, policyholders and other stakeholders from negative events that could hinder the Syndicate's delivery of its contractual obligations and its achievement of sustainable profitable performance.

The Board exercises oversight of the development and operational implementation of its risk management policies and procedures through the Managing Agent's Risk and Compliance Committee ("RCC"). Ongoing compliance is monitored through the Internal Audit function, which is shared with other entities within the IQUW group, and which has operational independence, a charter and clear upwards reporting structures back into the Managing Agent's Audit Committee ("AC") and the Board. The Risk Management Function ("RMF") under the stewardship of the Chief Risk Officer ("CRO"), coordinates the risk management policies and procedures and supports the Board and the RCC. The Executive Committee operate regular oversight of the RMF activities and outcomes.

The Board risk appetites and tolerances consider the risk capacity, Solvency II adequacy, prevailing regulatory and legislative adherence, and the fair treatment and protection of customer and stakeholder interests. Risk metrics and measures of the business are monitored against the risk appetites reported to the RCC and Board quarterly.

The Board is ultimately responsible for ensuring that the RMF is in place and adhered to. Responsibilities are then delegated through the Three Lines of Defence Model across IQUW, summarised as follows:

- Line 1: Business units operating within a framework of internal controls underpinned by policies, procedures, and senior management oversight with direct responsibility for risk management and controls;
- Line 2: Risk Management and Compliance functions ensure that the RMF is effective, and that the Syndicate operates within its legal and regulatory boundaries. Employees in Line 2 coordinate, facilitate and oversee the effectiveness and integrity of the RMF. As a key input to decision making, the RMF focusses on assuring the Board that the risk profile is in line with expectations, escalating all material risk and capital issues to the Board, and providing input to, challenge and oversight of Line 1 decision making; and
- Line 3: Internal Audit provides independent assurance to the Board via the Audit Committee as to the effectiveness of the internal control environment. Employees in Line 3 provide independent assurance and challenge across all business functions in respect of the integrity and effectiveness of the RMF.

The principal sources of risk relevant to the Syndicate fall into three broad categories: insurance risk, financial risk and operational risk.

Insurance risk

The predominant risk to which the Syndicate is exposed is insurance risk, which is assumed through the underwriting process. Insurance risk is defined as the risk of fluctuations in the frequency, severity and timing of insured events and claims settlements relative to expectation. Insurance risk can be subcategorised into: (a) underwriting risk including the risk of catastrophe and systemic insurance losses, and the insurance cycle and competition; and (b) reserving risk.

(a) Underwriting risk

Underwriting risk is defined as the risk that insurance premium will not be sufficient to cover future insurance claims and associated expenses. Underwriting risk also encompasses people, process and system risks directly related to underwriting.

The Board sets the Syndicate's underwriting strategy and risk appetite, seeking to benefit from identified opportunities considering other relevant anticipated market conditions.

The Syndicate aims to manage underwriting risk:

- to achieve acceptable profits and return on equity by ensuring that insurance risks are carefully selected in accordance with the underwriting strategy and risk appetite tolerances, underwritten in accordance with risk strategy and priced to reflect the underlying risk; and
- to mitigate insurance risk using optimal reinsurance arrangements.

(a)(i) Underwriting strategy

Specific underwriting objectives such as aggregation limits, reinsurance protection thresholds, geographical disaster event risk exposures, and line of business diversification parameters are prepared and reviewed by the IQUW SML management team to translate the Board's underwriting strategy into specific measurable actions and targets. These actions and targets are reviewed and approved in advance of the underwriting year. The Board continually reviews its underwriting strategy throughout the course of each underwriting year considering evolving market pricing and loss conditions, and as opportunities present themselves.

The Syndicate's underwriters and IQUW SML management consider underwriting risk at an individual contract level and from a portfolio perspective where the risks assumed in similar classes of policies are aggregated and the exposure evaluated considering historical portfolio experience and prospective factors.

The delegation of underwriting authority to specific individuals, both internally and externally, is subject to regular review. All underwriting staff and binding agencies are set strict parameters in relation to the levels and types of business they can underwrite, based on individual levels of experience and competence. These parameters cover areas such as maximum sums insured per insurance contract, maximum gross premium written, and maximum aggregated exposures per geographical zone and risk class. All delegations are strictly controlled through these underwriting guidelines and limits, and extensive monitoring, review, and auditing of the agencies.

The Syndicate compiles estimates of losses arising from realistic disaster events using statistical and/or meteorological models alongside input from the underwriters. They also reflect the areas that represent significant exposures for the Syndicate. The events are extreme and therefore mostly untested, which increases the risk that estimates may prove inadequate because of incorrect assumptions, model deficiencies, or losses from unmodelled risks.

