

Syndicate 1084

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Syndicate Information

Directors of the Managing Agent

D C Bendle

R J Callan

J Faure

J Fowle (resigned 30 June 2023)

P A Jardine

A C Pearce (appointed 28 February 2023)

N J Stacey

L S Watkins

Z Wang

Dr H Zuo

Chief Operating Officer

Chief Financial Officer & Chief Executive Officer
(with effect from 1 July 2023)

Senior Independent Non-Executive Director

Chief Executive Officer

Chairman and Independent Non-Executive Director

Independent Non-Executive Director

Chief Underwriting Officer

Independent Non-Executive Director

Group Non-Executive Director

Group Non-Executive Director

Managing Agent's company secretary

R N Barnett

Managing Agent's registered office

52 Lime Street

London EC3M 7AF

Managing Agent's registered number

00184915

Managing Agent's independent auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

Syndicate active underwriter

K Hunt

Syndicate bankers

The custodians of the Syndicate's investment funds are as follows:

Citibank N.A.

Royal Bank of Canada

Syndicate investment managers

Goldman Sachs Asset Management International

China Re Asset Management (Hong Kong) Company Limited

Syndicate independent auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

Underwriter's Report

Results and performance

The profit for the year is \$355.5m (2022: \$16.6m), and the combined ratio is 83.3% (2022: 93.2%).

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

	2023 \$m	2022 \$m
Gross written premium	2,110.3	1,990.3
Net written premium	1,625.4	1,480.2
Net earned premium	1,515.9	1,413.6
Underwriting result	252.5	95.5
Investment return	116.5	(94.9)
Technical profit for the financial year	369.0	0.6
Non-technical account for the financial year	(13.5)	16.0
Profit for the financial year	355.5	16.6
Combined ratio	83.3%	93.2%
Amount due (to)/from member	(163.7)	144.5

Premiums

For 2023, gross written premium totalled \$2,110.3m (2022: \$1,990.3m), a reported increase of \$120.0m (6.0%) compared to the prior year. 2022 reported results included \$95.0m of one-off premium for the reinsurance to close (RITC) of the liabilities of Syndicate 2088. Excluding these balances, 2023 gross written premium is \$215.0m (11.3%) higher than 2022.

2023 continued to deliver premium growth, driven by favourable trading conditions in the Reinsurance portfolio which experienced robust rate rises, and positive risk adjusted rate across most business lines. This was partially offset by strategic decisions to exit certain Casualty lines at the end of 2022 and withdrawal from the direct Aviation segment in late 2023.

Analysis of the gross written premiums by class of business is presented in Note 3: Segmental Analysis in the notes to the annual accounts.

Net written premiums increased to \$1,625.4m in 2023 (2022: \$1,480.2m) consistent with the growth in gross premiums.

Underwriting result

The underwriting result for 2023 is a profit of \$252.5m, an increase of \$157.0m compared to the previous year, delivering a combined ratio of 83.3% (2022: 93.2%).

Market conditions remained favourable in 2023, with net earned premiums increasing by 7.2% to \$1,515.9m whilst net incurred claims reduced due to catastrophe loss experience being lower this year. In addition, the previous year included one-off reserve strengthening in response to the heightened inflationary environment, which has developed materially in line with expectations in 2023.

Underwriter's Report

The most notable catastrophe losses in 2023 arose from Cyclone Gabrielle, Auckland floods, Hawaii wildfires and the Israel-Gaza conflict, whereas 2022 experienced notably more material losses following the Russian invasion of Ukraine, and from natural catastrophes, notably Hurricane Ian and flood losses in Australia and South Africa.

Overall result

The profit for the year was \$355.5m (2022: \$16.6m), achieved through an excellent underwriting result enhanced by equally strong investment performance.

Financial assets held grew in 2023 to \$2,436.3m (2022: \$2,095.3m) delivering a total return of \$116.5m (2022: \$(94.9)m). This represents a total positive return of 5.2% for the year, (2022: negative return of 4.9%).

The majority of Syndicate assets are held in fixed income securities which can be impacted by volatility in yield curves and credit spreads. 2023 saw further rate hikes by central banks, however, the yield curve fell in Q4 2023 as central banks started to signal a pause in hikes and potential reductions in 2024. This resulted in mark-to-market gains of \$57.9m (2022: \$124.2m losses).

The Syndicate's investment strategy is to focus on investment income with total return being secondary. Interest earned on the portfolio increased by \$20.6m in the year to \$59.0m (2022: \$38.4m). The Syndicate's fixed income portfolio is of high credit quality and has a duration in line with liabilities which allows the Syndicate to take a longer-term view on total return.

Strategy and outlook

Syndicate 1084 remains integral to Chaucer's business proposition, continuing to manage a diversified (re)insurance portfolio, underpinned by distinctive and disciplined underwriting expertise, and headlined by market leadership in selected segments. In keeping with Chaucer's wider enterprise, the Syndicate operation encompasses centralised strategic leadership, international and regional distribution channels, and trusted claims expertise.

During 2023, the Syndicate underwriting strategy consolidated around four central themes:

- Chaucer's core class proposition for direct and facultative market leading and scalable lines of business that require diverse technical expertise and an international presence;
- Treaty reinsurance lines supplying capacity across multiple segments for global cedants;
- Chaucer's partnership model to provide deliberate and meaningful support of delegated underwriting portfolios that boast niche expertise or unique distribution; and
- An increasingly influential market for the design and support of product innovation aligned to developing Chaucer's core classes, as well as mentoring and providing capacity to test new concepts through the Lloyd's Lab.

The 2024 Business Plan was approved with gross written premium increasing to £1,935.1m (\$2,463.6m), a 16% increase compared to the approved 2023 plan at consistent rates of exchange. The plan allows the Managing Agent to grow the portfolio across Chaucer's key business lines, capitalising on forecast favourable trading conditions, as we invest in strengthening resources to build greater balance and resilience throughout the trading cycle.

Underwriter's Report

The components remain in place for continued long-term successful performance. Chaucer has a broad, highly valued specialty product range, a renowned underwriting team with the right focus on delivering technically and commercially smart solutions for brokers and clients, and first-class delivery of a clear and valued service proposition.

K Hunt, Active Underwriter

Chaucer Syndicate 1084

26 February 2024



Managing Agent's Report

The Directors of the Managing Agent present their report and the audited annual accounts for the year ended 31 December 2023.

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

The Managing Agent

The Managing Agent is Chaucer Syndicates Limited, whose registered office is 52 Lime Street, London EC3M 7AF and registered number is 00184915.

Principal activities

This report covers the business of Syndicate 1084, whose principal activity during the year continued to be the transaction of worldwide general insurance and reinsurance business in the United Kingdom, underwriting at Lloyd's of London.

Principal risks and uncertainties

The following paragraphs describe the principal risks and uncertainties facing the Syndicate.

Underwriting risk

Each underwriting division of the Managing Agent undertakes an extensive annual underwriting planning process in order to determine its targets for premium income and return on capital for the Syndicate.

The detailed stochastic modelling of underwriting risk, both gross and net of reinsurance, using dynamic financial analysis techniques, assists with the setting and management of risk appetite.

Catastrophe risk is the main component of underwriting risk and the Managing Agent uses Exceedance Probability (EP) curves as one of the tools for managing this risk. For a defined underwriting portfolio, an EP curve plots expected probability against loss size. This represents a sliding scale of risk appetite against associated exceedance probabilities.

Managing risk aggregation

The Managing Agent monitors the aggregation of underwriting exposure using specialist modelling software tools where appropriate. The Managing Agent monitors the Syndicate's loss exposure to a suite of natural catastrophe events (including the prescribed Lloyd's Realistic Disaster Scenarios) and man-made events on a quarterly basis. Modelled loss caps are set at an underwriting business unit level for each event; this provides the underwriters with a practical tool for managing exposures.

Concentrations of risk

The Syndicate has exposure to losses arising through the aggregation of risks in geographical areas. This mainly affects the property, marine and energy portfolios. Events giving rise to such aggregations are typically natural disasters such as earthquakes or weather-related disasters such as hurricanes, windstorms and typhoons. Other examples include major terrorism events.

