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Blenheim Underwriting Limited

**Syndicate Annual Report and Accounts
31 December 2022**

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Underwriter's Report

Introduction

2022 was an eventful year, with both geopolitical and natural catastrophes dominating the insurance landscape. The war in Ukraine and Hurricane Ian are both substantial but manageable events for the Syndicate, but they have also been catalysts for the hardest market that most of us have seen since the early 1990's.

A combination of the frequent, severe natural catastrophes seen in recent years, high inflation coupled with a tightening of monetary policy by central banks, increased loss costs driving increased demand and a failure of catastrophe models to recognise this, has led to a significant imbalance between the supply of capital and the demand for balance sheet protection.

The Syndicate has sought to position itself to take advantage of this current market by continuing a process of rebalancing the book. We have significantly restructured the Property Treaty account, using the substantial increase in rates to reduce our exposure and the volatility associated with the recent catastrophic activity. Our Direct Property account and Specialty Treaty account now make up a significant proportion of the Syndicate's income and combined with the growth in the Accident and Health, Political Risk and Contingency accounts, improving overall balance.

The stamp capacity is £352m for the 2023 year of account.

Calendar Year Result

On an annual accounting basis, the result of the Syndicate for the 2022 calendar year is a loss of £14.0m before currency translation differences (2021: £15.3m loss before currency translation differences). This represents a combined ratio of 106.0% (2021: 109.0%). The loss was driven by the significant catastrophes experienced during the year as well as the fact that reinsurance premiums and administrative expenses earn more quickly than the gross premium at the start of the underwriting year on what is a growing account. Some £140.9m (2021: £100.1m) of gross premium predominantly attributable to the 2022 year of account is unearned at the Statement of Financial Position date. This will essentially become fully earned over the next twelve to twenty-four months.

2020 Account

Our stamp capacity was £250 million for the 2020 year of account.

The makeup of the account was discussed in last year's report, as was the 2020 year of account's loss experience which was dominated by heightened catastrophic activity and the impact of COVID-19.

We are closing the 2020 account with a loss of £1.8m being 0.7% of stamp, which is in the range of estimates we last indicated.

Underwriter's Report *(continued)*

2021 Account

Our stamp capacity is £325 million for the 2021 year of account.

Last year we highlighted the frequency of catastrophes that had occurred during the year, potential dislocation in capital markets and how this would likely affect pricing in the Property Treaty and wider insurance market. To this must now be added the potential for a loss related to the conflict in the Ukraine also falling back to this year of account.

Even so, we are hopeful that favourable attritional losses on the underlying portfolio will continue to earn through the year and that we can realise a small profit.

The Managing Agent's report details the latest forecast for this year of account.

2022 Account

Our stamp capacity is £360 million for the 2022 year of account.

2022, whilst not affected by a frequency of catastrophes, was impacted by Hurricane Ian which, as the second largest insured loss in history after Hurricane Katrina, drove 2022 to become the 5th worst recorded loss year in history.

The conflict in Ukraine has added further uncertainty and volatility to the insurance landscape and macroeconomic headwinds driving inflation have compounded these pressures on the market.

As described last year, we have been working to improve the balance of the Syndicate with the goal of de-emphasising our exposures particularly from our Property Treaty account, whilst increasing our premium in the Direct Property account, recognising the continued improvement in that book's trading environment. This process has insulated us to a certain extent from the continuing catastrophic activity in 2022 and the continuing remediation of the Property Treaty account will only accelerate this process. The growth in our Specialty Treaty, Accident and Health and Political Risk accounts has meanwhile provided us with non-correlating income and going into 2023 we believe that we are very close to fully executing this plan. The 2022 year of account is expected to be profitable at this early stage.

2023 Account

Our stamp capacity is £352 million for the 2023 year of account.

As discussed earlier, the January 2023 renewal season saw all the factors, which we have been describing, lead to one of the hardest markets that most of us have seen.

Not only is capital in short supply but demand has increased as insurers finally recognised the need for increased policy limits as inflation and increasing loss costs started to have an impact. This led to a very challenging renewal season from both an inwards and outwards perspective. We believe that we have successfully balanced both aspects, shaping our inwards book, particularly on the Property Treaty account, to take advantage of the new rating environment, whilst purchasing a robust outwards reinsurance programme to protect this reshaped account.

It is also our belief that the exceptional underwriting conditions that prevail across most areas of our account, will only continue as the year progresses

Underwriter's Report *(continued)*

Concluding Comments

2023 has seen the international (re)insurance market in which we operate dramatically change. Catastrophe losses of \$600bn since 2017, a global pandemic, and decade high inflation, not to mention the conflict in Ukraine, have finally triggered a fundamental reassessment of returns needed to manage the increased volatility inherent in the world today. This will not be a short-lived hard market but instead represents a fundamental change in attitude towards risk and how balance sheets should be compensated for taking on this increased volatility.

I am of the firm belief that in this market and with the efforts the entire team has put in for the past six years we will now see results better reflect the underwriting talent that the business possesses.

I would like to take the opportunity once again to thank the entire team for all of their hard work and professionalism in continuing to move the business forward.

A handwritten signature in dark ink, appearing to read "N. J. Destro". The signature is fluid and cursive, with the first letters of each name being capitalized and prominent.

N J Destro
Active Underwriter
27 February 2023

Directors and Administration

Managing Agent

Blenheim Underwriting Limited

Directors

Nicholas Joseph Destro
Derek Charles Grainger
Sharon Julia Ingham
John Anthony Lynch
Peter David Scales
Christopher Norman Clark*
John Charles Hamblin*
Lawrence Albert Holder (Chair)*
Michael James Leonard*
Anthony Stirling Minns* (resigned 1 September 2022)
Esther Ruth Felton* (appointed 1 July 2022)

*Non-Executive Directors

Company Secretary

Tessa Helen Mijatovic

Managing Agent's Registered Office

7th Floor
70 Mark Lane
London
EC3R 7NQ

Managing Agent's Registered Company Number

10254215

Active Underwriter

N J Destro

Bankers

Barclays Bank
Citibank N.A.
RBC Dexia

Investment Manager

Conning Asset Management Limited

Registered Auditors

BDO LLP

Managing Agent's Report

The Directors of the Managing Agent present their report for the year ended 31 December 2022.

The Syndicate's Managing Agent is Blenheim Underwriting Limited ("Blenheim") a company registered in England and Wales. Blenheim assumed the role of Managing Agent following the successful novation from Asta Managing Agency Ltd ("Asta") on 6 August 2021.

Blenheim is a wholly owned subsidiary of White Bear Capital Limited ("WBC"), a company registered in England and Wales. WBC was incorporated on 8 June 2016 and operates in the United Kingdom ("UK") as the holding company of a number of wholly owned subsidiaries ("the Group").

This Syndicate Annual Report includes both the Syndicate Annual Accounts for the year ended 31 December 2022 and the Underwriting Year Accounts for the closed 2020 Year of Account.

Results

The result for the 2022 calendar year is a loss of £14.0m (2021: loss of £15.3m) before a loss on currency translation of £2.3m (2021: loss on currency translation of £0.2m) which equates to a total comprehensive loss of £16.3m (2021: total comprehensive loss of £15.5m). The net combined ratio is 106.0% (2021: 109.0%).

During 2022, Blenheim appointed Conning Asset Management Limited as an investment manager for the Syndicate and they have invested in debt securities and other fixed income securities in line with Lloyd's trust fund requirements and guidelines.

The Syndicate has presented its results under Financial Reporting Standard 102 – "The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland" ("FRS 102"). In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with Financial Reporting Standard 103 – "Insurance Contracts" ("FRS 103").

Principal activity and review of the business

The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market. For further narrative, see Underwriter's Report on pages 1 to 3.

Gross written premium income by class of business for the calendar year was as follows;

	2022	2021
	£m	£m
Property Treaty	116.0	104.3
Direct and Facultative Property	155.8	108.0
Contingency	11.3	5.5
Accident & Health	11.5	10.6
Specialty Treaty	78.3	52.2
Construction	2.7	1.7
Political Risk	10.6	3.3
	386.2	285.6

Managing Agent's Report *(continued)*

Principal activity and review of the business *(continued)*

The Syndicate's Key Performance Indicators ("KPIs") during the year were as follows;

	2022	2021
	£m	£m
Gross premiums written	386.2	285.6
Loss for the financial year	(14.0)	(15.3)
Total comprehensive loss	(16.3)	(15.5)
Net combined ratio	106.0%	109.0%

The net combined ratio is the ratio of claims incurred, net of reinsurance and net operating expenses to earned premiums, net of reinsurance. For further details, see the Underwriter's report on pages 1 to 3.

These KPIs are used by management to monitor the performance of the Syndicate. Gross premiums written are a measure of underwriting volume year on year. Total comprehensive loss and net combined ratio are both measures of profitability in the calendar year.

Investments

The total investment return for the calendar year is a loss of £1.0m (2021: £0.2m gain). Global bonds saw their worst annual performance for decades in 2022, as central banks tightened policy in response to inflation, which increased to levels significantly above their targets. Inflationary pressure was generated by global supply bottlenecks and labour, skill and material shortages coupled with the sharp bounce back in demand following the reopening of Western economies post Covid. These pressures were exacerbated by the Russian invasion of Ukraine and COVID-19 related lockdowns in China.

In response to monetary policy tightening during the year, the bond markets sold off sharply, as they discounted ever higher rates. In addition credit spreads increased, due to concerns that increasing rates would lead to recession and damage to economies and corporate earnings. This does present a brighter outlook for investment returns in the future; at the end of the year the average yield on the US dollar portfolio was 4.8%.