(a)(ii) Outwards reinsurance

The Syndicate also manages underwriting risk by purchasing reinsurance. The classes of business expose the Syndicate to claims not only at individual risk level, but also at event level. The Syndicate therefore reinsures a portion of the risks that it underwrites to control its exposure to claims and to protect its capital resources. Reinsurance protections, such as excess of loss and quota share covers, are purchased to mitigate the effect of individual large losses, catastrophes and concentrations of risk beyond the risk appetite approved by the Board. The scope and type of reinsurance protection purchased may change depending on the extent and competitiveness of cover available in the market. There is exposure to a credit risk to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance arrangements as outlined above, to mitigate this risk, the Syndicate either purchases reinsurance with rated insurers, or requires non-rated insurers to be collateralised.

(b) Reserving risk

Reserving risk is defined as the risk that reserves set in respect of insurance claim losses are ultimately insufficient to fully settle these claims and associated expenses. The Syndicate's procedures for estimating the outstanding costs of settling insured losses at the balance sheet date, including claims incurred but not yet reported, are detailed in note 4(i).

The Syndicate aims to manage reserving risk:

- to minimise reserve volatility through robust reserving and application of actuarial modelling approaches; and
- to monitor reserve adequacy and performance on an ongoing basis

The Syndicate undertakes both an internal and external actuarial review of the claims' provisions, independent of the underwriting teams. The Statement of Actuarial Opinion ("SAO") on claims reserve adequacy, required by Lloyd's, is provided by an independent external actuarial firm.

The Syndicate's provision estimates are subject to regular and rigorous review by senior management from all areas of the business. The final provision is approved by the IQUW SML Board.

Booked reserves include a net margin of £16.0 million. This is the margin above the best estimate to further mitigate the uncertainty within the reserve estimates.

(b)(i) Sources of uncertainty in the estimation of future claim payments

For the inwards reinsurance lines, there is often a time lag between the establishment and re-estimation of case reserves and reporting to the Syndicate. The Syndicate works closely with the reinsured to ensure timely reporting and analyses industry loss data to verify the reported reserves. Additional reserves are provided for, particularly for claims incurred not reported (IBNR), especially for the longest-tailed lines such as Professional Lines where the final settlement may not occur until several years after the claim occurred. Actuarial projection methodologies are used to estimate ultimate claims based on the historical development patterns for paid and incurred claims. For the most uncertain claims, standard actuarial techniques are augmented with bespoke analysis, views of other business functions such as claims, underwriting and exposure management, and alternative data sources.

The recent inflationary environment presents additional uncertainty, as settlement delays coupled with inflation may result in inadequate reserves being projected by actuarial techniques which do not explicitly take this environment into account. A number of techniques, including the development of a cash-flow model addressing inflation, and stress / sensitivity testing are employed by the internal actuarial team to quantify both the impact of the environment and the potential range of uncertainty.

(b)(ii) Development of claims provision

The tables below show the estimated ultimate cumulative claims, being incurred claims plus IBNR and claims handling costs, for each successive underwriting year at each balance sheet date.

The Syndicate seeks to set robust reserves and to minimise volatility in those reserves over time to mitigate the risk that reserves will be insufficient to meet future claims payments and related expenses. The tables below show the development of the estimated ultimate claims costs over an extended period to provide an illustration of the Syndicate's ability to accurately estimate the ultimate level of claims. It should be noted that the Syndicate's material change in strategy and management from the 2021 underwriting year means the development of prior years is less relevant to the 2021 and future underwriting years.

Analysis of claims development- gross of reinsurance

Underwriting year	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
At end of reporting year	33.8	68.8	63.4	48.8	78.8	76.1	207.6	134.7	712.0
One year later	59.2	94.2	94.0	80.8	140.1	179.1	321.7		969.1
Two years later	65.2	98.4	100.4	84.1	146.4	196.3			690.8
Three years later	66.8	82.5	88.4	81.6	148.5				467.8
Four years later	47.8	76.8	87.0	83.3					294.9
Five years later	46.6	77.0	85.6						209.2
Six years later	46.7	77.5							124.2
Seven years or more later	46.7								46.7
Current estimate of cumulative claims	46.7	77.5	85.6	83.3	148.5	196.3	321.7	134.7	1,094.3
Cumulative payments to date	(46.0)	(75.0)	(82.1)	(74.1)	(112.4)	(93.4)	(127.5)	(11.1)	(621.6)
Total gross provision included in the balance sheet	0.7	2.5	3.5	9.2	36.1	102.9	194.2	123.6	472.7

Analysis of claims development- net of reinsurance

Underwriting year	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	Total £m
At end of reporting year	22.2	37.2	25.1	19.9	71.8	52.2	165.2	115.7	509.3
One year later	41.5	55.3	39.9	47.0	118.9	115.6	269.2		687.4
Two years later	45.7	59.1	46.0	53.2	121.3	124.5			449.8
Three years later	45.6	45.4	34.2	51.4	118.9				295.5
Four years later	36.0	44.2	36.6	53.4					170.2
Five years later	34.6	45.5	36.0						116.1
Six years later	34.8	46.0							80.8
Seven years or more later	35.1								35.1
Current estimate of cumulative claims	35.1	46.0	36.0	53.4	118.9	124.5	269.2	115.7	798.8
Cumulative payments to date	(34.0)	(42.0)	(33.9)	(51.6)	(96.7)	(75.0)	(124.9)	(11.1)	(469.2)
Total net provision included in the balance sheet	1.1	4.0	2.1	1.8	22.2	49.5	144.3	104.6	329.6

**the initial estimate of gross and net provision at the end of the reporting year is on an earned basis.*

(b)(iii) Sensitivity analysis of reserve estimates

Assumptions about future developments, outcomes or events underpin the setting of the Syndicate's booked reserves. The sources of estimation uncertainty are discussed in note 5(ii)(a). Sensitivity analysis of the key assumptions provides an illustration of the inherent uncertainty in the reserves as shown below.