As part of the risk management process, the Managing Agent assesses the Syndicate's exposures to Realistic Disaster Scenarios every quarter to enable the Managing Agent to monitor potential accumulations of underwriting exposure against a predetermined suite of catastrophic events and to confirm no breach of underwriting risk appetite.

Managing Agent's Report

Maximum lines

Underwriters manage individual risks through adherence to set maximum line sizes.

Underwriting controls

The Managing Agent operates a number of underwriting controls, details of which are set out below.

Monitoring performance against plan

The Managing Agent manages Syndicate performance against plan through quarterly divisional reporting; utilising centrally prepared underwriting management information packs. Reports are provided to the Syndicate Underwriting Committee, and then to the Chaucer Underwriting Committee which ultimately reports to the Managing Agent's Board. This control process ensures several layers of review for underwriting risks, with particular focus on pricing, loss ratio forecasts, risk aggregation, catastrophe modelling and reinsurance protection.

Emerging risks

An emerging risk is a risk that is perceived to be potentially significant, but which may not be fully understood or allowed for in insurance terms and conditions, pricing, reserving, capital setting or the operational activities of the Managing Agent. The Managing Agent has a defined emerging risk process to identify and assess the potential impact of such risks.

Peer, independent and underwriting risk reviews

Peer review is performed on a risk-based sample of business by a fellow underwriter to ensure adherence to sound underwriting practices. The independent review process involves detailed review of individual underwriting risks and supporting documentation by experienced specialist individuals independent of the class of business under review. Themed underwriting reviews are conducted by the Risk Management Team to ensure that underwriting procedures and discipline are followed.

Internal audit

The Managing Agent's Internal Audit function provides assurance over the performance of the underwriting controls.

Claims risk

While claims events are inherently uncertain and volatile, the claims department is an experienced team covering a wide range of business classes. The Managing Agent has various management controls in place to mitigate claims risk; some of these controls are outlined below.

Claims settlement and reserving authority limits

The Managing Agent employs strict claims handling authority limits. All transactions in excess of an individual claims handler's authority are referred in a tiered approach to a colleague with the requisite knowledge and experience.

Peer review

The Managing Agent currently commissions an external random peer review on a quarterly basis. This review incorporates both qualitative and quantitative measures and findings are collated and reported to relevant committees.

Managing Agent's Report

Monthly reporting

Reports are produced for different aspects of the claims handling process, including significant movements, catastrophes, and static claims. These reports are communicated both within the business and with key external stakeholders, including Lloyd's Claims Management.

Management of external experts

The Managing Agent appoints third-party loss adjusters, surveyors and legal advisors for claims investigation and assessment services. The development of long-standing relationships with key experts and agreed Terms of Engagement aim to ensure the Syndicate receives a high-quality service. Direct contact with external experts is actively encouraged. However, this process is not exclusive. If no suitable expert exists on the Managing Agent's panel for any one particular claim, an 'Expert Exception' process operates to ensure a timely appointment of an appropriate expert.

Reserving risk

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

Reserves are set on a two-tier hierarchical basis.

Tier 1: Actuarial best estimate reserves

Actuarial best estimate reserves are prepared on an underwriting year basis and are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning. The actuarial best estimate reserves are the responsibility of the Internal Signing Actuary. The Managing Agent's Actuarial Team calculates the reserves in conjunction with extensive discussions with underwriting, claims and reinsurance staff.

Tier 2: Syndicate reserves

Determination of Syndicate reserves is a two-stage process: first, they are determined on an underwriting year basis and then they are converted to an annually accounted basis.

(a) Underwriting year Syndicate reserves

Underwriting year Syndicate reserves are prepared on an underwriting year basis and equal the Tier 1 reserves plus any reserve risk loadings. The intention of such risk loadings is to match areas within the Syndicate where the perception is that there is a particularly high risk that the best estimate reserve may be inadequate. Such areas include, but are not limited to, the following:

- New classes of business;
- Classes where early development is materially better or worse than expected;
- Classes or events with abnormally skewed claim distributions; and
- Claim events or reserving categories with a poorly understood distribution.

To ensure consistency in the application of risk loadings, the starting point in their assessment is, where possible, formulaic. The formulaic risk loadings are adjusted wherever considered either excessive or understated. There may also be additional risk loadings in respect of risks not covered by the formulaic basis.

The underwriting year Syndicate reserves provide the basis for all Syndicate results and forecasts.

Managing Agent's Report

(b) Annually accounted Syndicate reserves

Annually accounted Syndicate reserves are the underwriting year Syndicate reserves converted to an annually accounted basis, plus additional loadings.

The Managing Agent's Board approves all risk loadings within Syndicate reserves.

The assessment of actuarial best estimate reserves is a rolling quarterly process. The underwriting portfolio comprises a number of heterogeneous business types, each of which the analysis projects to ultimate. Where certain contracts or claim events obscure development trends, the analysis splits these out for separate review. The application of standard actuarial techniques to the historical attritional, large and catastrophe claims data supports the estimation of ultimate loss ratios. The analysis also draws on external data or market data or non-standard methodologies where appropriate. Whenever actual development of premiums or claims within a reserving category during a quarter is materially different from expected development based on the existing methodology, then that methodology is reassessed and, where appropriate, amended. The analysis takes credit for reinsurance recoveries and provides for the possibility of reinsurer failure.

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios and reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners and access to a history of loss data. Finally, explicit risk loadings are applied in respect of the areas of greatest risk within the reserve assessment.

Although the risk loadings provide important protection against adverse developments in reserves, the degree of subjectivity in the reserving process, the exposure to unpredictable external influences (e.g. the legal environment) and the quantum of reserves relative to net tangible assets, mean that reserving remains a significant source of risk to the Syndicate.

Financial risks

Credit risk

The Managing Agent reviews all reinsurer counterparties with whom the Syndicate wishes to conduct business and sets credit thresholds for the total potential recoveries due from each reinsurer. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, management of reinsurer credit risk follows active and regular review, with the assistance of outside expertise, of the credit rating and financial exposure to all approved reinsurers.

The Syndicate predominantly purchases reinsurance from reinsurers rated strong or better by Standard & Poor's (or equivalent). Maximum exposures per reinsurer are set in response to a reinsurer's rating and net assets.

During the year, the Syndicate cancelled quota share contracts covering certain classes of business on the 2022 and 2023 years of account due to substantive breaches of the contracts. Premium paid under the contracts has been recorded in the 2023 annual accounts and the Managing Agent is currently pursuing recovery.

Broker credit risk limits are also determined depending on the grading of the relevant broker and exposures monitored against limits on a monthly basis.

Managing Agent's Report

Investment risk

The Managing Agent's approach is that investment activities are complementary to the primary underwriting activities of the business and should not therefore divert or utilise financial resources otherwise available for insurance operations.

The preservation of capital and maintenance of sufficient liquidity to support the business and the enhancement of investment returns, within a set of defined risk constraints, are at the heart of the financial market risk policies adopted by the Managing Agent.

Investment risk constraints, which quantify the maximum amount of investment risk permitted over a one-year time horizon, are approved by the Managing Agent's Board on an annual basis and are used to derive the maximum allocation, or risk budget, that can be allocated to each asset class.

The Managing Agent reviews and amends asset allocations in accordance with investment risk constraints. Due regard is given to the outlook for each asset class because of changes in market conditions and investment returns. Proposed asset allocations are tested using stochastic modelling techniques prior to formal adoption.

The Syndicate invests a proportion of funds in fixed income and variable yield securities managed by professional portfolio managers. Each manager operates within a defined set of investment guidelines and against an appropriate benchmark.

Refer to Note 12 (pages 34-36) for more details on the Syndicate's exposure to investment risk and processes in place for managing these risks.

Operational risk

This is the risk that events caused by people, processes, systems or external events, lead to losses to the Syndicate. The Managing Agent seeks to manage this risk through business performance measures, internal controls, disaster recovery and operational resilience planning and other governing procedures, which are reviewed through a structured programme of testing of processes and systems by Internal Audit and other assurance processes.

Regulatory and legal risk

Regulatory risk is the risk of loss or reputational damage owing to a breach of regulatory and legal requirements or failure to respond to regulatory change.