Underwriting year of account summary

The table below shows the Syndicate's actual results for the closed 2020 year of account and the forecast range for the 2021 open year of account based on the traditional three year Lloyd's basis after charging standard managing agent's fees and profit commission but before charging members' agents fees.

	2021 Year Forecast	2020 Year Actual
Capacity (£m)	324.9	249.7
Profit/ (loss) on capacity (%)	6.0 to (4.0)	(0.7)

Managing Agent's Report *(continued)*

2020 underwriting year result

The result for the 2020 year of account closed on 31 December 2022 with a comprehensive loss of £1.8m on gross premiums of £233.4m.

Gross premiums written income by class of business for the year of account was as follows;

	2020 £m
Property Treaty	98.5
Direct and Facultative Property	90.7
Contingency	1.2
Accident & Health	5.2
Specialty Treaty	37.8
	<u>233.4</u>

The key financial performance indicators for the year of account were as follows;

	2020 £m
Gross premiums	233.4
Total comprehensive loss	(1.8)
Net combined ratio	106.1%

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

The 2020 underwriting year's accounts are set out on pages 54 to 79.

2021 underwriting year forecast

The 2021 forecast has been based on the following assumptions:

Future claims development will follow an expected pattern. In particular, the incidence or development of major or attritional losses or the ability of the Syndicate's reinsurers to respond to potential recoveries will not diverge materially from expectations based on developments to date;

- No material changes occur in estimates as to ultimate premium levels and future reinsurance costs;
- There will be no material reinsurance failure;
- There will be no material surplus or deficiency arising from the reinsurance to close ("RITC") of the 2020 year of account;
- Interest, inflation and exchange rates at 31 December 2023 will not significantly impact the assumptions taken into account in the forecast; and

Managing Agent's Report *(continued)*

2021 underwriting year forecast *(continued)*

- There will be no significant changes in regulatory or legislative policies which will affect the activities of the Syndicate.

Further details regarding the performance of the Syndicate for the 2021 and 2022 years of account are set out in the Underwriter's report on pages 1 to 3.

Principal risks and uncertainties

The Board approves the risk appetite framework annually as part of the Syndicate's business planning and Solvency Capital Requirement ("SCR") process. The Blenheim Risk Committee ("RiC"), a sub-committee of the Board of Blenheim ("the Board"), meets at least quarterly and has responsibility for the oversight and monitoring of the Syndicate risk management framework.

The Board reviews the risk profile as reflected in the risk register, and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Reserving Committee ("RC").

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation where required. The Reinsurance Security and Broker Committee ("RISBC"), a management committee, sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Blenheim policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Board.

Exposure to changes in interest rates arises from the Syndicate's investment portfolio. Blenheim seeks to minimise this risk through investing in highly liquid financial instruments.

Managing Agent's Report *(continued)*

Principal risks and uncertainties *(continued)*

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk, the Board reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place and may also utilise the option of a cash call from capital providers. The Syndicate also mitigates its liquidity risk by ensuring it retains adequate assets in liquid instruments.

Blenheim has also arranged various facilities to help manage the Syndicate's cash flow. Further details are set out in Note 22 of the Syndicate Annual Accounts.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. Blenheim seeks to manage this risk through the use of an operational risk and control framework, detailed procedure manuals, thorough training programmes and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority, Prudential Regulatory Authority ("PRA") and The Society of Lloyd's ("Lloyd's"). Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Blenheim has a Legal and Compliance Director who manages a function that monitors business activity and regulatory developments to assess any effects on Blenheim.

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate controls and monitors its customer risk through a suite of key risk indicators and reporting metrics as part of its documented customer risk framework.

Group / strategic risk

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Going concern

The directors have made the necessary enquiries and have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future. Therefore, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the accounts.

Managing Agent's Report *(continued)*

Future developments

Climate change

In response to the PRA Supervisory Statement in 2019 and a subsequent “Dear Chief Executive Officer” letter in 2020, Blenheim is implementing significant changes to address and quantify the financial risks of climate change where possible and relevant, in order to meet the PRA’s requirements. We expect our approach to managing the financial risks from climate change to mature over time.

Blenheim has ensured Board-level engagement and accountability with the PRA’s requirements, assigning clear responsibilities for managing the financial risks associated with climate change. The Chief Executive Officer, who is a Board member, is responsible for identifying and managing financial climate related risks.

Risk management

The Board addresses the financial risks from climate change through the existing risk management framework. The Board considers the risks with respect to the current and future impacts to the business environment in which it operates.

The Board has identified two main areas of financial risk arising from climate change that are applicable in the short and long-term:

Catastrophe risk

- As most of the underwriting activity relates to (re)insurance which provides cover for natural catastrophes and man-made events, the main focus of Blenheim’s activities to date in relation to underwriting has been on catastrophe modelling and climate change by the Exposure Management team working in conjunction with the underwriting teams led by the Active Underwriter to ensure we do not overcommit the Syndicate’s capital at a time when the pattern of natural catastrophes may be altering due to climate change or other reasons. Blenheim utilises industry standard catastrophe models for our main peril regions, but we also have considerable in-house expertise in developing our own catastrophe models both to help validate the outputs of the former or to address significant peril regions not covered by the models we licence.

Investment risk

- Financial investments are a material asset to the balance sheet which could be exposed to the financial (physical or transition) risks. As per the Prudent Person Principle insurers must diversify their assets to avoid excessive accumulation risk in the investment portfolio. Therefore the Blenheim Board has instructed the investment manager to have regard to and consider the impact of any climate-related risks where their impact could adversely impact returns having specific regard to thermal coal, oil sands and arctic energy.

As per SS3/19 the actions taken are proportionate to the nature, scale and complexity of the Syndicate and we expect the expertise of the Board to manage the financial risks relating to climate change to evolve over time. The Board is committed to working to continue to enhance our risk management framework, data capabilities and Board reporting in relation to climate change.

Managing Agent's Report *(continued)*

Future developments *(continued)*

Environmental, Social and Governance (“ESG”)

Blenheim acknowledges and recognises the significance of ESG considerations in delivering optimum outcome for all stakeholders, both internal and external, and believes that appropriate ESG policies and practices support building a sustainable business.

Blenheim, as part of the wider White Bear Group, is committed to ensuring ethical behaviours in our activities, promoting diversity, equality and inclusion in the workplace, considering our own impact on the environment, continuing our strong governance work and facilitating ESG related knowledge sharing throughout the Group.

Blenheim has an Environmental, Social and Governance (“ESG”) Committee which is responsible for developing, recommending and subsequent implementation of the overall Blenheim ESG strategy. The ESG Committee consists of senior members of management including the Chief Executive Officer, Chief Financial Officer, Chief Risk Officer and the Active Underwriter. The ESG Committee reports on the ESG Policy to the Board and meets at least quarterly to consider progress and develop strategy.

The ESG Committee is focused on:

- Communicating ESG policy to employees and providing appropriate training.
- Taking steps as part of our recruitment practices to widen the pool of talent from which we draw our workforce, together with supporting volunteering programmes that promote the London Insurance Market within local communities.
- Tracking progress in promoting diversity, equality and inclusion in the workplace with a number relevant KPIs active which are reported regularly to the Group and subsidiary boards.
- Operating robust and independent whistleblowing arrangements across the Group that actively encourage employees to speak up on actual or suspected wrongdoing.
- Continuing to work towards formalising our approach to reducing the Group's environmental footprint.
- Developing a sustainable and consistent underwriting approach to ESG issues and the associated risk management framework to support this. We will work closely with our (re)insurance clients and producing brokers to help manage and navigate transition to more sustainable worldwide energy sources and emissions levels.
- Developing our catastrophe modelling and scenario testing in respect of climate change related risks to support underwriting decision making and business planning.
- Considering impact of any ESG risks within our investment strategies.

The Group's activity will be kept under review to ensure that our progress continues to align with, and is responsive to, new scientific developments, emerging trends and priorities, stakeholder expectation, legislation, and regulation.

Managing Agent's Report *(continued)*

Disclosure of information to the Auditor

So far as each person who was a Director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow Directors of Blenheim and the Syndicate's auditors, each Director has taken all the steps that he or she ought to have taken as a Director to become aware of any relevant audit information and to establish that the Syndicate's Auditor is aware of that information.

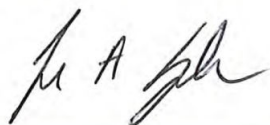
Auditors

The Managing Agent intends to reappoint BDO LLP as the Syndicate's auditor.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members within 21 days of the issue of these Financial Statements.

On behalf of the Board

A handwritten signature in black ink, appearing to read 'J A Lynch', is written over a light blue rectangular background.

J A Lynch
Director
27 February 2023



Blenheim Underwriting Limited

**Syndicate Annual Accounts
31 December 2022**

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 and FRS 103. The financial statements 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 financial statements, the Managing Agent is required to:

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

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report to the Members of Syndicate 5886

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2022 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008.

We have audited the financial statements of Syndicate 5886 (the 'Syndicate') for the year ended 31 December 2022 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows, and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Managing Agent's use of the going concern basis of accounting in the preparation of the financial statements is appropriate. Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

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

Independent Auditor's Report to the members of the Syndicate 5886 (continued)

Other information

The Managing Agent is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements 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 in this regard.

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

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

- the information given in the Managing Agent's Report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the Managing Agents Report.