The following illustrates the sensitivity of some of the key assumptions.

The Syndicate has material exposure to Hurricane Ian. Hurricane Ian was the largest catastrophe loss in the syndicate in 2022 calendar year, however in 2023 uncertainty was reduced due to the claims developing in the year.

The Syndicate also has material exposure to a series of MidWest storms. If a 25% deterioration on the current selected gross ultimate loss pick was assumed the net impact would be £1.0m deterioration on the 2022 year of account. This increases the uncertainty of the Syndicate's total reserves, but not beyond the normal range of uncertainty for insurance liabilities at this stage of development.

The Syndicate, through its reinsurance and insurance portfolios, has exposure relating to Russia-Ukraine for to war on land and contingent war coverage for aircraft lessors. Various scenarios have been proposed based on splits between Hull and War as well as cancellation clause impacts. The gross exposures are fully in the reinsurance programme so future volatility will be borne by reinsurers with consequent increases to reinstatement premiums being borne by the syndicate.

Financial risk

The Syndicate is exposed to financial risk through its ownership of financial instruments including financial liabilities. The Syndicate invests in financial assets to fund obligations arising from its insurance contracts and other liabilities.

The key financial risk for the Syndicate is that the proceeds from its financial assets and investment result generated therefrom are not sufficient to fund the obligations. The most important variables that could result in such an outcome relate to credit risk, market risk, and liquidity risk.

(c) Credit risk

Credit risk is the risk that a counterparty will suffer a deterioration in solvency or be unable to pay amounts in full when due. The primary sources of credit risk for the Syndicate are:

- brokers and intermediaries – whereby counterparties fail to pass on premiums collected or claims paid on behalf of the Syndicate.
- reinsurers – whereby reinsurers may fail to pay valid claims against a reinsurance contract.
- investments – where issuer default results in the Syndicate losing all or part of the value of a financial instrument.

The Syndicate has a relatively low appetite for credit risk, as its principal business is to accept insurance risk. This approach is intended to protect the Syndicate's capital from erosion from credit risk so that it can meet its insurance liabilities. The Syndicate structures the acceptable levels of credit risk by placing limits on its exposure to singular and group counterparties, to geographical and industry segments and by reviewing the creditworthiness of reinsurers through credit ratings provided by rating agencies and other publicly available financial information detailing their financial strength and performance. Risk limits are subject to regular review. The Syndicate also mitigates credit risk through the requirement for certain counterparties to hold high-credit quality collateral in segregated accounts.

The IQUW SML credit control function monitors the ageing and collectability of debtor balances, with credit evaluations performed on all relevant counterparties.

(c)(i) Investments

The Syndicate is exposed to counterparty risk with respect to cash and cash equivalents, and investments and other deposits.

The Syndicate mitigates counterparty credit risk by ensuring appropriate diversification of total invested assets across high-quality instruments. Investments are to be fully admissible for Lloyd's/PRA solvency purposes, primarily only in liquid securities and with counterparties that have a credit rating equal to investment grade or better.

The Syndicate imposes guidelines on its external investment managers in relation to the constituents of the investment portfolios. These guidelines specify the acceptable asset classes, duration, and credit ratings. The performance of the investment managers is regularly reviewed to confirm adherence to these guidelines.

(c)(ii) Analysis of counterparty credit risk

The following table summarises the Syndicate's significant credit risk for impacted assets:

2023	**AAA £m**	**AA £m**	**A £m**	**BBB £m**	**<BBB £m**	**Asset classes not subject to rating £m**	**Total £m**
Financial investments	190.5	51.2	55.9	–	–	49.6	347.2
Cash at bank and in hand	–	–	46.9	–	–	–	46.9
Overseas deposits	11.0	1.9	1.5	1.4	2.3	18.6	36.7
Reinsurers' share of claims outstanding	–	67.1	75.9	–	–	–	143.0
Debtors arising out of insurance operations	–	–	14.4	7.3	0.3	94.4	116.4
Debtors arising out of reinsurance operations	0.1	–	6.1	41.5	0.3	96.9	144.9
Total	201.6	120.2	200.7	50.2	2.9	259.5	835.1

2022	AAA £m	AA £m	A £m	BBB £m	<BBB £m	Asset classes not subject to rating £m	Total £m
Financial investments	92.4	42.1	19.2	–	–	23.9	177.6
Cash at bank and in hand	–	–	30.4	–	–	–	30.4
Overseas deposits	6.8	1.6	1.0	1.0	2.4	13.7	26.5
Reinsurers' share of claims outstanding	–	75.9	62.2	–	–	1.4	139.5
Debtors arising out of insurance operations	–	0.3	0.7	–	–	73.6	74.6
Debtors arising out of reinsurance operations	0.4	0.5	28.6	–	1.2	78.6	109.3
Total	99.6	120.4	142.1	1.0	3.6	191.2	557.9

The tables below provide information regarding the maximum credit risk exposure to these assets, together with the extent to which they are due, past due and impaired. An assessment is performed on all assets, based on the ageing of these assets, which may result in an impairment charge in the statement of comprehensive income if the Syndicate considers this to be appropriate.