The Managing Agent is required to comply with the requirements of the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Managing Agent has a Compliance Officer, who monitors regulatory developments and assesses the impact on agency policy. The Managing Agent also undertakes a compliance-monitoring programme.

Legal risk is the risk that exposes the Managing Agent to actual or potential legal proceedings. The Managing Agent has legal risk resource, which monitors legal developments and assesses impact on the business.

Conduct risk

Conduct risk is the risk of treating the Syndicate's customers unethically or unfairly by delivering inappropriate outcomes due to improper attitudes, systems, controls and governance, including non-compliance with FCA Consumer Duty and product governance requirements. The Managing

Managing Agent's Report

Agent operates a suitable risk management and governance framework across the Syndicate, which monitors the various areas of potential exposure to conduct risk matters and ensures appropriate design and performance of controls and the effective escalation and resolution of items as required.

Staff matters

Chaucer Underwriting Services Limited (CUSL), the service company employing staff who perform work on behalf of the Syndicate, considers its staff to be a key resource. It seeks to provide a good working environment for its staff that is rewarding and safe, and complies with appropriate employee legislation. During the year, there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Climate-related risks

The Managing Agent's Board is responsible for the effectiveness and oversight of the risk management system and the general management and mitigation of risks including climate change risk. It has delegated the detailed regular oversight of climate-related risk management processes and activities to its Risk and Capital Committee, who monitor the effectiveness of the risk management framework including internal controls.

The Managing Agent recognises that the Syndicate is likely to be affected by risks arising from climate change and that those risks may arise over different time horizons. In delivering its strategy for the Syndicate, the Managing Agent is committed to considering and addressing those risks, including those that are longer term and extend beyond its usual business and strategy planning timescales.

The Managing Agent has been working to improve the understanding, approach, management and reporting and disclosure of climate risks. Recent key developments include:

- Development and implementation of underwriting and investment climate risk appetites;
- Strengthening of the climate risk governance at all levels of the risk governance structure;
- A rigorous validation of the North Atlantic Windstorm model and a complete review of the Syndicate's view of risk for this peril, focussing on ensuring that we consider climate change that has already occurred to date in an updated view of risk for this peril; and
- Commissioned a literature review of academic wildfire research published from 2017–2022. This will support the Syndicate in understanding how the latest research can be factored into the wildfire Own View of Risk.

Climate risk strategy

The Managing Agent will continue to develop its strategy to bolster the management of the risks and opportunities arising from climate change. Planned actions include:

- The Syndicate will support its client base through the transition from fossil fuel exploration and production to renewable energy production. The Syndicate already underwrites a book of renewable energy business and this book is targeted to grow;
- Exposure management activities undertaken to date have demonstrated the importance of data collection, in particular for modelling exposures and assessing loss scenarios. The Managing Agent will improve exposure data categorisation to improve the assessment of the Syndicate's exposures to climate change risk. The Managing Agent will prioritise the assessment of its exposure to vulnerable regions and will insist that the exposure to these vulnerable regions is adequately priced when accepting risk;

Managing Agent's Report

- The Managing Agent has carried out extensive scenario testing as part of the Prudential Regulation Authority's Climate Biennial Exploratory Scenario (CBES) for US hurricane, NA wildfire, US severe thunderstorm, NA winter storm and flooding, UK flooding, EU windstorm, and Japan typhoon. The methodologies and processes derived from CBES have enabled the subsequent introduction of climate risk stress tests and risk appetites;
- The Managing Agent plans to enhance its due diligence process to understand the potential current and future impacts of climate risks on material existing counterparty arrangements and all future material counterparty arrangements; and
- The Managing Agent will commit to increases of risk appetite where the business is profitably priced and mix of catastrophe versus non-catastrophe exposure and reserving risk is appropriate. However, risk appetites will not increase where it may lead to increased exposure to climate change risks where it is not profitable to do so.

Scenario testing

During 2021, the Managing Agent undertook extensive scenario testing through CBES. This explored the financial risks posed by climate change through a range of scenario tests and an appraisal of the maturity of firms' climate risk management with reference to the PRA's Supervisory Statement 3/19.

The Managing Agent undertook detailed quantitative scenario tests with accompanying qualitative documentation, which covered the overall maturity of climate risk management. These tests were completed according to three predefined scenarios known as Early, Late, and No Action. The first two reflected different pathways to net-zero UK greenhouse gas emissions by 2050. The third scenario reflected a situation where governments globally are unwilling or unable to bring about effective policy change.

Specifically, the scenario testing process included:

- Physical scenario tests on key climate change impacted perils for Property exposures on a range of time horizons, according to Early, Late and No Additional Action scenario;
- Determining the financial impacts from climate change scenario tests for asset sectors and counterparty projections for a range of time horizons according to Early, Late and No Additional Action scenario;
- Assessment of potential exposure to climate-related litigation for seven predefined legal cases for the Syndicate's largest three insured climate-related sectors in scope for the exercise; and
- Calculating the impact of the first two on the Syndicate's balance sheet at time horizons from year 0 to year 30 projections.

Risk appetites

Risk appetites serve a strategic purpose by enabling the Managing Agent to assess the vulnerability of insured portfolios to climate risk. They are a key tool for management in setting and monitoring strategies on climate risk and other risk management activities lead from them.

The Managing Agent already has an established set of mature and well-embedded definitive risk appetites and limits across the risk categories which are set annually, monitored regularly, and reported with oversight from the Risk and Capital Committee. This ensures that the Managing Agent takes certain and considered decisions about the degree of risk being taken in line with price adequacy and that adjustments can be made to adjust the exposure where necessary. For these to be effective, it is important that metrics capture all material sources of risk. To that end, modelling of catastrophe

Managing Agent's Report

risk needs to factor in the enhanced risk caused by climate change today. The Managing Agent's Exposure Management team dedicate considerable resource to ensure climate change is properly considered in the Managing Agent's Own View of Risk.

The methodologies and processes derived from CBES have enabled the subsequent introduction of climate risk stress tests and risk appetites for insurance and investment risk.

The insurance stress test now enables the Managing Agent to understand the Syndicate's Climate Risk Vulnerability for key meteorological perils in North America, Europe, and Japan and for a risk appetite to be set. Similarly, investment risk stress tests have been introduced and enabled the setting of a Climate Value at Risk (CVaR) appetite.

These stress tests were reviewed and approved by the Risk and Capital Committee in 2023 and are now monitored on an ongoing basis as part of Own View of Risk development. The stress tests are regularly reviewed by the Risk and Capital Committee.

Identification and assessment of climate risks

The major climate risks are recognised as Physical, Transition and Liability risks, which are monitored through the Managing Agent's Enterprise Risk Management (ERM) framework processes. The Managing Agent considers that the financial risks from climate change can be managed through existing 1st, 2nd and 3rd line of defence frameworks and, in particular, risk management processes and activities. The ongoing, forward-looking ORSA process and annual ORSA Report which documents the various risk management and capital assessment activities also support the Managing Agent in managing climate risk by clearly assessing and reporting its Own View of Risk.

The Managing Agent has been developing specific risk management tools and processes to address climate risks and ensure the sustainability of its business and targeted performance of the Syndicate. Existing strategies implemented to date include:

- Enhanced focus on catastrophe perils where climate change is identified as a driver of increased risk, including improved modelling capability and reporting;
- Underwriting of renewable energy;
- Enhanced risk management capability and framework specifically adapted to improve understanding and management of climate change risks;
- Adaptations to processes in the ERM framework ensure that the identification and assessment of long-term risks is considered with a focus on key risk categories;
- Changes to investment strategy to mitigate the transition risks of climate change;
- Rigorous validation of catastrophe risk models within the business and analysis of trends in event frequency and severity forming part of the review of model assumptions. Where trends are observed in recent years, this is reflected in the Solvency Capital Requirement (SCR) modelling. Climate change is also considered as part of the risk driver framework used for setting correlations between classes. Classes which are deemed to be at higher risk of the effects of climate change, such as Property and Property Treaty, will likely score more highly against this risk driver when setting assumptions;
- Formation of an ESG Group and the ongoing development of an ESG strategy and objectives which will contribute to the mitigation of climate-related operational risks;
- Development of Own View of Risk which is core to managing climate risk; and
- Production of a quarterly Climate Change Risk Dashboard highlighting the material climate risk exposures categorising these risks into Physical, Transitional and Litigation risk types, recognising the time horizon around expected emergence of issues.