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records;
- certain disclosure of Managing Agent emoluments and other benefits specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the members of the Syndicate 5886 (continued)

Responsibilities of the Managing Agent

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

In preparing the financial statements, 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 the Managing Agent either intends to cease the underwriting business of the syndicate, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

- Our responses to significant audit risks over technical provisions and management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specifically, we engaged an actuary as auditor's specialists to review the assumptions and methodology applied by the Syndicate in the valuation of technical provisions and to carry out their own independent reprojections of a significant proportion of the Syndicate's book of business. Our assessment of management override included an assessment of key accounting estimates and an assessment of journals.
- We obtained an understanding of the legal and regulatory framework applicable to the Syndicate's operations and the control environment in monitoring compliance with laws and regulations. We reviewed correspondence with the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Lloyd's of London.
- We carried out enquiries with management.
- We reviewed minutes of board meetings throughout the period.
- Agreement of the financial statement disclosures to underlying supporting documentation.

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to

Independent Auditor's Report to the members of the Syndicate 5886 (continued)


Extent to which the audit was capable of detecting irregularities, including fraud (continued)

fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

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

Use of our report

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

DocuSigned by:

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Alexander Barnes, *Senior Statutory Auditor*
 For and on behalf of BDO LLP, Statutory Auditor
 London, UK
 27 February 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

Technical account - General business

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Gross premiums written	4	386,236	285,550
Outward reinsurance premiums		(88,507)	(70,911)
Net written premiums		297,729	214,639
Change in the provision for unearned premiums			
Gross amount		(22,944)	(24,576)
Reinsurers' share		(2,155)	4,556
	5	(25,099)	(20,020)
Earned premiums, net of reinsurance		272,630	194,619
Allocated investment return transferred from the non-technical account	10	(986)	190
Claims paid			
Gross amount		(172,132)	(122,818)
Reinsurers' share		28,959	24,774
		(143,173)	(98,044)
Changes in the provision for claims outstanding			
Gross amount		(107,868)	(73,695)
Reinsurers' share		42,270	21,127
	5	(65,598)	(52,568)
Claims incurred, net of reinsurance		(208,771)	(150,612)
Net operating expenses	6	(80,294)	(61,500)
Balance on technical account – general business		(17,421)	(17,303)

All the amounts above are in respect of continuing operations. The notes on pages 24 to 53 form part of these financial statements.

Income Statement *(continued)***Non-technical account - General business****For the year ended 31 December 2022**

	2022	2021
	£'000	£'000
Balance on technical account – general business	(17,421)	(17,303)
Investment return	(986)	190
Allocated investment return transferred to the general business technical account	986	(190)
Exchange gain	3,417	2,002
Loss for the financial year	(14,004)	(15,301)

Statement of Comprehensive Income**For the year ended 31 December 2022**

	2022	2021
	£'000	£'000
Loss for the financial year	(14,004)	(15,301)
Currency translation differences	(2,255)	(222)
Total comprehensive loss for the year	(16,259)	(15,523)

Statement of Changes in Members' Balances**For the year ended 31 December 2022**

	2022	2021
	£'000	£'000
At 1 January	(46,418)	(44,793)
Total comprehensive loss for the year	(16,259)	(15,523)
Collection from members	8,560	13,898
At 31 December	(54,117)	(46,418)

All the amounts above are in respect of continuing operations. The notes on pages 24 to 53 form part of these financial statements.

Statement of Financial Position

As at 31 December 2022

	Notes	2022 £'000	2021 £'000
ASSETS			
Investments			
Financial investments	11	118,415	77,813
Reinsurers' share of technical provisions			
Provision for unearned premiums	5	10,400	8,082
Claims outstanding	5	119,905	72,085
		130,305	80,167
Debtors			
Debtors arising out of direct insurance operations	12	53,144	34,677
Debtors arising out of reinsurance operations	13	92,883	64,636
Other debtors	14	10,428	7,285
		156,455	106,598
Cash and other assets			
Cash at bank and in hand	18	68,583	45,919
Other assets	19	25,011	11,987
		93,594	57,906
Prepayments and accrued income			
Accrued interest		682	-
Deferred acquisition costs	5	28,182	20,235
Other prepayments and accrued income		730	1,138
		29,594	21,373
Total assets		528,363	343,857

The notes on pages 24 to 53 form part of these financial statements.

Statement of Financial Position *(continued)***As at 31 December 2022**

	Notes	2022 £'000	2021 £'000
MEMBERS' BALANCES AND LIABILITIES			
Capital and reserves			
Members' balances		(54,117)	(46,418)
Liabilities			
Technical provisions			
Provision for unearned premiums	5	140,894	100,065
Claims outstanding	5	380,805	253,397
		521,699	353,462
Creditors			
Creditors arising out of direct insurance operations	15	2,710	487
Creditors arising out of reinsurance operations	16	55,664	31,964
Other creditors	17	679	2,368
		59,053	34,819
Accruals and deferred income		1,728	1,994
Total liabilities		582,480	390,275
Total members' balances and liabilities		528,363	343,857

The notes on pages 24 to 53 form part of these financial statements.

The financial statements on pages 19 to 23 were approved by the Board of Directors on 27 February 2023 and were signed on its behalf by:



S J Ingham
Director
27 February 2023

Statement of Cash Flows

For the year ended 31 December 2022

	Notes	2022 £'000	2021 £'000
Cash flows from operating activities			
Loss on ordinary activities		(14,004)	(15,301)
Increase in gross technical provisions		168,237	97,521
Increase in reinsurers' share of gross technical provisions		(50,138)	(25,847)
Increase in debtors		(49,852)	(20,018)
Increase in creditors		24,229	9,260
Impairment of financial assets		(94)	94
Movement in other assets/liabilities/foreign exchange		(33,735)	(6,825)
Investment income		986	(190)
Net cash inflow from operating activities		<u>45,629</u>	<u>38,694</u>
Cash flows from investing activities			
Purchases of other financial investments		(132,957)	-
Sales of other financial investments		22,614	-
Investment income received		(986)	190
Net cash (outflow)/inflow from investing activities		<u>(111,329)</u>	<u>190</u>
Cash flows from financing activities			
Collection of losses		8,560	13,898
Net cash inflow from financing activities		<u>8,560</u>	<u>13,898</u>
Net (decrease)/increase in cash and cash equivalents		(57,140)	52,782
Cash and cash equivalents at beginning of year		120,533	67,592
Foreign exchange gain on opening cash and cash equivalents		12,262	159
Cash and cash equivalents at end of year	18	<u>75,655</u>	<u>120,533</u>

The notes on pages 24 to 53 form part of these financial statements.

Notes to the Syndicate Annual Accounts

For the year ended 31 December 2022

1. Basis of preparation

Statement of compliance

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

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The Syndicate's functional currency is US Dollars, being the primary economic environment in which it operates. The accounts have been presented in Sterling ("GBP"), which is the Syndicate's presentation currency and rounded to the nearest £'000. The presentation currency is consistent with the Syndicate's Quarterly Monitoring Return.

2. Accounting policies

Significant accounting policies

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

Gross premiums

Gross premiums written comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them. Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon claims provisions.

Reinsurance premiums

Reinsurance premiums comprise the total premiums payable for the whole cover provided by contracts entered in the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the Statement of Financial Position date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and Incurred But Not Reported ("IBNR").

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Claims incurred *(continued)*

The amount included in respect of IBNR is based on a combination of statistical techniques of estimation applied by the in-house actuaries and a detailed review of losses by management, further reviewed by external consulting actuaries. The statistical techniques generally involve projecting from past experience of the development of claims over time (using market data where Syndicate data is unavailable) to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

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

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

Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the outwards reinsurance policy based on the underlying direct or inwards reinsurance business being reinsured.

Unexpired risks

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

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

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from the conclusion of insurance contracts that are incurred during the reporting period, but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies and Lloyd's syndicates. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. Any impairment loss is recorded in the Income Statement, however we do not expect any impairment losses as we maintain strong monthly controls and reviews over the reinsurance overdue balances to ensure that balances do not become overdue, or are fully collateralised where reinsurers do not meet the required minimum credit rating of A. Gains or losses on buying reinsurance are recognised in the Income Statement immediately at the date of purchase and are not amortised.

There were no such gains recognised in 2022 and 2021.

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency is US Dollars being the primary economic environment in which it operates. The Syndicate's presentation currency is Sterling (GBP).

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions or appropriate average rate. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account.

In translating its results and financial position into the presentational currency, the Syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

The following Statement of Financial Position rates of exchange have been used in the preparation of these accounts:

	2022 Year End	2021 Year End
AUD	1.8	1.9
CAD	1.6	1.7
EUR	1.1	1.2
JPY	158.6	155.7
USD	1.2	1.4

Financial assets and liabilities

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

Financial assets and financial liabilities at fair value through Income Statement comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Financial assets and liabilities *(continued)*

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

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

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

Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in the income statement. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency but excludes interest and dividend income. At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not measured at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

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

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

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

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments. They also comprise collective investment schemes which are invested on a short-term basis. This excludes Lloyd's overseas deposits which are included within other assets.

Investment return

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

Fair value measurement of investments

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

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

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using quoted prices in an active market.
- Deposits with credit institutions are included at cost plus accrued income.
- Money Market Funds are valued on a stable net asset value ("NAV") basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the Statement of Financial Position at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Currency derivatives and bond futures are included at market price.
- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.

Notes to the Syndicate Annual Accounts *(continued)*

2. Accounting policies *(continued)*

Fair value measurement of investments *(continued)*

- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data.