2023	Neither due nor impaired £m	Past due up to 3 months £m	Past due 3 to 6 months £m	Past due 6 months to 1 year £m	Past due greater than 1 year £m	Past due and impaired £m	Total £m
Financial investments	347.2	–	–	–	–	–	347.2
Cash at bank and in hand	46.9	–	–	–	–	–	46.9
Overseas deposits	36.7	–	–	–	–	–	36.7
Debtors arising out of insurance operations	75.3	0.9	23.3	13.3	3.6	–	116.4
Reinsurers' share of claims outstanding	143.0	–	–	–	–	–	143.0
Debtors arising out of reinsurance operations	45.6	23.1	36.3	37.0	2.9	–	144.9
Other assets	120.0	–	–	–	–	–	120.0
Total	814.7	24.0	59.6	50.3	6.5	–	955.1

2022	Neither due nor impaired £m	Past due up to 3 months £m	Past due 3 to 6 months £m	Past due 6 months to 1 year £m	Past due greater than 1 year £m	Past due and impaired £m	Total £m
Financial investments	177.6	–	–	–	–	–	177.6
Cash at bank and in hand	30.4	–	–	–	–	–	30.4
Overseas deposits	26.5	–	–	–	–	–	26.5
Debtors arising out of insurance operations	19.2	36.0	11.1	5.0	2.7	0.6	74.6
Reinsurers' share of claims outstanding	139.5	–	–	–	–	–	139.5
Debtors arising out of reinsurance operations	81.1	17.9	9.0	1.0	0.3	–	109.3
Other assets	79.2	–	–	–	–	–	79.2
Total	553.5	53.9	20.1	6.0	3.0	0.6	637.1

(d) Market risk

Market risk is the risk of a variation in the value of financial institution deposits and financial investments, relative to the variation in the value of liabilities due to market movements. Market risk arises where the value of assets less liabilities changes because of movements in foreign exchange rates, interest rates, inflation rates and/or market prices.

The Syndicate engages external investment managers to actively manage the market risk associated with financial investments. Detailed guidelines imposed on the investment managers are in place and the IQUW SML Board and its investment committee regularly monitor performance and risk metrics.

(d)(i) Foreign currency risk

Most of the Syndicate's gross premium written is in US Dollars. Consequently, movements in the UK Pound Sterling against US Dollar exchange rate may have a material impact on its presented financial performance and position. The Syndicate's financial assets are denominated in the same currencies as its insurance liabilities to reduce currency exchange volatility. The profit/loss is distributed/collected in line with Lloyd's rules using a combination of UK Pound Sterling and US Dollars.

The following table summarises the carrying value of total assets and total liabilities categorised by currency:

2023	GBP £m	USD £m	CAD £m	EUR £m	AUD £m	JPY £m	Total £m
Reinsurers' share of technical provisions	2.6	147.3	1.0	16.3	6.7	0.1	174.0
Insurance and reinsurance receivables	12.1	226.7	0.6	9.3	10.8	1.8	261.3
Financial investments	1.5	297.5	24.5	8.7	15.0	–	347.2
Cash in hand and at bank	3.4	5.5	1.0	15.8	9.8	11.4	46.9
Overseas deposits	20.8	2.8	3.6	–	9.5	–	36.7
Other assets	23.8	59.0	1.1	3.5	1.3	0.4	89.1
Total assets	64.2	738.8	31.8	53.6	53.1	13.7	955.2
Technical provisions	(38.9)	(637.2)	(10.2)	(41.2)	(37.2)	(4.3)	(769.0)
Insurance and reinsurance payables	(7.7)	(47.9)	(1.3)	(9.5)	(6.1)	–	(72.5)
Other creditors	(6.3)	(4.3)	–	(0.6)	(0.3)	(0.1)	(11.6)
Total liabilities	(52.9)	(689.4)	(11.5)	(51.3)	(43.6)	(4.4)	(853.1)
Currency Adjustments	–	–	–	–	–	–	–
Members' balances by currency	11.3	49.4	20.3	2.3	9.5	9.3	102.1