Managing Agent's Report

Whilst existing approaches are an effective foundation, the characteristics of climate risks, including time-horizon and potential to impact all risk categories require that new approaches are also developed to supplement the foundation. These developments are being undertaken with reference to the PRA's Supervisory Statement 3/19.

Transition risks

The Syndicate's investment portfolio is exposed to transition risk, and in particular, any impacts to the liquidity of the portfolio as a result of policy changes and/or risks associated with the transition to a low-carbon economy. Risk management actions taken to date are:

- Continual monitoring of the investment portfolio against multiple climate change and ESG-related screens to ensure the Managing Agent has as much foresight as possible to any potential issues which may arise. The Syndicate's portfolio is continuously screened against carbon ESG screens for Arctic gas, Arctic oil, carbon intensity, oil sands, shale gas, shale oil, thermal coal extraction and thermal coal generation. It is then benchmarked against the MSCI World Index to monitor total exposures with the goal of ensuring the portfolio's exposure is below the benchmark and significantly below targets stated by regulators;
- The portfolio is assigned an ESG rating through the MSCI scoring index with a minimum rating of A. The Managing Agent is in the process of formalising risk appetites and investment strategies for the Syndicate, which fully embed ESG considerations to investment decisions; and
- Quantitative scenario testing of the investment portfolio to understand the potential impact to the assets the Syndicate holds, across a range of time horizons.

The Syndicate has a very short-dated portfolio and is a hold-to-maturity investor. As such, the risk from climate change on the portfolio is seen as minimal. The periodic reinvestment of a portion of the portfolio provides flexibility in investment decisions and the ability to react to developing market conditions.

The Syndicate could also be exposed to transition risk arising from uncertainty as to the depth and degree of alignment between the climate change policies of the different jurisdictions that the Syndicate operates in. In a scenario where transition targets diverge, chronic and acute physical risks may worsen and have the potential to impact the Syndicate's exposures by significantly increasing them if not mitigated. Further, transition risk could cause much deeper, wider disruption including that to the financial system if industry were forced to predict when or if transition policies may be introduced across different regions.

Physical risks

The Syndicate is materially exposed through its underwriting portfolio to weather events and catastrophe risk. Risk management actions taken to date are:

- Quantitative scenario testing of the Syndicate's major climate-related perils across multiple time horizons and temperature-rise outcomes to further understand the potential impact to these liabilities;
- Rigorous validation of the North Atlantic hurricane model and a complete review of the view of risk for this peril, focussing on ensuring that climate change that has already occurred to date in an updated view of risk for this peril is considered. Tropical cyclone risk in the North Atlantic is the Syndicate's most material exposure to natural catastrophe peril (across all metrics of materiality), which is why it is the first model which has been through such a rigorous review for this purpose. The Managing Agent is undertaking a similar review on Japan typhoon modelling and will undertake further work on assessing the Syndicate's current risk and appetites for wildfire in North America;

Managing Agent's Report

- Reviewing the state of scientific opinion on flood risk and climate change. This will support the Syndicate in understanding how the latest research can be factored into our various Own View of Risk for flood;
- Climate change stress testing of the Japan typhoon model which may result in a full review of the view of risk for this peril. The focus is on addressing the most significant and current climate change trends based on historical data, climate model projections, and scientific consensus;
- Climate-related liability risk modelling to assess these risks in the underwriting portfolio; and
- Strategic workshops assessing the impact of physical climate change risk and opportunities on key industries that may be materially affected by physical climate change trends to identify potential gaps (or unsolved customer problems) where insurance solutions could play a role.

Liability risks

The Syndicate is exposed to liability risks from climate change through its portfolio of liability products. Risk management actions taken to date are:

- Scenario testing of the Syndicate's potential exposure to liability risks arising from climate change, considering potential litigation risks arising from climate change across the Syndicate's underwriting divisions. The only in-scope products, featuring General Liability, have been analysed and assessed for potential exposure;
- Informal consideration of the impact of climate litigation in the Syndicate's investment counterparty exposures, particularly in consideration of exposure to high-risk sectors like Energy and Utilities. The Managing Agent implements and monitors any changes through monthly discussions with investment managers, ESG scoring of investments and quarterly reporting from certain third-party investment managers; and
- The Managing Agent's Exposure Management team have developed a risk framework for managing potential catastrophic liability risk. The core stages of this development have been to improve the data linked to liability policies, generate potential scenarios, and consider impacted industries, and finally to quantify the loss.

A model has now been developed which can simulate multi-year liability events against the Syndicate's portfolio, defining the total amount of culpability within the event, how this is distributed around sectors of the economy and into which type of liability policies these could be recovered. These scenarios include climate change financial risks such as 'greenwashing' and 'sea level rise'.

The quantitative analysis is augmented by qualitative risk dashboard reporting. This identifies and reports key liability risks, including those that arise from the financial risks from climate change. During 2024, further development is planned and the team will continue to closely monitor ongoing trends and avenues through which litigation around climate change may occur.

Directors' interests

The Directors who held office during the year and up to the date of signing the annual accounts are detailed on page 3.

None of the Directors of the Managing Agent has any participation in the Syndicate's premium income capacity.

Managing Agent's Report

Disclosure of information to the auditors

The Directors each confirm that:

- So far as they are aware, there is no relevant audit information of which the Syndicate's auditors are unaware; and
- They have taken all the steps that they ought to have taken as a director in order to make themselves aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

Independent auditors

The independent auditors were in office during the reporting period for which these annual accounts cover and at the date of signing. The Board of Directors of the Managing Agent have agreed to appoint KPMG LLP as auditors of the Syndicate, following a competitive tender process. They will formally assume office as auditors once PricewaterhouseCoopers LLP resigns.

Approved by the Board of Chaucer Syndicates Limited.

R J Callan

Chief Executive Officer & Chief Financial Officer

26 February 2024

Independent Auditors' Report to the Member of Syndicate 1084

Report on the audit of the syndicate annual accounts

Opinion

In our opinion, Syndicate 1084's syndicate annual accounts:

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

We have audited the syndicate annual accounts included within the Annual Report and Accounts (the "Annual Report"), which comprise: the Statement of Financial Position as at 31 December 2023; the Statement of Comprehensive Income, the Statement of Cash Flows, and the Statement of Changes in Member's Balance for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

Basis for opinion

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

Independence

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

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

Other than those disclosed in note 6, we have provided no non-audit services to the syndicate in the period under audit.

Conclusions relating to going concern

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

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

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

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

Independent Auditors' Report to the Member of Syndicate 1084

Reporting on other information

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

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

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

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

Managing Agent's Report

In our opinion, based on the work undertaken in the course of the audit, the information given in the Managing Agent's Report for the year ended 31 December 2023 is consistent with the syndicate annual accounts and has been prepared in accordance with applicable legal requirements.

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

Responsibilities for the syndicate annual accounts and the audit

Responsibilities of the Managing Agent for the syndicate annual accounts

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

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

Independent Auditors' Report to the Member of Syndicate 1084

Auditors' responsibilities for the audit of the syndicate annual accounts

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

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

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

- Inspection of relevant meeting minutes, including those of the Board, Risk & Capital Committee and Audit Committee of the Managing Agent; and any correspondence with regulatory authorities, including Lloyd's of London, the Prudential Regulation Authority, and the Financial Conduct Authority;
- Discussions with the Board, Management, Compliance function and Internal Audit function of the Managing Agent, including consideration of known or suspected occurrences of fraud and non-compliance with laws and regulations;
- Evaluation and testing of the operating efficiency of management's controls designed to prevent or detect misstatements in the annual accounts;
- Testing and challenging the assumptions and judgements made by management in their significant accounting estimates where appropriate, particularly in relation to the estimation of claims outstanding and the estimation of estimated premium income;
- Identification and testing of journal entries, particularly those with unusual account combinations, those posted to unusual accounts, those posted by unexpected users, those containing unusual words, manual revenue journals and post-close journals; and
- Designing audit procedures to allow us to incorporate unpredictability around the nature, timing or extent of our testing.