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 other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the Statement of Financial Position under the heading 'Other debtors'.

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

3. Critical accounting judgements and key sources of estimation uncertainty

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

Critical accounting judgements

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

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the Statement of Financial Position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Gross written premium

Gross premiums written is a key source of estimation uncertainty as it relies upon the underwriter's judgement of pipeline premium at policy level as well as projection of future premiums at portfolio level based, primarily on the assumption past premium development can be used to project future premium development.

Notes to the Syndicate Annual Accounts *(continued)*

3. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Gross written premium *(continued)*

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

Claims outstanding and related reinsurance recoveries

The measurement of the provision for claims outstanding involves assumptions and estimates about the future that have the most significant effect on the amounts recognised in the annual accounts.

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

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Notes to the Syndicate Annual Accounts *(continued)*

4. Analysis of underwriting result

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

	2022					
	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance						
Accident & Health	10,834	8,584	(3,873)	(3,577)	(382)	752
Energy – Marine	1,282	670	(207)	(146)	(12)	305
Energy – Non Marine	1,413	847	(154)	(239)	(158)	296
Fire and other damage to Property	122,177	109,661	(62,577)	(30,027)	(4,111)	12,946
Aviation	10,340	10,081	(5,410)	(1,967)	(809)	1,895
Motor (other classes)	9,335	8,648	(4,303)	(2,774)	(1,170)	401
Third party liability	24	67	(49)	(24)	(6)	(12)
Transport	2,652	2,503	(943)	(820)	(375)	365
Pecuniary Loss	21,885	15,928	(4,672)	(4,417)	(3,432)	3,407
	179,942	156,989	(82,188)	(43,991)	(10,455)	20,355
Reinsurance	206,294	206,303	(197,812)	(36,303)	(8,978)	(36,790)
Total	386,236	363,292	(280,000)	(80,294)	(19,433)	(16,435)

	2021					
	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance						
Accident & Health	8,434	6,579	(1,821)	(2,757)	(423)	1,578
Energy – Non Marine	403	296	(668)	(77)	(126)	(575)
Fire and other damage to Property	85,491	77,855	(40,141)	(23,263)	(5,750)	8,701
Aviation	8,178	5,422	(3,609)	(1,335)	(848)	(370)
Motor (other classes)	4,908	3,347	(2,260)	(1,188)	(375)	(476)
Third party liability	-	-	-	-	-	-
Transport	2,697	1,549	(857)	(580)	(249)	(137)
Pecuniary Loss	9,003	4,223	(6,204)	(1,453)	719	(2,715)
	119,114	99,271	(55,560)	(30,653)	(7,052)	6,006
Reinsurance	166,436	161,703	(140,953)	(30,847)	(13,402)	(23,499)
Total	285,550	260,974	(196,513)	(61,500)	(20,454)	(17,493)

Commissions on direct insurance gross premiums written during 2022 were £39.0m (2021: £27.4m). All premiums were concluded in the UK.

Notes to the Syndicate Annual Accounts *(continued)*

5. Technical provisions

	Gross provisions £'000	2022 Reinsurance assets £'000	Net provisions £'000
Claims outstanding			
Balance at 1 January	253,397	(72,085)	181,312
Change in claims outstanding	107,868	(42,270)	65,598
Effect of movements in exchange rates	19,540	(5,550)	13,990
Balance at 31 December	380,805	(119,905)	260,900
Claims notified	178,538	(45,018)	133,520
Claims incurred but not reported	202,267	(74,887)	127,380
Balance at 31 December	380,805	(119,905)	260,900
Unearned premiums			
Balance at 1 January	100,065	(8,082)	91,983
Change in unearned premiums	22,944	2,155	25,099
Effect of movements in exchange rates	17,885	(4,473)	13,412
Balance at 31 December	140,894	(10,400)	130,494
Deferred acquisition costs			
Balance at 1 January	20,235	-	20,235
Change in deferred acquisition costs	5,045	-	5,045
Effect of movements in exchange rates	2,902	-	2,902
Balance at 31 December	28,182	-	28,182
	Gross provisions £'000	2021 Reinsurance assets £'000	Net provisions £'000
Claims outstanding			
Balance at 1 January	180,512	(50,487)	130,025
Change in claims outstanding	73,695	(21,127)	52,568
Effect of movements in exchange rates	(810)	(471)	(1,281)
Balance at 31 December	253,397	(72,085)	181,312
Claims notified	136,067	(33,216)	102,851
Claims incurred but not reported	117,330	(38,869)	78,461
Balance at 31 December	253,397	(72,085)	181,312
Unearned premiums			
Balance at 1 January	75,429	(3,833)	71,596
Change in unearned premiums	24,576	(4,556)	20,020
Effect of movements in exchange rates	60	307	367
Balance at 31 December	100,065	(8,082)	91,983
Deferred acquisition costs			
Balance at 1 January	14,748	-	14,748
Change in deferred acquisition costs	5,465	-	5,465
Effect of movements in exchange rates	22	-	22
Balance at 31 December	20,235	-	20,235

There was no provision for unexpired risks at 31 December 2022 (31 December 2021: £nil).

Notes to the Syndicate Annual Accounts *(continued)*

6. Net operating expenses

	2022	2021
	£'000	£'000
Acquisition costs	65,162	48,333
Change in deferred acquisition costs	(5,045)	(5,465)
Administrative expenses	20,177	18,632
Net operating expenses	80,294	61,500

Members' standard personal expenses amounting to £5.1m (2021: £4.7m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission.

7. Staff costs and staff numbers

	2022	2021
	£'000	£'000
Wages and salaries	7,386	6,822
Social security costs	981	892
Pension costs	793	641
Other staff costs	514	411
	9,674	8,766

The average number of staff working for the Syndicate during the year is as follows:

	2022	2021
Underwriting and claims	27	21
Operations, finance and administration	36	33
	63	54

8. Auditor's remuneration

	2022	2021
	£'000	£'000
Audit of the Financial statements	217	131
Other services pursuant to Regulations and Lloyd's Byelaws	35	63
	252	194

Auditor's remuneration is included as part of the administrative expenses in Note 6 to the financial statements.

Notes to the Syndicate Annual Accounts *(continued)*

9. Emoluments of the Directors of Blenheim Underwriting Limited and the Active Underwriter

The aggregate emoluments of the Directors and staff of the Syndicate are met by Blenheim and subsequently recharged to the Syndicate. These are disclosed within the financial statements of that company.

The emoluments of the Active Underwriter recharged to the Syndicate are set out as below;

	2022	2021
	£'000	£'000
Remuneration	303	299
Medical insurance	5	5
	<u>308</u>	<u>304</u>

10. Investment return

	2022	2021
	£'000	£'000
Investment income		
Interest from financial assets at fair value through profit and loss	1,844	123
Interest on cash and cash equivalents	172	16
Other interest and similar income	321	271
Realised gains on investments	33	8
Unrealised gains on investments	<u>126</u>	<u>-</u>
	2,496	418
Investment expenses and charges		
Investment management expenses including interest	(77)	-
Realised losses on investment	<u>(1,009)</u>	<u>(228)</u>
	(1,086)	(228)
Unrealised losses on investments	<u>(2,396)</u>	<u>-</u>
Total investment return	<u>(986)</u>	<u>190</u>

Notes to the Syndicate Annual Accounts *(continued)*

10. Investment return *(continued)*

	2022	2021
Calendar year investment return	£'000	£'000
Average amount of syndicate funds available for investment during the year	185,367	118,637
Investment return (net of expenses)	(986)	190
Calendar year investment yield	(0.53%)	0.16%

11. Financial investments

	2022		2021	
	Carrying value	Purchase price	Carrying value	Purchase price
	£'000	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts				
• Designated at fair value through profit or loss	10,365	10,365	77,813	78,315
Debt securities and other fixed income securities				
• Designated at fair value through profit or loss	108,050	110,343	-	-
	118,415	120,708	77,813	78,315

The value of listed securities within shares and other variable yield securities and units in unit trusts is £0.2m (2021: £54.0m) and debt securities and other fixed income securities is £99.4m (2021: £nil).

Amounts included within shares and other variable securities include Collective Investment Schemes where funds are invested in a single vehicle which invests in investments.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current period.

Notes to the Syndicate Annual Accounts *(continued)*

11. Financial investments *(continued)*

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2022				
Shares and other variable yield securities and units in unit trusts	25	7,047	3,293	10,365
Debt securities and other fixed income securities	-	108,050	-	108,050
Total	25	115,097	3,293	118,415

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2021				
Shares and other variable yield securities and units in unit trusts	-	74,614	3,199	77,813
Debt securities and other fixed income securities	-	-	-	-
Total	-	74,614	3,199	77,813

Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

Notes to the Syndicate Annual Accounts *(continued)*

11. Financial investments *(continued)*

The main asset classes in the level 3 category are unlisted equities, structured bond-type debt products and interest rate swaps.

- For unlisted equities, the non-observable inputs relate to assumptions regarding the price/equity ratio of the investee compared to those of comparable listed entities together with an illiquidity adjustment which typically ranges between 10-20%.
- For structured bond-type debt products, these are valued using an internally developed cash flow model using a discount rate with a non-observable illiquidity adjustment of between 5-10%.
- For interest rate swaps, these are valued from broker quotes which include non-observable discount rates based on the credit rating of the counterparty.