2022	GBP £m	USD £m	CAD £m	EUR £m	AUD £m	JPY £m	Total £m
Reinsurers' share of technical provisions	1.5	150.2	0.9	8.2	1.8	0.1	162.7
Insurance and reinsurance receivables	6.0	150.2	2.9	13.6	9.2	2.0	183.9
Financial investments	1.4	161.4	14.8	–	–	–	177.6
Cash in hand and at bank	5.4	1.6	–	6.8	9.2	7.4	30.4
Overseas deposits	15.8	1.9	2.7	–	6.1	–	26.5
Other assets	14.8	37.0	0.9	1.6	1.4	0.2	55.9
Total assets	44.9	502.3	22.2	30.2	27.7	9.7	637.0
							–
Technical provisions	(33.5)	(516.7)	(8.9)	(20.6)	(22.8)	(3.7)	(606.2)
Insurance and reinsurance payables	(1.0)	(48.3)	(0.9)	(10.1)	(1.7)	–	(62.0)
Other creditors	(0.2)	(5.1)	(0.1)	(0.3)	(0.3)	(0.3)	(6.3)
Total liabilities	(34.7)	(570.1)	(9.9)	(31.0)	(24.8)	(4.0)	(674.5)
Currency Adjustments	–	–	–	–	–	–	–
Members' balances by currency	10.2	(67.8)	12.3	(0.8)	2.9	5.7	(37.5)

At 31 December 2023, the Syndicate used closing rates of exchange of £1: $1.27 and £1: €1.15 (2022: £1: $1.20 and £1: €1.13).

The Syndicate performs sensitivity analysis on a 10% strengthening or weakening of the presentational currency, UK pounds sterling, against the Euro and US Dollar. This analysis assumes that all other variables, in particular interest rates, remain constant and that the underlying valuation of assets and liabilities in their base currency is unchanged. The process of deriving the undernoted estimates takes account of the linear retranslation movements of foreign currency monetary assets and liabilities. A 10% strengthening (weakening) of the following currencies at 31 December would have increased (decreased) members' balances for the financial year by the amounts shown below:

(Decrease)/increase on members' balances	**2023**	2022
	£m	£m
10% strengthening of the US Dollar	5.0	(6.8)
10% weakening of the US Dollar	(5.0)	6.8
10% strengthening of the Euro	0.2	0.1
10% weakening of the Euro	(0.2)	(0.1)

(d)(ii) Interest rate risk

The Syndicate undertakes a sensitivity analysis for interest rate risk to illustrate how changes in the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates at the reporting date. An increase or decrease of 50 basis points in interest yields would result in a charge or credit to members' balances as set out below.

	Impact on loss for the year		Increase/(decrease) on members' balances	
£m	**2023**	2022	**2023**	2022
Shift in yield (basis points):				
50 basis points decrease	2.2	0.5	2.2	0.5
50 basis points increase	(2.2)	(0.5)	(2.2)	(0.5)
100 basis points decrease	4.4	0.9	4.4	0.9
100 basis points increase	(4.4)	(0.9)	(4.4)	(0.9)

This is applied to the position as at 31 December 2023 and considers the full effect of mark to market movements, but without recognising any running yield benefit.

Insurance contract liabilities are not directly sensitive to the level of market interest rates, as they are discounted and contractually non-interest-bearing.

(e) Liquidity risk

Liquidity risk arises where cash may not be available at a reasonable cost to pay obligations when due . The Syndicate is exposed to daily cash outflows on its available cash resources, mostly for the settlement of claims arising from insurance contracts. Limits on the minimum level of cash and maturing funds available to meet such outflows are set to cover unexpected levels of claims and other cash demands. A sizeable proportion of the Syndicate's investments is in highly liquid assets that can be converted to cash at short notice without any significant capital loss or material expense. These funds are monitored by management daily.

2023	No stated maturity £m	0-1 year £m	1-3 years £m	3-5 years £m	> 5 years £m	Total £m
Gross claims outstanding	–	188.2	166.3	58.8	59.4	472.7
Reinsurance creditors	–	65.4	–	–	–	65.4
Insurance creditors	–	7.1	–	–	–	7.1
Other creditors	–	11.6	–	–	–	11.6
Accruals and deferred income	–	–	–	–	–	–
Total	–	272.3	166.3	58.8	59.4	556.8

2022	No stated maturity £m	0-1 year £m	1-3 years £m	3-5 years £m	> 5 years £m	Total £m
Gross claims outstanding	–	169.2	157.1	46.4	10.9	383.6
Reinsurance creditors	–	59.9	–	–	–	59.9
Insurance creditors	–	2.1	–	–	–	2.1
Other creditors	–	6.3	–	–	–	6.3
Accruals and deferred income	–	–	–	–	–	–
Total	–	237.5	157.1	46.4	10.9	451.9

(f) Climate change risk

The Syndicate's underwriting performance is exposed to the physical risk of climate change from a increased frequency or severity of physical hazards because of global temperature increases of 1.5 degrees or more. Further, there are elements of the portfolio that may be exposed to transition risk from the resulting economic transition following regulatory or government intervention, and liability risk from increased litigation raising the issue of climate change in investment management practices.

(g) Operational risk

Operational risk is the risk of loss from people, processes or systems, or external events with origins outside the scope of other risk categories. IQUW SML actively monitors and controls its operational risks. The nature of the risk means that it can impact all areas of the business. Examples of key operational risks for the Syndicate include IT performance and stability, cyber security, and the delivery of major projects.