Independent Auditors' Report to the Member of Syndicate 1084

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

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

Use of this report

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

Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

Deepti Vohra (Senior statutory auditor)

for and on behalf of PricewaterhouseCoopers LLP
Chartered Accountants and Statutory Auditors
London
26 February 2024

Statement of Comprehensive Income

for the year ended 31 December 2023

	Note	2023 \$m	2022 \$m
Technical account – general business			
Earned premiums, net of reinsurance			
Gross premiums written	3	2,110.3	1,990.3
Outward reinsurance premiums		(484.9)	(510.1)
Net premiums written		1,625.4	1,480.2
Change in the provision for unearned premiums			
Gross amount	15	(117.0)	(82.7)
Reinsurers' share	15	7.5	16.1
Net change in provision for unearned premiums		(109.5)	(66.6)
Earned premiums, net of reinsurance		1,515.9	1,413.6
Allocated investment return transferred from the non-technical account		116.5	(94.9)
Total technical income		1,632.4	1,318.7
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	15	(811.4)	(640.0)
Reinsurers' share	15	200.7	325.0
Net claims paid		(610.7)	(315.0)
Change in the provision for claims			
Gross amount		(7.2)	(556.8)
Reinsurers' share		(105.1)	21.5
Net change in the provision for claims		(112.3)	(535.3)
Claims incurred, net of reinsurance		(723.0)	(850.3)
Net operating expenses	5	(540.1)	(467.5)
Other technical charges, net of reinsurance	9	(0.3)	(0.3)
Total technical charges		(1,263.4)	(1,318.1)
Balance on the Technical account – general business		369.0	0.6
Non-technical account			
Foreign exchange (loss)/gain		(13.5)	16.0
Investment income	10	66.8	40.7
Net unrealised gains/(losses) on investments	10	57.9	(124.2)
Investment expenses and charges	10	(8.2)	(11.4)
Allocated investment return transferred to the Technical account – general business		(116.5)	94.9
Profit for the financial year		355.5	16.6

All the amounts above are in respect of continuing operations.

Statement of Financial Position

as at 31 December 2023

	Note	2023 \$m	2022 \$m
Assets			
Investments			
Other financial investments	12	2,214.3	1,775.7
Reinsurers' share of technical provisions			
Provision for unearned premiums	15	234.4	222.8
Claims outstanding	15	1,009.3	1,105.2
		1,243.7	1,328.0
Debtors			
Debtors arising out of direct insurance operations – intermediaries		283.6	278.6
Debtors arising out of reinsurance operations		888.9	738.2
Other debtors	13	1.8	13.7
		1,174.3	1,030.5
Other assets			
Cash and cash equivalents		57.3	129.3
Overseas deposits	14	164.7	190.3
		222.0	319.6
Prepayments and accrued income			
Deferred acquisition costs	15	227.5	201.7
Other prepayments and accrued income		15.7	10.2
		243.2	211.9
Total assets		5,097.5	4,665.7
Liabilities			
Capital and reserves			
Member's balance		163.7	(144.5)
Technical provisions			
Provision for unearned premiums	15	1,074.9	936.5
Claims outstanding	12, 15, 17	3,416.9	3,372.9
		4,491.8	4,309.4
Creditors			
Creditors arising out of direct insurance operations - intermediaries		7.0	7.5
Creditors arising out of reinsurance operations		394.4	457.3
Other creditors including taxation and social security	18	14.5	8.6
		415.9	473.4
Accruals and deferred income		26.1	27.4
Total liabilities		5,097.5	4,665.7

The annual accounts on pages 22-44 were approved by the Board of Chaucer Syndicates Limited on 26 February 2024 and signed on its behalf by:

R J Callan

Chief Executive Officer & Chief Financial Officer

Statement of Changes in Member's Balance

for the year ended 31 December 2023

	2023	2022
	\$m	\$m
Balance as at 1 January	(144.5)	(111.4)
Profit for the financial year	355.5	16.6
Payments of profit to member's personal reserve funds	(44.3)	(50.8)
Other	(3.0)	1.1
Balance as at 31 December	163.7	(144.5)

Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 \$m	2022 \$m
Cash flows from operating activities			
Profit for the financial year		355.5	16.6
Increase in gross technical provisions		128.0	648.6
Decrease/(increase) in reinsurers' share of gross technical provisions		98.7	(37.1)
Increase in debtors		(165.1)	(163.2)
(Decrease)/increase in creditors		(66.1)	115.5
Movement in other assets/liabilities		29.9	(18.6)
Investment return	10	(116.5)	94.9
Foreign exchange		15.8	(35.1)
Other		(3.0)	(86.6)
Net cash generated from operating activities		277.2	535.0
Cash flows from investing activities			
Purchase of equity and debt instruments		(2,817.6)	(2,212.2)
Sale of equity and debt instruments		2,445.7	1,782.2
Investment income received		58.1	32.3
Other		3.7	(1.9)
Net cash used in investing activities		(310.1)	(399.6)
Cash flows from financing activities			
Distribution profit		(44.3)	(50.8)
Net cash used in financing activities		(44.3)	(50.8)
Net (decrease)/increase in cash and cash equivalents		(77.2)	84.6
Cash and cash equivalents at beginning of year		129.3	46.2
Foreign exchange on cash and cash equivalents		5.2	(1.5)
Cash and cash equivalents at end of year		57.3	129.3
Cash and cash equivalents consist of:			
Cash at bank		57.3	129.3
Cash and cash equivalents		57.3	129.3

Notes to the Accounts

for the year ended 31 December 2023

1. Basis of preparation

The Syndicate annual accounts have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS 102”), Financial Reporting Standard 103, “Insurance Contracts” (“FRS 103”) and the Companies Act 2006. The Syndicate annual accounts have been prepared under regulation 5 of the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“IAD”), and reflect the provisions of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations 2008 (SI2008/410) as modified by the IAD.

The Syndicate annual accounts have been prepared in accordance with applicable accounting standards in the United Kingdom. A summary of the more important accounting policies is set out below, together with an explanation of where changes have been made to previous policies on the adoption of new accounting standards in the year.

Having assessed the principal risks, the Directors considered it appropriate to adopt the going concern basis of accounting in preparing the annual accounts.

2. Accounting policies

A) Insurance contracts

Insurance contracts are those contracts that transfer significant insurance risk. Such contracts may also transfer financial risk.

i) Premiums written

Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premium written is initially based on the estimated premium income (‘EPI’) of each contract. Where premium is sourced through binders, the binder EPI is prorated across the binder period. Judgement is involved in determining the ultimate estimates in order to establish the appropriate premium value and, ultimately, the cash to be received. EPI estimates are updated to reflect changes in an underwriter’s expectation through consultation with brokers and third-party coverholders, changes in market conditions, historic experience and to reflect actual cash received for a contract.

ii) Unearned premiums

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

iii) Reinsurance premiums ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured. When cancelled, premiums recoverable are booked in the period the recovery is made.

iv) Claims provisions and related recoveries

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

Notes to the Accounts

for the year ended 31 December 2023

2. Accounting policies (continued)

iv) Claims provisions and related recoveries (continued)

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods. Refer to reserving risk section in Managing Agent's Report (pages 9-10) for more detail.

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

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

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

Finally, the Actuarial function applies a bespoke approach for allowing for excess IBNR where existing methods would not otherwise adequately allow for future inflation expectations. In particular, where future calendar year inflation is forecast to be different to past experience. This approach considers both frequency and severity, and expectations of economic and excess inflation (including social inflation) applied to the specific drivers of loss for classes written by the Syndicate.

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

v) Unexpired risks provision

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

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

vi) Deferred acquisition costs

Acquisition costs, which comprise commission, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

Notes to the Accounts

for the year ended 31 December 2023

2. Accounting policies (continued)

B) Investment contracts

Amounts paid in respect of certain reinsurance contracts, which principally involve the transfer of financial risk and not significant insurance risk, are accounted for using deposit accounting, under which amounts paid are debited directly to the Statement of Financial Position. Investment contract assets are initially recognised at fair value and subsequently carried in the Statement of Financial Position at amortised cost and shown as 'Other assets'. Investment contract liabilities are carried in the Statement of Financial Position at amortised cost and shown within 'Other creditors including taxation and social security'. Contractual gains and losses are recognised in other technical income in the Statement of Comprehensive Income using the effective interest rate method.