The Syndicate's level 3 financial investment are in respect of a loan to the Lloyd's Central Fund. Lloyd's considers the loans to meet the criteria to be recognised as a basic financial instrument under FRS 102 and be classified as level 3 in the fair value hierarchy. These loans are being valued at cost.

12. Debtors arising out of direct insurance operations

	2022	2021
	£'000	£'000
Due from intermediaries (within one year)	51,786	33,521
Due from intermediaries (after one year)	1,358	1,156
	53,144	34,677

13. Debtors arising out of reinsurance operations

	2022	2021
	£'000	£'000
Due from intermediaries (within one year)	92,570	64,345
Due from intermediaries (after one year)	313	291
	92,883	64,636

Notes to the Syndicate Annual Accounts *(continued)***14. Other debtors**

	2022	2021
	£'000	£'000
Members' agents fees due	2,260	2,053
Deposits with ceding undertakings	7,711	5,182
Other	457	50
	10,428	7,285

15. Creditors arising out of direct insurance operations

	2022	2021
	£'000	£'000
Direct Business - intermediaries (within one year)	2,710	487

16. Creditors arising out of reinsurance operations

	2022	2021
	£'000	£'000
Reinsurance accepted (within one year)	910	1,686
Reinsurance ceded (within one year)	54,754	30,278
	55,664	31,964

17. Other creditors

	2022	2021
	£'000	£'000
Expenses due to Blenheim (within one year)	600	2,272
Other (within one year)	79	96
	679	2,368

Notes to the Syndicate Annual Accounts *(continued)***18. Cash and cash equivalents**

	2022	2021
	£'000	£'000
Cash at bank and in hand	68,583	45,919
Holdings in collective investment schemes	<u>7,072</u>	<u>74,614</u>
	<u>75,655</u>	<u>120,533</u>

19. Other assets

	2022	2021
	£'000	£'000
Overseas deposits	<u>25,011</u>	<u>11,987</u>

Overseas deposits are advanced as a condition of conducting underwriting business in certain countries and therefore are restricted assets.

20. Related parties

Blenheim, Managing Agent of the Syndicate since 6 August 2021 is a wholly owned subsidiary of WBC.

Blenheim incurs the majority of the Syndicate's administrative expenses which it then recharges to the Syndicate without mark-up. Expenses incurred jointly for the Group are recharged to group companies on a basis representing the nature of the expenses and their usage by group companies. As at 31 December 2022, amounts owed to Blenheim from the Syndicate relating to expense recharges totalled £0.6m (2021: £2.3m).

Managing agency fees of £2.7m (2021: £1.0m) were charged by Blenheim to the Syndicate during 2022. The balance owing as at 31 December 2022 is £nil (2021: £nil).

Blenheim receives fees for acting as a manager of several consortia that are led by Syndicate 5886. No fees were charged to the Syndicate by Blenheim for this service.

As part of the Group, WBC wholly owns White Bear Corporate Capital Limited, a Lloyd's corporate member which participates on Syndicate 5886 with the following participations – 2020 year of account £0.9m, 2021 year of account £79.6m and 2022 year of account £104.8m. The Syndicate provided four binding authorities (2021: two binding authorities) to White Bear Managers Ltd ("WBM"), a Lloyd's coverholder and member of the Group. During the financial year, WBM had written total fees of £0.6m (2021: £0.6m) in respect of its services. Both companies have common Directors with Blenheim.

All transactions are entered into on an arm's length basis.

Notes to the Syndicate Annual Accounts *(continued)*

21. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

22. Bank facilities

At the start of the year, the Syndicate had the benefit of a revolving facility for US\$70m and a working capital overdraft facility of £7.5m, all with Barclays Bank Plc. All of these facilities, except for the overdraft facility, were subsequently renewed in December 2022 for the 12 months to 31 December 2023.

The Syndicate utilised US\$20m of the letter of credit facility throughout the 2022 calendar year.

23. Off-Statement of Financial Position items

As noted in Note 22, during the year, the Syndicate had the benefit of a combined letter of credit and revolving credit facility of US\$70.0m (2021: US\$70.0m) with Barclays Bank of which it utilised US\$20.0m (2021: US\$20.0m) for the purposes of regulated trust funding at 31 December 2022. This arrangement is considered to be off-Statement of Financial Position as neither the asset nor the liability are owned by the Syndicate.

24. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The Directors recognise the critical importance of having efficient and effective risk management systems in place.

Blenheim maintains a risk management function for the Syndicate with clear terms of reference from the Board and its committees. The RiC, established in July 2021, is the predominant committee to consider risk management within the governance structure. The RiC is a non-executive committee formed by and at the direction of the Board. The RiC is intended to act as a governance body for ensuring Blenheim maintains an accurate and up to date risk management framework to enable monitoring of the risks to which the business and syndicates under management are, or could be exposed to, and the appropriateness and effectiveness of the strategies and the control environment used to mitigate them.

The Board, on the recommendation of the RiC, approves Blenheim's core risk management policies and any commercial, regulatory and organisational requirements of such policies. The

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

a) Governance framework *(continued)*

Board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

Lloyd's is a regulated undertaking and subject to the supervision of the PRA under the Financial Services and Markets Act 2000.

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

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was 35% (2021: 35%) of the members' SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (FAL), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending member's balances reported on the Statement of Financial Position on page 22, represent resources available to meet members' and Lloyd's capital requirements.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations.

This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements. Further details are set out in the Managing Agent's Report on pages 5 to 12.

The Syndicate purchases reinsurance as part of its risk mitigation strategies. Reinsurance ceded is placed largely on a non-proportional basis. Non-proportional reinsurance is excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to large losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The RC, a Board committee, oversees the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk. The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Board.

In terms of COVID-19 claims, management have considered all policies exposed and potential coverages. The validity of each potential claims advice was assessed and any provision made on a case by case basis. Many issues are yet to be clarified from a legal perspective and to date few cases, particularly as they relate to reinsurance, have reached either arbitration or court. We believe that the overall loss reserves are sufficient to reflect the uncertainties of COVID-19.

The Syndicate uses commercially available risk management software and internal modelling methodologies including specific deterministic realistic disaster scenarios ("RDS"), in accordance with Lloyd's franchise guidelines, to enable the quantification and management of natural and man-made catastrophe portfolio exposures. However, there is always a risk that claims that arise are greater than those resulting from modelled scenarios depending on the size, nature and geographic impact of the event or from un-modelled events.

Based on the July 2022 Lloyd's RDS submission, the largest RDS was a Florida (Pinellas) windstorm event with an industry loss estimate of US\$134.0bn. This equates to a loss to the Syndicate of US\$250.15m gross and US\$79.44m net of reinsurance recoveries and reinstatement costs (2021: Florida (Pinellas) windstorm event US\$225.2m gross and US\$72.9m net of reinsurance recoveries and reinstatement costs).

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management (continued)

Key assumptions

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

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

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been plausible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions can be non-linear.

	2022	2021
	£'000	£'000
Gross		
Five percent increase in claim liabilities	(19,040)	(12,670)
Five percent decrease in claim liabilities	19,040	12,670
Net		
Five percent increase in claim liabilities	(13,045)	(9,066)
Five percent decrease in claim liabilities	13,045	9,066

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

c) Insurance risk *(continued)*

Claims development table gross of reinsurance

The table below and on the following page show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the Statement of Financial Position date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the Statement of Financial Position date.

	Underwriting Year					
	2017	2018	2019	2020	2021	2022
Estimate of cumulative UK GAAP gross claims incurred:	£'000	£'000	£'000	£'000	£'000	£'000
At end of first underwriting year	127,023	93,147	84,206	121,419	159,447	210,410
One year later	154,831	132,696	145,259	171,131	224,011	-
Two years later	161,912	135,138	153,450	175,099	-	-
Three years later	162,126	133,299	155,740	-	-	-
Four years later	163,076	129,735	-	-	-	-
Five years later	163,857	-	-	-	-	-
Less cumulative gross paid	(156,380)	(118,793)	(123,122)	(132,896)	(108,161)	(38,695)
Liability for gross outstanding claims	7,477	10,942	32,618	42,203	115,850	171,715
Total gross outstanding claims (all years)						380,805

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

c) Insurance risk *(continued)*

Claims development table net of reinsurance

The table below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a net of reinsurance basis at the Statement of Financial Position date.

	Underwriting Year					
	2017	2018	2019	2020	2021	2022
Estimate of cumulative UK GAAP net claims incurred:	£'000	£'000	£'000	£'000	£'000	£'000
At end of first underwriting year	69,395	64,753	65,525	85,606	120,088	155,510
One year later	85,334	96,275	113,612	126,481	169,866	-
Two years later	87,748	99,925	119,826	129,254	-	-
Three years later	85,754	97,522	123,391	-	-	-
Four years later	85,603	95,428	-	-	-	-
Five years later	85,169	-	-	-	-	-
Less cumulative gross paid	(81,310)	(88,008)	100,251	(95,444)	(94,277)	(38,428)
Liability for gross outstanding claims	3,859	7,420	23,140	33,810	75,589	117,082
Total gross outstanding claims (all years)						<u>260,900</u>

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis in line with the investment guidelines.

1. Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to reinsurer credit risk:

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty has no credit rating, then collateral is sought to mitigate any risk. This is monitored by the RISBC, a management committee.

The table below shows the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements.