Key activities to manage operational risk across the Syndicate include:

- quarterly assessment of the risk register across all areas of the business to identify instances where the risk profile has increased, and/or areas where additional mitigation may be necessary to control the risk within tolerance;
- the Operational Committee reviewing key activities across the business, with governance, reporting and escalation paths for operational risk;
- independent second line and third line reviews of key controls designed to mitigate Operational risk; and
- risk culture and management training to ensure continued awareness of operational risk for all employees.
- disaster recovery planning, with effective communication programmes in place utilising Everbridge and scenario testing across the business

6. Segmental Analysis

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

2023	**Gross premium written £m**	**Gross premium earned £m**	**Gross claims incurred £m**	**Net operating expenses £m**	**Reinsurance balance £m**	**Total £m**
Direct insurance:						
Motor (Other Classes)	1.6	1.5	(0.6)	(0.4)	(0.2)	0.3
Marine	10.4	15.9	(12.7)	(4.9)	0.2	(1.5)
Aviation	8.6	12.1	(6.1)	(3.3)	(1.7)	1.0
Transport	29.6	24.1	(9.8)	(6.5)	(3.9)	3.9
Energy-Marine	11.1	10.2	(5.4)	(2.9)	(1.1)	0.8
Energy Non-Marine	12.4	11.4	(5.4)	(3.1)	(1.5)	1.4
Fire and Other damage to Property	197.1	169.0	(73.0)	(46.2)	(25.8)	24.0
Third party liability	123.9	102.9	(41.3)	(27.8)	(17.2)	16.6
Pecuniary Loss	11.2	9.1	(5.4)	(2.7)	(0.6)	0.4
Total Direct	405.9	356.2	(159.7)	(97.8)	(51.8)	46.9
Reinsurance	330.7	293.7	(119.1)	(77.3)	(47.4)	49.9
Total	736.6	649.9	(278.8)	(175.1)	(99.2)	96.8

2022	Gross premium written £m	Gross premium earned £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	Total £m
Direct insurance:						
Motor (Other Classes)	7.9	4.9	(3.4)	(0.1)	(1.5)	(0.1)
Marine	6.7	7.2	(5.8)	(1.9)	0.2	(0.3)
Aviation	4.7	4.0	(3.0)	(1.0)	–	–
Transport	17.3	11.9	(8.0)	(3.0)	(0.6)	0.3
Energy-Marine	8.1	6.3	(4.6)	(1.6)	(0.1)	–
Energy Non-Marine	9.3	7.2	(5.1)	(1.8)	(0.2)	0.1
Fire and other damage to property	174.4	131.4	(92.4)	(32.6)	(4.5)	1.9
Third party liability	102.0	81.3	(58.1)	(19.4)	(2.5)	1.3
Pecuniary Loss	4.8	3.3	(2.2)	(0.8)	(0.2)	0.1
Total Direct	335.2	257.5	(182.6)	(62.2)	(9.4)	3.3
Reinsurance	208.8	166.6	(138.2)	(39.2)	(1.6)	(12.4)
Total	544.0	424.1	(320.8)	(101.4)	(11.0)	(9.1)

The reinsurance balance is the aggregate total of reinsurance outwards balances included in the technical account.

The geographical analysis of gross premiums by destination as a proxy for risk location is as follows:

	2023	2022
	£m	£m
UK	192.6	128.9
European Union member states	63.4	29.0
United States of America	339.7	291.6
Rest of the world	140.9	94.5
Gross premium written	736.6	544.0

7. Investment Return

All the Syndicate's investments are recognised at fair value through the profit and loss.

	2023	2022
Investment income	**£m**	£m
Income from investments, cash, and other deposits	8.3	2.0
Gain /(loss) on realisation of investments	4.4	–
Total Investment Income	12.8	2.0
Unrealised gain/(loss) on investments at fair value through profit or loss	1.3	(1.4)
Investment management expenses, including interest	(0.1)	–
Net investment income	14.0	0.6

Syndicate funds include investments and cash. Syndicate funds are held in trust fund and short-term deposit accounts. On 31 December 2023 these were £436.1 million (2022: £234.4 million).

8. Net Operating Expenses

	2023	2022
	£m	£m
Brokerage, commissions & other acquisition costs	157.0	105.3
Reinsurance Commissions	(13.5)	(5.1)
Change in deferred acquisition costs	(19.8)	(20.2)
Administrative expenses	41.5	15.6
Members' standard personal expenses	9.9	5.8
Total	175.1	101.4

Brokerage and commission on direct business written was £81.4 million (2022: £59.4 million).

Included in administrative expenses are staff costs of £46.6 million (2022: £23.7 million), which is analysed in note 10.

Administrative expenses include fees payable to the auditors and its associates (note 9).

9. Auditors' Remuneration

During the year the syndicate, obtained the following services	2023 £m	2022 £m
Fees payable to the auditors and its associates for the audit of the syndicate annual accounts and Lloyd's returns	0.4	0.4
Fees payable to the auditors and its associates for other services pursuant to legislation	0.1	0.1
Total	0.5	0.5

The above represents the Syndicate's share of the total audit fee. Fees payable to the auditors and its associates are included in administrative expenses (note 8).