C) Net operating expenses

Net operating expenses are recognised on an accruals basis. These comprise the Syndicate's operating expenses such as remuneration, office and administrative costs, acquisition costs, reinsurance commissions, Managing Agency costs, the costs of membership of Lloyd's and other expenses attributable to the Syndicate's underwriting.

D) Cash and cash equivalents

Cash and cash equivalents include deposits held at call with banks.

E) Foreign currencies

The functional and presentation currency of the Syndicate is United States dollars.

Foreign currency transactions are translated into the functional currency using the spot exchange rates at the dates of the transactions.

At each period end, foreign currency monetary items are translated using the closing rate. For this purpose, all assets and liabilities arising from insurance contracts (including unearned premiums, deferred acquisition costs and unexpired risks provisions) are monetary items. Non-monetary items measured at historical cost are translated using the exchange rate at the date of the transaction and non-monetary items measured at fair value are measured using the exchange rate when fair value was determined.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of monetary assets and liabilities denominated in foreign currencies are recognised in the non-technical account.

Foreign exchange gains and losses resulting from the settlement of transactions and from the translation at period end exchange rates of non-monetary assets and liabilities denominated in foreign currencies are recognised in other comprehensive income for those items where the gain is required to be recognised within other comprehensive income, and in the non-technical account where the gain is required to be recognised within profit or loss.

F) Financial assets

All investments are classified as fair value through profit and loss and are measured at fair value. Fair value is determined using published bid price quotations of each security.

The Directors consider the fair value through profit and loss option to be appropriate as financial assets are managed and their performance evaluated on a fair value basis, in accordance with a documented investment strategy and information is provided internally on that basis to key management personnel. In addition, investment risk is assessed on a total return basis, which is consistent with the adoption of fair value through profit and loss.

Notes to the Accounts

for the year ended 31 December 2023

2. Accounting policies (continued)

F) Financial assets (continued)

Deposits with credit institutions are stated at cost and overseas deposits are stated at market value (per Lloyd's valuation).

Net gains or losses arising from changes in the fair value of financial assets at fair value through profit or loss are presented in the Statement of Comprehensive Income within 'Unrealised gains on investments' or 'Unrealised losses on investments'.

G) Financial liabilities

Creditors are financial liabilities and are recognised initially at fair value, net of directly attributable transaction costs. Creditors are subsequently stated at amortised cost, using the effective interest method.

H) Investment return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

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

I) Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year are included in the Statement of Financial Position under the heading 'Member's balance'.

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

J) Pension costs

CUSL operates a defined contribution scheme. Pension contributions relating to CUSL staff working for the Syndicate, are charged to the Syndicate and included within net operating expenses.

K) Key judgements and uncertainty

In applying the accounting policies described in Note 2, the following estimates that have had the most significant impact on the annual accounts are:

- Valuation of general insurance contract liabilities (pages 26-27);
- Measurement of premium written (page 26).

Notes to the Accounts

for the year ended 31 December 2023

3. Segmental analysis

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

	Gross premiums written \$m	Gross premiums earned \$m	Gross claims incurred \$m	Gross operating expenses* \$m	Reinsurance balance \$m	Total \$m	Net technical provisions \$m
2023							
Direct insurance							
Accident and health	0.9	6.0	(5.2)	(2.9)	(1.8)	(3.9)	23.2
Motor (third-party liability)	10.1	10.4	(7.7)	(3.4)	(0.6)	(1.3)	42.8
Motor (other classes)	6.1	6.0	(4.5)	(2.1)	(1.5)	(2.1)	7.0
Marine, aviation and transport	165.6	164.6	(73.3)	(54.6)	(23.8)	12.9	203.3
Energy	51.1	51.2	(34.2)	(20.4)	6.7	3.3	100.4
Fire and other damage to property	261.3	236.6	(58.7)	(76.2)	(75.8)	25.9	340.3
Third-party liability	209.7	213.3	(105.0)	(84.4)	(3.5)	20.4	689.6
Miscellaneous	92.4	60.9	(20.3)	(21.8)	(21.0)	(2.2)	126.5
	797.2	749.0	(308.9)	(265.8)	(121.3)	53.0	1,533.1
Reinsurance	1,313.1	1,244.3	(509.7)	(295.5)	(239.6)	199.5	1,715.0
	2,110.3	1,993.3	(818.6)	(561.3)	(360.9)	252.5	3,248.1
2022 (restated)							
Direct insurance							
Accident and health	9.9	8.1	(7.1)	(4.6)	1.6	(2.0)	23.4
Motor (third-party liability)	10.0	8.4	(5.7)	(2.7)	(0.4)	(0.4)	21.7
Motor (other classes)	5.3	3.6	(1.2)	(0.2)	(3.1)	(0.9)	3.9
Marine, aviation and transport	146.9	131.6	(93.3)	(41.0)	2.4	(0.3)	202.6
Energy	47.7	48.5	(23.6)	(18.8)	3.5	9.6	68.2
Fire and other damage to property	204.8	191.0	(188.0)	(57.8)	14.1	(40.7)	294.9
Third-party liability	255.8	270.5	(153.7)	(99.1)	(4.4)	13.3	785.2
Miscellaneous	59.8	66.1	(20.1)	(20.3)	0.8	26.5	126.0
	740.2	727.8	(492.7)	(244.5)	14.5	5.1	1,525.9
Reinsurance	1,250.1	1,179.8	(704.1)	(265.0)	(120.3)	90.4	1,455.5
	1,990.3	1,907.6	(1,196.8)	(509.5)	(105.8)	95.5	2,981.4

* Gross operating expenses are not the same as net operating expenses shown in the Statement of Comprehensive Income because of commissions in respect of outward reinsurance received.

All premiums were concluded in the UK.

Commission on gross premiums written as direct insurance business, during 2023, was \$158.3m (2022: \$148.2m).

The reinsurance balance represents the charge to the technical account from the aggregate of all items relating to outwards reinsurance.

The segmental distribution of 2022 net technical provisions are restated from the 2022 annual accounts following an improvement to the allocation methodology, as more reliable information has become available.

Notes to the Accounts

for the year ended 31 December 2023

3. Segmental analysis (continued)

The geographical analysis of gross premiums written by reference to the location of the risk is as follows:

	2023 \$m	2022 \$m
UK	55.1	135.5
European Union	145.8	160.8
Americas (including US)	739.0	630.8
Other	1,170.4	1,063.2
Gross premiums written	2,110.3	1,990.3

Concentration of gross and net insurance liabilities by geographical area is as follows:

	2023 Gross technical provisions \$m	2023 Net technical provisions \$m	2022 Gross technical provisions \$m	2022 Net technical provisions \$m
UK	117.3	84.8	293.4	203.0
European Union	310.3	224.4	348.1	240.8
Americas (including US)	1,572.9	1,137.4	1,365.7	944.8
Other	2,491.3	1,801.5	2,302.2	1,592.8
Total	4,491.8	3,248.1	4,309.4	2,981.4

4. Movement in prior year's provision for claims outstanding

During 2023, the Syndicate released \$89.2m of technical reserves in respect of prior years (2022: \$85.9m), arising predominantly from the Casualty, Marine and Treaty divisions (2022: predominantly from the Political Risk & Violence, Marine and Property divisions). These releases were due to favourable claims development on prior year losses during 2023.

5. Net operating expenses

	2023 \$m	2022 \$m
Acquisition costs:		
Brokerage and commission	421.0	394.3
Change in deferred acquisition costs	(22.4)	(18.1)
Administrative expenses	157.0	133.0
Reinsurance commissions and profit participations	(15.5)	(41.7)
	540.1	467.5
Administrative expenses include:		
Member's standard personal expenses (Lloyd's subscriptions, New Central Fund contributions and Managing Agent's fees)	29.9	27.6

Notes to the Accounts

for the year ended 31 December 2023

6. Auditors' remuneration

	2023 \$m	2022 \$m
Audit of the Syndicate annual accounts	0.6	0.6
Other services pursuant to legislation	0.3	0.2
	0.9	0.8

Other services pursuant to legislation relate to the audit and review of Lloyd's regulatory returns as required by Lloyd's byelaws.