31 December 2022		£'000		
	Neither past due or impaired	Past due but not impaired	Impaired	Total
Shares and other variable yield securities	10,365	-	-	10,365
Debt securities and other fixed income securities	108,050	-	-	108,050
Overseas Deposits	25,011	-	-	25,011
Reinsurers share of claims outstanding	119,905	-	-	119,905
Debtors arising out of direct insurance operations	49,274	3,870	-	53,144
Debtors arising out of reinsurance operations	-	9,250	-	9,250
Other assets	134,055	-	-	134,055
Cash at bank and in hand	68,583	-	-	68,583
Total	515,243	13,120	-	528,363

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

1. Credit risk *(continued)*

31 December 2021

	£'000			
	Neither past due or impaired	Past due but not impaired	Impaired	Total
Shares and other variable yield securities	77,813	-	-	77,813
Debt securities and other fixed income securities	-	-	-	-
Overseas Deposits	11,987	-	-	11,987
Reinsurers share of claims outstanding	72,085	-	-	72,085
Debtors arising out of direct insurance operations	24,290	10,387	-	34,677
Debtors arising out of reinsurance operations	-	3,006	-	3,006
Other assets	98,370	-	-	98,370
Cash at bank and in hand	45,919	-	-	45,919
Total	330,464	13,393	-	343,857

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2022 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BB are classified as speculative grade and have not been rated, debtors, other than amounts arising from reinsurance contracts ceded, have been excluded from the table as these are not rated.

31 December 2022

	£'000						
	AAA	AA	A	BBB	BB or less	Not Rated	Total
Shares and other variable yield securities	169	-	10,196	-	-	-	10,365
Debt securities and other fixed income securities	18,629	30,220	54,192	5,009	-	-	108,050
Overseas Deposits	11,835	2,958	1,604	1,635	3,608	3,371	25,011
Reinsurers share of claims outstanding	-	25,151	72,908	-	285	21,561	119,905
Cash at bank and in hand	-	-	68,583	-	-	-	68,583
Total	30,633	58,329	207,483	6,644	3,893	24,932	331,914

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

1. Credit risk *(continued)*

31 December 2021

	£'000						
	AAA	AA	A	BBB	BB or less	Not Rated	Total
Shares and other variable yield securities	-	-	77,813	-	-	-	77,813
Debt securities and other fixed income securities	-	-	-	-	-	-	-
Overseas Deposits	6,662	1,352	1,365	1,149	981	478	11,987
Reinsurers share of claims outstanding	-	51,606	5,227	-	464	14,788	72,085
Cash at bank and in hand	-	-	45,919	-	-	-	45,919
Total	6,662	52,958	130,324	1,149	1,445	15,266	207,804

Of the £24.9m currently not rated at 31 December 2022, £7.2m is fully collateralised, £3.4m relates to overseas deposits and £11.3m relates to general reinsurance IBNR that has not been allocated to any specific loss. (2021: of the £15.3m not rated, £3.0m was fully collateralised, £0.5m related to overseas deposits with £6.2m related to general reinsurance IBNR).

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

2. Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations and utilising available banking facilities.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

2. Liquidity risk *(continued)*

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

31 December 2022	£'000					
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	-	59,053	-	-	-	59,053
Claims outstanding	-	198,820	136,004	32,036	13,945	380,805
Total	-	257,873	136,004	32,036	13,945	439,858

31 December 2021	£'000					
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	-	34,819	-	-	-	34,819
Claims outstanding	-	117,342	89,508	26,335	20,212	253,397
Total	-	152,161	89,508	26,335	20,212	288,216

3. Market risk

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

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Syndicate's functional currency is US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro, Japanese Yen, Canadian Dollars and Australian Dollars.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

3. Market risk *(continued)*

a) Currency risk *(continued)*

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

31 December 2022		CNV £'000					
	GBP	USD	EUR	CAD	AUD	JPY	Total
Total Assets	27,373	412,488	13,746	41,891	26,605	6,260	528,363
Total Liabilities	(36,097)	(427,437)	(50,747)	(31,610)	(27,510)	(9,079)	(582,480)
Net Assets/(Liabilities)	(8,724)	(14,949)	(37,001)	10,281	(905)	(2,819)	(54,117)

31 December 2021		CNV £'000					
	GBP	USD	EUR	CAD	AUD	JPY	Total
Total Assets	18,308	265,250	9,525	30,683	17,273	2,818	343,857
Total Liabilities	(29,867)	(278,727)	(39,495)	(18,106)	(15,795)	(8,285)	(390,275)
Net Assets/(Liabilities)	(11,559)	(13,477)	(29,970)	12,577	1,478	(5,467)	(46,418)

The Syndicate holds assets and liabilities in these six main currencies. The Syndicate for the most part aims to ensure its assets and liabilities match in currency as closely as possible to mitigate the currency risk. The currency shortfall in Japanese Yen is partly driven by the gross claims for Typhoons Hagibis, Faxai and Jebi being mainly in Japanese Yen but any recoveries being in US Dollars. However, it should be noted that there is a degree of currency mitigation because the reinsurance collections made on these losses are based on the gross loss in Japanese Yen being converted to sterling at the prevailing exchange rate to mitigate the currency risk.

Notes to the Syndicate Annual Accounts *(continued)*

24. Risk management *(continued)*

d) Financial risk *(continued)*

3. Market risk *(continued)*

a) Currency risk *(continued)*

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US Dollar, Canadian Dollar, Australian Dollar, Japanese Yen and Euro simultaneously. The analysis is based on the information as at 31 December 2022.

	Impact on profit and members' balance	
	2022 £'000	2021 £'000
Sterling weakens		
10% against other currencies	(4,539)	(3,486)
20% against other currencies	(9,079)	(6,972)
Sterling strengthens		
10% against other currencies	4,539	3,486
20% against other currencies	9,079	6,972

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The most significant contribution to risk in the fixed income portfolio is interest rate risk:

	2022 £'000	2021 £'000
Impact on profit and net assets		
50 basis points increase	(1,065)	-
50 basis points decrease	1,082	-

The Board monitors the duration of investments in order to manage the interest rate risk within the fixed income portfolio. If interest rates fall the syndicates fixed income securities fair value will tend to increase and if they rise the fair value will tend to decrease. The value of Debt securities and other fixed income securities at 31 December 2022 was £108.1m (2021: £nil) with an average duration of around 1.95 years (2021: nil).

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

Notes to the Syndicate Annual Accounts *(continued)*

25. Subsequent events

The Syndicate will collect the 2020 underwriting year loss of £2.5m in US Dollars from members in June 2023.



Blenheim Underwriting Limited

**Syndicate Underwriting Year Accounts
For the 2020 Year of Account
Closed at 31 December 2022**

Directors and Administration

Managing Agent

Blenheim Underwriting Limited

Directors

Nicholas Joseph Destro
Derek Charles Grainger
Sharon Julia Ingham
John Anthony Lynch
Peter David Scales
Christopher Norman Clark*
John Charles Hamblin*
Lawrence Albert Holder (Chair)*
Michael James Leonard*
Anthony Stirling Minns* (resigned 1 September 2022)
Esther Ruth Felton* (appointed 1 July 2022)

*Non-Executive Directors

Company Secretary

Tessa Helen Mijatovic

Managing Agent's Registered Office

7th Floor
70 Mark Lane
London
EC3R 7NQ

Managing Agent's Registered Company Number

10254215

Active Underwriter

N J Destro

Bankers

Barclays Bank
Citibank N.A.
RBC Dexia

Investment Managers

Conning Asset Management Limited

Registered Auditors

BDO LLP

Managing Agent's Report for the 2020 Closing Year of Account

For the 36 months ended 31 December 2022

The Directors of Blenheim Underwriting Limited ("Blenheim") present their report at 31 December 2022 for the 2020 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Bylaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Business Review

A summary of the 2020 year of account performance is given in the accompanying Underwriter's Report within the Syndicate Annual Accounts.

Underwriting year results

The Syndicate generated a loss of £2.5m after members' agents' fees on gross written premiums of £233.4m for the 2020 underwriting year.

Principal activities and review of the business

The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market.

Gross written premium income by class of business for the year of account was as follows;

	2020 £m
Property Treaty	98.5
Direct and Facultative Property	90.7
Contingency	1.2
Accident & Health	5.2
Specialty Treaty	37.8
	<u>233.4</u>

The Syndicate's key financial performance indicators for the year of account were as follows;

	2020 £m
Gross premiums	233.4
Total comprehensive loss	(1.8)
Net combined ratio	106.1%

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

Managing Agent's Report for the 2020 Closing Year of Account *(continued)*

Disclosure of Information to the Auditor

So far as each person who was a Director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditors in connection with their report, of which the auditor is unaware. Having made enquiries of fellow Directors of the Agency and the Syndicate's auditor, each Director has taken all the steps that he/she is obliged to take as a Director in order to make he/she aware of any relevant audit information and to establish that the auditors are aware of that information.

The Board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk and capital management.

Approved by the Board of Directors and signed on behalf of the Board.

A handwritten signature in black ink, appearing to read 'J A Lynch', is written over a light blue rectangular background.

J A Lynch
Director
27 February 2023

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close ("RITC") which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year accounts are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the Syndicate underwriting year accounts, the Managing Agent is required to:-

- select suitable accounting policies and apply them consistently throughout each underwriting year and from one underwriting year to the next. Where items affect more than one underwriting year, the Managing Agent must ensure that the Syndicate treats the affected member equitably. In particular, the premium charged for reinsurance to close should be equitable between the reinsured and reinsuring members of the Syndicate;
- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
- make judgements and estimates that are reasonable and prudent; and
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

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

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business website. Legislation in the UK governing the preparation and dissemination of the financial statements may differ from legislation in other jurisdictions.