10. Staff Costs

The Syndicate and the managing agent have no employees. Staff are employed by IQUW ASL. The Syndicate did not directly incur staff costs during the year (2022: nil). The following salary and related costs were recharged to the syndicate during the year:

	2023 £m	2022 £m
Wages and salaries	20.6	18.0
Social security costs	4.6	2.3
Other pension costs	1.4	1.0
Other	20.0	2.4
Total	46.6	23.7

The average number of staff employed by IQUW ASL and recharged to the Syndicate during the year was as follows:

	2023 FTE	2022 FTE
Underwriting	115	77
Claims	9	4
Administration	93	80
Total	217	161

The Directors of IQUW SML received the following aggregate remuneration recharged to the Syndicate and included in net operating expenses:

	2023 £m	2022 £m
Directors' emoluments	1.3	0.7
Pension contributions	—	—
Total	1.3	0.7

The active underwriter received the following remuneration charged as Syndicate expense:

	2023	2022
	£m	£m
Underwriter's emoluments	0.4	0.4
Total	0.4	0.4

Key management includes directors and senior management. The follow emoluments were charged to the Syndicate:

	2023	2022
	£m	£m
Aggregate emoluments	2.2	1.7
Pension contributions	0.1	–
Total	2.3	1.7

11. Financial Investments

	2023		**2022**	
	Fair value	**Cost**	Fair value	Cost
	£m	**£m**	£m	£m
Shares and other variable yield securities, unit trusts	219.9	216.1	85.3	85.4
Debt securities and other fixed income securities	127.3	125.0	92.2	93.0
Total	347.2	341.1	177.5	178.4

All financial investments in the current and prior financial year were carried at fair value through profit or loss. No financial assets in the current or prior financial year were classified as 'held for trading' under FRS 102.

Fair value hierarchy

The Syndicate has classified its financial investments using the fair value hierarchy in accordance with the FRS 102 amendments to "Fair value hierarchy disclosures" issued by the Financial Reporting Council on 8 March 2016. The fair value of the Syndicates financial assets is based on prices provided by custodians and asset managers who follow the the practice as outlined in the level structure further down.

The fair value hierarchy classifies financial instruments into Levels 1 through 3 based on the significance of the inputs used in measuring their fair value with Level 1 being the most reliable. The classifications within the fair value hierarchy are defined as follows:

- Level 1 – Quoted price for an identical asset in an active market. This includes securities and financial investments that are priced based on unadjusted quoted prices in an active market for identical assets that can be accessed at the measurement date.
- Level 2 – Price of a recent transaction for an identical asset and valuation technique using observable market data. This includes securities and financial investments that are priced using valuation techniques based on direct or indirect observable market data, including market prices from recognised exchanges, broker-dealers, recognised indices, or pricing vendors.
- Level 3 – Valuation technique using unobservable market data. This includes securities which are not actively traded, the pricing service uses common market valuation pricing models. Observable inputs used in common market valuation pricing models including, but are not limited to, broker quotes, credit ratings, interest rates, and yield curves, prepayment speeds, default rates, and other such inputs which

are available from market sources.

2023	**Level 1 £m**	**Level 2 £m**	**Level 3 £m**	**Total £m**
Shares, other variable yield securities and units in unit trusts	218.4	–	1.5	219.9
Debt securities and other fixed income securities	12.0	115.3	–	127.3
Overseas deposits	14.5	22.2	–	36.7
Total	244.9	137.5	1.5	383.9

2022	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Shares, other variable yield securities and units in unit trusts	83.9	–	1.4	85.3
Debt securities and other fixed income securities	48.7	43.5	–	92.2
Overseas deposits	10.5	16.0	–	26.5
Total	143.1	59.5	1.4	204.0

Level 3 investments consist of loans made to the Lloyd's Central Fund to which a fair value adjustment has been applied based on the Lloyd's RT1 valuation model. The fund has been classed as equity as it is not tradeable and the repayment of the loan, and payment of interest thereon is at the discretion of the Corporation of Lloyd's. The table below sets out a reconciliation of the opening and closing balances for financial instruments classified under level 3 of the fair value hierarchy:

	2023 £m	2022 £m
Balance at 1 January	1.4	1.6
Purchases	–	–
Unrealised gain/(loss) in the year on securities held at the end of the year	0.1	(0.2)
Balance at 31 December	1.5	1.4

12. Foreign exchange (loss)/gain

	2023 £m	2022 £m
Non-technical account foreign exchange (loss)/gain	0.7	(2.8)
Foreign exchange translation differences	(3.3)	(2.4)
Total	(2.6)	(5.2)

13. Technical Provisions – Unearned Premium

2023	Gross £m	Reinsurer's share £m	Net £m
At 1 January 2023	222.6	(23.2)	199.4
Premium written in the year	736.6	(148.8)	587.8
Premium earned in the year	(649.9)	139.8	(510.1)
Effect of movements in exchange rates	(13.0)	1.2	(11.8)
At 31 December 2023	296.3	(31.0)	265.3