7. Staff costs

CUSL employs all staff and recharged the following amounts to the Syndicate in respect of staff costs:

	2023 \$m	2022 \$m
Wages and salaries	42.0	37.2
Social security costs	4.9	4.8
Other pension costs	4.8	4.2
	51.7	46.2

The average number of employees employed by CUSL, but working for the Syndicate, during the year was as follows:

	2023 Number	2022 Number
Administration and finance	175	164
Underwriting	126	118
Claims	29	28
Other	96	86
	426	396

8. Emoluments of the Directors of the Managing Agent and the Active Underwriter of the Syndicate

The Directors of the Managing Agent and the Active Underwriter received the following aggregate remuneration for services rendered to the Syndicate:

	2023 \$m	2022 \$m
Directors of Chaucer Syndicates Limited	1.9	2.0
Active Underwriter	0.4	0.4

Notes to the Accounts

for the year ended 31 December 2023

9. Other technical charges, net of reinsurance'

Other technical charges of \$0.3m (2022: \$0.3m) relate to a reduction in expected recoveries on a reinstatement premium protection contract held.

10. Investment return

	2023 \$m	2022 \$m
Investment income		
Interest from financial assets at fair value through profit and loss	47.2	31.5
Interest on cash and cash equivalents	6.5	2.9
Other interest and similar income	5.3	4.0
Realised gains on investments	7.8	2.3
	66.8	40.7
Investment expenses and charges		
Investment management expenses including interest	(1.6)	(1.7)
Realised losses on investments	(6.6)	(9.7)
	(8.2)	(11.4)
Net unrealised gains/(losses) on investments	57.9	(124.2)
Total investment return	116.5	(94.9)

11. Calendar year investment return

The average amount of Syndicate funds available for investment and the calendar year investment return and yield were as follows:

	2023 \$m	2022 \$m
Average funds	2,236.5	1,909.2
Investment return (net of expenses)	116.5	(94.9)
Calendar year investment return	5.2%	(4.9)%
Average funds available for investment by fund		
Sterling	498.8	287.0
United States dollars	1,508.7	1,379.0
Canadian dollars	229.0	243.2
Analysis of calendar year investment return by fund	%	%
Sterling	5.8	(2.6)
United States dollars	5.1	(6.0)
Canadian dollars	4.5	(1.7)

Average fund is the average of bank balances, overseas deposits, and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

Notes to the Accounts

for the year ended 31 December 2023

12. Financial instruments

	Cost \$m	2023 Market value \$m	Cost \$m	2022 Market value \$m
Shares and other variable yield securities at fair value through profit and loss	125.0	125.9	155.8	154.1
Debt securities and other fixed income securities at fair value through profit and loss	2,140.3	2,086.9	1,740.3	1,616.4
Deposits with ceding undertakings	1.5	1.5	5.2	5.2
	2,266.8	2,214.3	1,901.3	1,775.7

Risk policies

Market risk

Interest rate risk

The most significant proportion of risk within the Syndicate's fixed income portfolio is interest rate risk, which increases as the duration of each portfolio gets longer. In order to manage this risk duration, constraints are set, relative to a benchmark to provide downside protection for increases in interest rates with duration targets of minimum 2.5 years and maximum 3.5 years for each portfolio.

The sensitivities shown in the table below indicate the estimated impact on result from parallel shifts in the yield curve.

	2023 \$m	2022 \$m
50 basis points increase	(28.8)	(24.4)
50 basis points decrease	28.8	24.4
100 basis points increase	(57.4)	(48.9)
100 basis points decrease	57.4	48.9
200 basis points increase	(114.8)	(97.8)
200 basis points decrease	114.8	97.8

Currency risk

The Syndicate writes a significant proportion of insurance business in currencies other than United States dollars, which gives rise to exposure to currency risk. The Managing Agent mitigates this through a policy of matching Syndicate assets and liabilities by currency.

Liquidity risk

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. The Managing Agent operates and maintains a liquidity risk policy designed to ensure that Syndicate cash is available to settle liabilities and other obligations when due without excessive cost to the business.

Notes to the Accounts

for the year ended 31 December 2023

12. Financial instruments (continued)

The expected payment profile of undiscounted liabilities is as follows:

	Maturity band (Years)					Total \$m
	<1 \$m	1-3 \$m	3-5 \$m	>5 \$m		
Creditors	245.1	111.8	36.2	22.8	415.9	
Claims outstanding	1,146.2	1,116.5	531.3	622.9	3,416.9	
At 31 December 2023	1,391.3	1,228.3	567.5	645.7	3,832.8	
Creditors	277.3	126.1	38.7	31.3	473.4	
Claims outstanding	1,123.5	1,113.7	515.2	620.5	3,372.9	
At 31 December 2022	1,400.8	1,239.8	553.9	651.8	3,846.3	

Credit risk

The Syndicate holds the majority of its investments in investment grade securities and money market funds, managed by external portfolio managers. Investment managers may take credit risk as a tactical enhancement to fixed income returns when suitable opportunities arise within the risk budget set for each manager. Investment fund managers mitigate credit risk through diversification and by setting maximum limits for individual counterparties.

The assets bearing credit risk are summarised below, together with an analysis by credit rating:

	2023 \$m	2022 \$m
Debt securities	2,086.9	1,616.4
Cash and cash equivalents	57.3	129.3
Shares and other variable yield securities	125.9	154.1
Overseas deposits	164.7	190.3
Deposits with ceding undertakings	1.5	5.2
Reinsurers' share of claims outstanding	1,009.3	1,105.2
Reinsurers' paid claim accruals*	137.6	138.1
	3,583.2	3,338.6
AAA	1,166.2	1,132.3
AA	699.0	657.2
A	1,436.1	1,292.7
BBB	219.0	162.0
BB or less	35.2	62.3
Not rated	27.7	32.1
Total assets bearing credit risk	3,583.2	3,338.6

* Reinsurers' paid claim accruals are a component of debtors arising from reinsurance operations on the Statement of Financial Position.

Notes to the Accounts

for the year ended 31 December 2023

12. Financial instruments (continued)

Determination of fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been identified as follows:

- The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date (Level 1);
- Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly (Level 2); and
- Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability (Level 3).

The following table presents the Syndicate's assets measured at fair value at 31 December 2023 and at 31 December 2022.

	Level 1 \$m	Level 2 \$m	Level 3 \$m	Total \$m
Shares and other variable yield securities and unit trusts	105.9	-	20.0	125.9
Debt securities and other fixed income securities	288.1	1,798.8	-	2,086.9
Overseas deposits	-	164.7	-	164.7
At 31 December 2023	394.0	1,963.5	20.0	2,377.5
Shares and other variable yield securities and unit trusts	135.3	-	18.8	154.1
Debt securities and other fixed income securities	292.5	1,323.9	-	1,616.4
Overseas deposits	-	190.3	-	190.3
At 31 December 2022	427.8	1,514.2	18.8	1,960.8

The majority of the Syndicate's investments are valued based on quoted market information or other observable market data. The Syndicate holds 0.9% (2022: 1.1%) of its net financial investments at a fair value based on estimates and recorded as Level 3 investments. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible. While such valuations are sensitive to estimates, it is believed that changing one or more of the assumptions to reasonably possible alternative assumptions might result in a higher or lower fair value measurement, though this is unlikely to be significant.

13. Other debtors

	2023 \$m	2022 \$m
Amounts due from service companies	1.2	12.9
Investment sales debtors	0.2	-
Other debtors	0.4	0.8
	1.8	13.7

Notes to the Accounts

for the year ended 31 December 2023

14. Overseas deposits

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries. The funds are required in order to protect policyholders and enable the Syndicate to operate in those markets. The Syndicate has only restricted access to these funds and no influence over their investment.