Independent Auditor's Report to the Members of Syndicate 5886 – 2020 closed year of account

Opinion

In our opinion, the Syndicate underwriting year accounts:

- give a true and fair view of the loss for the 2020 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the Syndicate underwriting year accounts of Syndicate 5886 ('the Syndicate') for the three years ended 31 December 2022 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Members' Balances, the Statement of Cash Flows and notes to the Syndicate underwriting year accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Emphasis of matter – closure of the 2020 year of account

We draw attention to the basis of preparation within Note 1 which explains that the 2020 year of account of Syndicate 5886 had closed and all assets and liabilities transferred to the 2021 year of account by reinsurance to close at 31 December 2022.

As a result, the syndicate underwriting year accounts for the 2020 year of accounts of Syndicate 5886 have been prepared under a basis other than a going concern.

Our opinion is not modified in respect of this matter.

Independent Auditor's Report to the Members of Syndicate 5886 - 2020 Closed Year of Account *(continued)*

Other information

The Managing Agent is responsible for the other information. The other information comprises the information included in the annual report, other than the Syndicate underwriting year accounts and our auditor's report thereon. Our opinion on the Syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Syndicate underwriting year accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the Syndicate underwriting year 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 in this regard.

Matters on which we are required to report by exception

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

- The Managing Agent in respect of the Syndicate has not kept adequate accounting records; or
- the Syndicate underwriting year accounts are not in agreement with the accounting records.

We have nothing to report in this regard.

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent's responsibilities on page 58, the Managing Agent is responsible for the preparation of the Syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view of the results for the 2020 closed year of account, and for such internal control as the Managing Agent determines is necessary to enable the preparation of Syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

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

Independent Auditor's Report to the Members of Syndicate 5886 - 2020 Closed Year of Account *(continued)*

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

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

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

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

- Our responses to significant audit risks over technical provisions and management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specifically we engaged an actuary as auditor's specialists to review the assumptions and methodology applied by the Syndicate in the valuation of technical provisions and to carry out their own independent reprojections of a significant proportion of the Syndicate's book of business. Our assessment of management override included an assessment of key accounting estimates and an assessment of journals.
- We obtained an understanding of the legal and regulatory framework applicable to the Syndicate's operations and the control environment in monitoring compliance with laws and regulations. We reviewed correspondence with the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Lloyd's of London.
- We carried out enquiries with management.
- We reviewed minutes of board meetings throughout the period.
- Agreement of the financial statement disclosures to underlying supporting documentation.

Our audit procedures were designed to respond to risks of material misstatement in the Syndicate underwriting year accounts, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate underwriting year accounts the less likely we are to become aware of it.

Independent Auditor's Report to the Members of Syndicate 5886 - 2020 Closed Year of Account *(continued)*

Extent to which the audit was capable of detecting irregularities, including fraud *(continued)*

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate and the Syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

DocuSigned by:

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Alexander Barnes, *Senior Statutory Auditor*
For and on behalf of BDO LLP, Statutory Auditor
London, UK
27 February 2023

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement

Technical account – General business

For the 36 months ended 31 December 2022

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	5	233,431	
Outward reinsurance premiums		<u>(59,036)</u>	174,395
Change in the provision for unearned premiums			
Gross amount		(3,917)	
Reinsurers' share		<u>(676)</u>	<u>(4,593)</u>
			169,802
Reinsurance to close premium receivable, net of reinsurance	7		46,113
Allocated investment return transferred from the non-technical account	10		(76)
Claims incurred, net of reinsurance			
Claims paid:			
- Gross amount		(149,936)	
- Reinsurers' share		<u>42,138</u>	
Net claims paid		(107,798)	
Reinsurance to close premium payable, net of reinsurance	8	<u>(63,999)</u>	
			(171,797)
Net operating expenses	9		(54,510)
Balance on the technical account – general business			<u>(10,468)</u>

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

The notes on pages 68 to 79 form part of these financial statements.

Income Statement *(continued)***Non-technical account – General business**

For the 36 months ended 31 December 2022

	Notes	£'000
Balance on the technical account – general business	6	(10,468)
Investment return		(76)
Allocated investment return transferred to the general business technical account		76
Exchange gain		1,748
Loss for the closed year of account		<u>(8,720)</u>

Statement of Comprehensive Income

For the 36 months ended 31 December 2022

	£'000
Loss for the closed year of account	(8,720)
Currency translation differences	6,964
Total comprehensive loss for the closed year of account	<u>(1,756)</u>

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

The notes on pages 68 to 79 form part of these financial statements.

Statement of Financial Position

As at 31 December 2022

	Notes	£'000	£'000
ASSETS			
Investments	11		40,291
Debtors			
Debtors arising out of direct insurance operations	12	3,524	
Debtors arising out of reinsurance operations	13	6,707	
Other debtors, prepayments and accrued income		<u>3,374</u>	13,605
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account			19,885
Other Assets			
Cash at bank and in hand	17	28,406	
Overseas deposits		<u>5,406</u>	33,812
Total assets			<u>107,593</u>
LIABILITIES			
Amounts due from members			(2,452)
Reinsurance to close premiums payable to close the account – gross amount			83,884
Creditors			
Creditors arising out of direct insurance operations	14	1,353	
Creditors arising out of reinsurance operations	15	3,190	
Inter-year loans	16	21,137	
Other creditors, accruals and deferred income		<u>481</u>	26,161
Total liabilities			<u>107,593</u>

The notes on pages 68 to 79 form part of these financial statements.

The Syndicate underwriting year accounts were approved by the Board on 27 February 2023 and were signed on its behalf by



S J Ingham
Director
27 February 2023

Statement of Members' Balances

For the 36 months ended 31 December 2022

	£'000
Total comprehensive loss for the closed year of account	(1,756)
Members' agents' fees paid on behalf of members	(696)
Members' balances carried forward at 31 December 2022	<u>(2,452)</u>

The notes on pages 68 to 79 form part of these financial statements.

Statement of Cash Flows

	Notes	£'000
Cash flows from operating activities		
Loss for the closed year of account		(8,720)
Increase in debtors		(10,482)
Increase in creditors		25,679
Movement in other assets/liabilities/foreign exchange		4,323
Investment income		76
RITC premium payable, net of reinsurance		63,999
Net cash inflow from operating activities		<u>74,875</u>
Cash flows from investing activities		
Purchases of other financial investments		(46,092)
Sales of other financial investments		7,927
Investment income received		(76)
Increase in overseas deposits		(5,406)
Net cash outflow from investing activities		<u>(43,647)</u>
Cash flows from financing activities		
Members' agents fees paid on behalf of members		(696)
Net cash outflow from financing activities		<u>(696)</u>
Net increase in cash and cash equivalents		30,532
Cash and cash equivalent at 1 January 2020		-
Cash and cash equivalent at end of the year of account	17	<u>30,532</u>

The notes on pages 68 to 79 form part of these financial statements.

Notes to the Syndicate Underwriting Year Accounts

For the 36 months ended 31 December 2022

1. Basis of preparation

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

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

The Syndicate's functional currency is US Dollars, being the primary economic environment in which it operates. The accounts have been presented in Sterling (GBP), which is the Syndicate's presentation currency and rounded to the nearest £'000.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2020 year of account which has been closed by way of RITC at 31 December 2022. Consequently the Statement of Financial Position represents the assets and liabilities of the 2020 year of account at the date of closure and the Income Statement reflects the transactions for that year of account during the 36 months period until closure. As each Syndicate year of account is a separate annual venture, there are no comparative figures.

The 2020 underwriting year has now closed. The Directors of the Managing Agent have prepared the underwriting year accounts on a non-going concern basis. There was no effect of this on the amounts reported in the accounts.

2. Accounting policies

Significant accounting policies

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

Underwriting transactions

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

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Underwriting transactions *(continued)*

Written premium is earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk.

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

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

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

The outstanding claims comprise amounts set aside for claims notified and claims IBNR.

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's external consulting actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions. The provision for claims includes amounts in respect of internal and external claims handling costs.

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

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

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Underwriting transactions *(continued)*

A provision for unexpired risks is created where claims, related expenses and deferred acquisition costs, likely to arise after the Statement of Financial Position date in respect of contracts relating to the closing year of account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

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

Financial assets and liabilities

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

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

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

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

Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

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

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

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Financial assets and liabilities *(continued)*

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

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

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

Investment return

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

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

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

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

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Syndicate operating expenses

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

Where expenses are incurred jointly by the Managing Agent and the Syndicate, they are apportioned as follows:

- Salaries and Related Costs
 - According to time of each individual spent on Syndicate matters.
- Accommodation Costs
 - According to number of personnel.
- Other Costs
 - As appropriate in each case.
- Pensions
 - The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Amounts recharged by the Managing Agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

Offsetting

The Syndicate sets off and presents its financial assets and liabilities net where:

- (i) each it and another party owes the other determinable amounts,
- (ii) it has the right to set off the amount owed with the amount owed by the other party,
- (iii) it intends to set off, and
- (iv) the right of set off is enforceable at law.

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

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

Notes to the Syndicate Underwriting Year Accounts *(continued)*

2. Accounting policies *(continued)*

Foreign currencies

The Syndicate's functional currency is US Dollars being the primary economic environment in which it operates. The Syndicate's presentation currency is Sterling (GBP).

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions or appropriate average rate. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account.