2022	Gross £m	Reinsurer's share £m	Net £m
At 1 January 2022	89.2	(9.8)	79.4
Premium written in the year	544.0	(103.5)	440.5
Premium earned in the year	(424.1)	91.7	(332.4)
Effect of movements in exchange rates	13.5	(1.6)	11.9
At 31 December 2022	222.6	(23.2)	199.4

14. Technical Provisions - Claims Outstanding

2023	Gross £m	Reinsurer's share £m	Net £m
At 1 January 2023	383.6	(139.5)	244.1
Claims incurred in the year	278.9	(40.5)	238.4
Claims paid during the year	(169.3)	30.4	(138.9)
Foreign exchange	(20.5)	6.6	(13.9)
At 31 December 2023	472.7	(143.0)	329.7

2022	Gross £m	Reinsurer's share £m	Net £m
At 1 January 2022	166.4	(63.8)	102.6
Claims incurred in the year	320.8	(80.7)	240.1
Claims paid during the year	(129.2)	16.3	(112.9)
Foreign exchange	25.6	(11.3)	14.3
At 31 December 2022	383.6	(139.5)	244.1

An unexpired risk reserve was not required at 31 December 2023. (2022: nil).

15. Deferred acquisition costs

	2023 £m	2022 £m
At 1 January 2023	47.5	21.5
Change in deferred acquisition costs - gross	22.3	23.5
Change in deferred acquisition costs - reinsurers share	(2.5)	(3.3)
Foreign exchange	0.2	5.8
At 31 December 2023	67.5	47.5

16. Debtors arising out of direct insurance operations

	2023 £m	2022 £m
Amounts due from intermediaries		
Due within one year	116.4	74.6
Total	116.4	74.6

17. Debtors arising out of reinsurance operations

	2023 £m	2022 £m
Amounts due from intermediaries	144.9	109.3
Total	144.9	109.3

18. Other debtors

	2023 £m	2022 £m
Amounts due from IQUW group companies (due within one year)	16.1	4.2
Total	16.1	4.2

19. Creditors arising out of direct insurance operations

	2023 £m	2022 £m
Amounts due to intermediaries:		
Due to within one year	7.1	2.1
Total	7.1	2.1

20. Creditors arising out of reinsurance operations

	2023 £m	2022 £m
Amounts due to intermediaries:		
Due within one year	65.4	59.9
Total	65.4	59.9

21. Other Creditors

	2023 £m	2022 £m
Amounts due to IQUW group companies (due within one year)	5.9	2.9
Ceded Commission Payable	5.7	3.4
Total	11.6	6.3

22. Other net cashflow from investing activities

Other net cashflow from investing activities of £2.4 million (2022: £(21.0) million) comprises of overseas deposits and deposits with ceded undertakings.

23. Related Parties

IQUW Corporate Member Limited ("IQUW CML")

IQUW CML is a wholly owned subsidiary of IQUW IGL through which IQUW Holdings Bermuda Limited ("IQUW Group") conducts its underwriting business at Lloyd's.:

IQUW CML's share of the syndicate profit for the year is £105.3 million (2022: loss £12.2 million).

IQUW Syndicate Services Limited ("IQUW SSL")

IQUW SSL is a wholly owned subsidiary of IQUW SML and acts as a service company for the Syndicate.

IQUW SSL became an appointed representative of the managing agent IQUW SML on 14 January 2005 and is authorised by the PRA and regulated by the Financial Conduct Authority ("FCA") and PRA. The managing agent IQUW SML does not receive any direct income from IQUW SSL. No director of the managing agent IQUW SML has received any benefit for acting as a director of IQUW SSL.

IQUW SSL recharged the following expenses to the Syndicate:

	2023 £m	2022 £m
Closing balance receivable/ (payable)	16.1	4.2
In-year expense/ (income)	66.5	33.1

24. Syndicate Structure

The managing agent of the Syndicate is IQUW Syndicate Management Limited whose immediate parent undertaking is IQUW Insurance Group Limited ("IQUW IGL"), a company registered in England and Wales.

The ultimate parent undertaking of the largest and smallest group of companies for which Group accounts are drawn up is IQUW Holdings Bermuda Limited. Copies of financial statements can be obtained from the Company Secretary at 30 Fenchurch Street, London, England, EC3M 3BD.

25. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulation Authority ("PRA") requirements and resources criteria. These resources are calculated by Lloyd's under the rules of the Solvency II regime.

The resources calculation 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 control of the managing agents, no amount has been shown in these annual accounts for such capital resources. However, managing agents are able to make a call on the members' FAL to meet liquidity requirements to to settle losses.

26. Post Balance Sheet Event

Following approval by the IQUW Syndicate Management Limited board, the Syndicate 3268 closing underwriting year of 2021 was reinsured to close ("RITC") into the Syndicate on 9 February 2024, with effect from 1 January 2024. The amounts transferred as part of the RITC were £47.8m consisting of RITC payables of £76.1m and RITC receivables of £28.3m.