In translating its results and financial position into the presentational currency, the Syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

3. Critical accounting judgements and key sources of estimation uncertainty

Significant accounting estimates and judgements

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

Critical accounting judgements

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

Key sources of estimation uncertainty

The key sources of estimation uncertainty at the Statement of Financial Position date that has a significant risk of causing material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

3. Critical accounting judgements and key sources of estimation uncertainty *(continued)*

Key sources of estimation uncertainty *(continued)*

Claims outstanding and related reinsurance recoveries

The measurement of the provision for claims outstanding involves assumptions and estimates about the future that have the most significant effect on the amounts recognised in the annual accounts.

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

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

4. Risk management

Effective from 31 December 2022, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks for the Syndicate's 2020 and prior years of account are transferred to the accepting 2021 year of account of the Syndicate. Accordingly, these underwriting year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main annual accounts of the Syndicate.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

5. Particulars of business written

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

	Gross premium s written £'000	Gross premium earned £'000	Gross claims incurred £'000	Net operating expenses £'000	Reinsurance balance £'000	Total £'000
Direct Insurance;						
Accident & Health	4,884	4,863	(2,520)	(2,146)	(41)	156
Motor (other)	2,504	2,504	(1,277)	(832)	(402)	(7)
Aviation and Transport	4,872	4,739	(2,461)	(1,226)	(718)	334
Fire and other damage to property	72,487	70,480	(38,782)	(20,810)	(5,771)	5,117
Third party liability	186	182	(89)	(66)	(29)	(2)
Credit and suretyship	1,398	1,420	(6,886)	(387)	1,043	(4,810)
	86,331	84,188	(52,015)	(25,467)	(5,918)	788
Reinsurance acceptances	147,100	145,326	(116,598)	(29,043)	(10,865)	(11,180)
Total	233,431	229,514	(168,613)	(54,510)	(16,783)	(10,392)

6. Analysis of result by year of account

	2017 Pure Year £'000	2018 Pure Year £'000	2019 Pure Year £'000	2020 Pure Year £'000	2020 Total £'000
Technical account balance before allocated investment return and net operating expenses	382	1,151	(6,431)	49,016	44,118
Brokerage and commission on gross premium	(25)	244	797	(37,400)	(36,384)
	357	1,395	(5,634)	11,616	7,734
Other acquisition costs	-	-	-	(2,653)	(2,653)
Change in deferred acquisition costs	-	-	-	613	613
Net other expenses	-	-	-	(16,086)	(16,086)
Investment income	-	-	-	(76)	(76)
	-	-	-	(18,202)	(18,202)
Balance on technical account	357	1,395	(5,634)	(6,586)	(10,468)

Notes to the Syndicate Underwriting Year Accounts *(continued)***7. Reinsurance to close premium receivable net of reinsurance**

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	51,185	20,377	71,562
Reinsurance recoveries anticipated	(14,969)	(8,240)	(23,209)
Net outstanding losses	<u>36,216</u>	<u>12,137</u>	<u>48,353</u>
Future gross premium reinstatements			(6,355)
Future reinsurance premium reinstatements			<u>4,115</u>
Reinsurance to close premium receivable			<u>46,113</u>

8. Reinsurance to close premium payable net of reinsurance

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	(66,740)	(26,500)	(93,240)
Reinsurance recoveries anticipated	<u>14,894</u>	<u>10,117</u>	<u>25,011</u>
Net outstanding losses	<u>(51,846)</u>	<u>(16,383)</u>	<u>(68,229)</u>
Future gross premium reinstatements			9,356
Future reinsurance premium reinstatements			<u>(5,126)</u>
Reinsurance to close premium payable			<u>(63,999)</u>

9. Net operating expenses

	£'000
Acquisition costs	39,037
Change in deferred acquisition costs	(613)
Standard personal expenses	3,474
Administration expenses	<u>12,612</u>
	<u>54,510</u>

The closed year loss is stated after charging:

	£'000
Auditor's remuneration:	
Audit of the Financial statements	26
Other services pursuant to Regulations and Lloyd's Byelaws	<u>4</u>
	<u>30</u>

The auditor did not receive any other remuneration other than that stated above.

Notes to the Syndicate Underwriting Year Accounts *(continued)*

10. Investment income

Investment income	£'000
Interest from financial assets at fair value through profit and loss	634
Interest on cash and cash equivalents	99
Other interest and similar income	290
Realised gains on investments	19
Unrealised gains on investments	31
	<u>1,073</u>
Investment expenses and charges	
Investment management expenses including interest	(28)
Realised losses on investment	(564)
	<u>(592)</u>
Unrealised losses on investments	(557)
	<u>(557)</u>
Total investment return	<u>(76)</u>

11. Investments

	Fair Value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	5,420	5,420
Debt securities and other fixed income securities	34,871	35,611
	<u>40,291</u>	<u>41,031</u>

The aggregate amount of listed investments included in the above is £32.2m.

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributable to own credit risk in the current or comparative period.

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2022				
Shares and other variable yield securities and units in unit trusts	25	2,102	3,293	5,420
Debt securities and other fixed income securities	-	34,871	-	34,871
Total	<u>25</u>	<u>36,973</u>	<u>3,293</u>	<u>40,291</u>

Notes to the Syndicate Underwriting Year Accounts *(continued)***11. Investments (Continued)**

Level 1 relates to Money Market Funds that are valued on a stable net asset value ("NAV") basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value and are used by the Syndicate in the management of its short-term commitments. The level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. The level 3 category financial assets relate to the Lloyd's Central Fund Loans.

12. Debtors arising out of direct insurance operations**£'000**

Due within one year – Intermediaries	3,524
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13. Debtors arising out of reinsurance operations**£'000**

Due within one year – Reinsurers	6,707
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14. Creditors arising out of direct insurance operations**£'000**

Due within one year – Intermediaries	1,353
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15. Creditors arising out of reinsurance operations**£'000**

Due within one year – Reinsurance accepted	287
Due within one year – Reinsurance ceded	2,903
	3,190

16. Inter-year loans**£'000**

Inter-year loans	21,137
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Notes to the Syndicate Underwriting Year Accounts *(continued)*

17. Cash and cash equivalents

	£'000
Cash at bank and in hand	28,406
Holdings in collective investment schemes	2,126
	<u>30,532</u>

18. Related parties

Blenheim, Managing Agent of the Syndicate since 6 August 2021 is a wholly owned subsidiary of White Bear Capital Limited ("WBC").

Blenheim incurs the majority of the Syndicate's administrative expenses which it then recharges to the Syndicate without mark-up. Expenses incurred jointly for the White Bear Group ("The Group") are recharged to group companies on a basis representing the nature of the expenses and their usage by group companies.

Blenheim receives fees for acting as a manager of several consortia that are led by Syndicate 5886. No fees were charged to the Syndicate by Blenheim for this service.

As part of the Group, WBC wholly owns White Bear Corporate Capital Limited, a Lloyd's corporate member which participates on the Syndicate 5886 2020 year of account with a participation of £0.9m. For the 2020 year of account, the Syndicate provided one binding authority to White Bear Managers Ltd ("WBM"), a Lloyd's coverholder and member of the Group. WBM had written total fees of £0.1m in respect of its services for the 2020 year of account. Both companies have common Directors with Blenheim.

All transactions are entered into on an arm's length basis.

19. Subsequent events

The 2020 underwriting year loss, including members' agents' fees, equates to £2.5m. This will be collected from members in US Dollars during June 2023.

Summary of Closed Year Results *(unaudited)*

As at 31 December 2022

	2017 £'000	2018 £'000	2019 £'000	2020 £'000
Syndicate allocated capacity	149,904	179,796	214,760	249,696
Number of Underwriting members	1,378	1,359	1,327	1,312
Aggregate net premiums (£'000)	71,414	118,516	156,717	174,395
Results for an illustrative share of £10,000				
	£	£	£	£
Gross premiums written	6,907	8,620	9,453	9,349
Net earned premiums	4,641	6,712	7,295	6,800
Reinsurance to close from an earlier account	-	796	1,221	1,847
Net claims	(4,572)	(4,657)	(4,399)	(4,317)
Reinsurance to close	(954)	(1,458)	(2,147)	(2,563)
(Loss)/gain on exchange	(7)	(47)	73	70
Syndicate operating expenses	(1,678)	(2,097)	(2,228)	(2,044)
Balance on technical account	(2,570)	(751)	(185)	(207)
Investment income less investment expenses and charges and investment gains less losses	35	63	28	(3)
Loss on ordinary activities	(2,535)	(688)	(157)	(210)
Currency translation differences	74	58	(98)	279
Loss before illustrative personal expenses	(2,461)	(630)	(255)	69
Illustrative personal expenses				
Managing Agents' fee	(75)	(75)	(75)	(75)
Other personal expenses (excluding member's agents fees)	(79)	(68)	(67)	(64)
	(154)	(143)	(142)	(139)
Loss after illustrative personal expenses	(2,615)	(773)	(397)	(70)
Total of Syndicate operating expenses, Managing Agent's fee and profit commission	(1,753)	(2,172)	(2,303)	(2,119)
Capacity utilised	69.1%	86.2%	94.5%	93.5%
Net capacity utilised	47.6%	65.9%	73.0%	69.8%
Loss ratio	119.1%	81.4%	76.9%	79.6%

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate. This summary however is not audited.
2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.
3. As regards the 2020 year of account, an illustrative share of £10,000 represents 0.0040% of the respective allocated capacity.
4. The loss ratio is net claims paid plus the reinsurance to close divided by net earned premiums plus reinsurance to close received.