15. Technical reserves

	Provisions for unearned premiums \$m	Claims outstanding \$m	Deferred acquisition costs* \$m	Total \$m
Gross				
At 1 January 2023	936.5	3,372.9	(201.7)	4,107.7
Exchange differences	21.4	36.8	(8.7)	49.5
Claims paid in year	-	(811.4)	-	(811.4)
Movement in provision	117.0	818.6	(17.1)	918.5
At 31 December 2023	1,074.9	3,416.9	(227.5)	4,264.3
Reinsurance				
At 1 January 2023	222.8	1,105.2	(27.2)	1,300.8
Exchange differences	4.1	9.2	(0.4)	12.9
Reinsurance recoveries in the year	-	(200.7)	-	(200.7)
Movement in provision	7.5	95.6	5.3	108.4
At 31 December 2023	234.4	1,009.3	(22.3)	1,221.4
Net technical provisions				
At 1 January 2023	713.7	2,267.7	(174.5)	2,806.9
At 31 December 2023	840.5	2,407.6	(205.2)	3,042.9

* Reinsurers' share of deferred acquisition cost is included in accruals and deferred income

Notes to the Accounts

for the year ended 31 December 2023

15. Technical reserves (continued)

2022 and prior events

The Syndicate has material exposure to claims arising from the Russia and Ukraine crisis that arose when Russia invaded Ukraine towards the end of February 2022. The claims could come from issues more directly linked to Russia's invasion, for example, factories hit by Russian troops or due to aircraft seized by the Russian government or from the sanctions imposed on Russia by other countries impacting the Political Risks and Credit division. The current estimated ultimate claims are \$285.3m gross (2022: \$259.8m) and \$117.4m net of reinsurance (2022: \$106.9m). After allowing for inwards and outwards reinstatement premiums this increases to \$136.2m (2022: \$126.6m).

The Syndicate also has exposure to losses emanating from the Covid-19 pandemic and the ensuing Global Economic Crisis. The current estimated ultimate claims are \$160.1m gross (2022: \$164.1m) and \$110.0m net of reinsurance (2022: \$112.7m). After allowing for inwards and outwards reinstatement premiums this reduces to \$106.9m (2022: \$112.0m).

The Syndicate has exposure to a number of natural catastrophe events that occurred in 2022. The largest of these is Hurricane Ian. The current estimated ultimate claims for this event is \$76.3m gross (2022: \$100.7m) and \$58.9m net of reinsurance (2022: \$64.1m). After allowing for inwards and outwards reinstatement premiums this reduces to \$51.5m (2022: \$57.5m).

2023 events

The Syndicate has exposure to a number of natural catastrophe events that occurred in 2023. There were a number of medium-size events, with the largest of these being Cyclone Gabrielle. The current estimated ultimate claims for this event is \$28.6m gross and \$22.4m net of reinsurance. After inwards and outwards reinstatement premiums this reduces to \$21.4m. The next largest event was Auckland Floods. The current estimated ultimate claims for this event is \$27.6m gross and \$21.8m net of reinsurance. After allowing for inwards and outwards reinstatement premiums this reduces to \$21.0m.

The Syndicate also has exposure to non-elemental catastrophe events that occurred in 2023. The largest of these is the Israel-Gaza conflict. The current estimated ultimate claims are \$20.5m gross and \$20.1m net of reinsurance.

16. Sensitivity of insurance risk

The following table shows the impact of a 1% variation in the loss ratio on profit or loss and member's balance:

	2023	2022
Net loss ratio	47.7%	60.2%
Impact of 1% variation (\$m)	15.2	14.1

Notes to the Accounts

for the year ended 31 December 2023

17. Claims outstanding

The development of insurance liabilities provides a measure of the Managing Agent's ability to estimate the ultimate value of claims.

Pure underwriting year	2013 and prior \$m	2014 \$m	2015 \$m	2016 \$m	2017 \$m	2018 \$m	2019 \$m	2020 \$m	2021 \$m	2022 \$m	2023 \$m	Total \$m
Estimate of gross claims incurred												
At end of underwriting year		573.0	365.0	303.1	663.4	536.2	500.5	507.2	528.1	578.5	490.7	
One year later		893.2	688.1	643.6	1,017.6	896.4	838.1	850.9	1,019.0	974.6	-	
Two years later		910.3	733.8	713.7	1,062.8	909.0	800.2	906.8	1,043.5	-	-	
Three years later		877.6	715.5	716.6	1,068.3	871.3	844.7	876.7	-	-	-	
Four years later		820.5	680.7	723.1	1,024.6	938.3	835.5	-	-	-	-	
Five years later		787.5	679.8	710.4	1,018.0	932.7	-	-	-	-	-	
Six years later		766.8	672.7	712.4	996.8	-	-	-	-	-	-	
Seven years later		705.9	663.8	705.6	-	-	-	-	-	-	-	
Eight years later		693.5	657.9	-	-	-	-	-	-	-	-	
Nine years later		700.0	-	-	-	-	-	-	-	-	-	
As at 31 December 2023	2,118.0	700.0	657.9	705.6	996.8	932.7	835.5	876.7	1,043.5	974.6	490.7	10,332.0
Less gross claims paid	1,942.6	647.0	580.5	587.3	808.8	660.4	552.3	447.1	406.3	231.6	51.2	6,915.1
Gross reserves	175.4	53.0	77.4	118.3	188.0	272.3	283.2	429.6	637.2	743.0	439.5	3,416.9

Pure underwriting year	2013 and prior \$m	2014 \$m	2015 \$m	2016 \$m	2017 \$m	2018 \$m	2019 \$m	2020 \$m	2021 \$m	2022 \$m	2023 \$m	Total \$m
Estimate of net claims incurred												
At end of underwriting year		427.6	238.2	219.1	301.2	276.0	273.5	394.7	393.9	421.8	392.1	
One year later		580.0	459.7	478.8	516.2	490.3	543.6	656.0	755.5	792.4	-	
Two years later		570.4	488.9	532.2	541.6	500.1	526.4	680.0	758.6	-	-	
Three years later		553.5	503.3	543.5	554.6	490.5	554.4	676.3	-	-	-	
Four years later		547.6	488.1	490.7	548.6	540.1	560.9	-	-	-	-	
Five years later		560.8	427.1	485.1	543.5	537.6	-	-	-	-	-	
Six years later		561.3	425.0	483.4	524.9	-	-	-	-	-	-	
Seven years later		505.3	418.5	478.2	-	-	-	-	-	-	-	
Eight years later		494.3	416.8	-	-	-	-	-	-	-	-	
Nine years later		496.1	-	-	-	-	-	-	-	-	-	
As at 31 December 2023	933.7	496.1	416.8	478.2	524.9	537.6	560.9	676.3	758.6	792.4	392.1	6,567.6
Less net claims paid	800.1	465.2	364.7	410.3	425.1	365.6	381.2	367.5	331.4	202.0	46.9	4,160.0
Net reserves	133.6	30.9	52.1	67.9	99.8	172.0	179.7	308.8	427.2	590.4	345.2	2,407.6

Gross and net claims incurred that are denominated in non-functional currency are converted to United States dollars as of 31 December 2023, the most recent balance sheet date, for all years presented.



Notes to the Accounts

for the year ended 31 December 2023

18. Other creditors including taxation and social security

	2023 \$m	2022 \$m
Amounts due to service companies	11.7	4.9
Taxation	0.3	1.0
Deposit accounting creditor	2.5	2.7
	14.5	8.6

Deposit accounting creditor relates to liabilities established in connection with contracts which do not transfer significant insurance risk.

19. Related parties

A) The following are related party transactions with the Managing Agent, service company and the capital provider:

Chaucer Syndicates Limited and Chaucer Underwriting Services Limited, wholly owned subsidiaries of China Reinsurance (Group) Corporation, act as Managing Agent and service company respectively for the Syndicate.

	2023 \$m	2022 \$m
Managing Agency fees	14.1	11.1
Expenses recharged	126.0	105.7
Balance due (to)/from Chaucer Underwriting Services Limited at 31 December	(9.4)	9.3

The Managing Agency fees comprise a fixed fee of \$1.5m (2022: \$1.5m) and a 10% mark up on expenses recharged to the Syndicate via CUSL of \$12.6m (2022: \$9.6m).

Chaucer Corporate Capital (No. 3) Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, supports the underwriting capacity of Syndicate 1084 as follows:

	2023	2022	Year of account 2021
Chaucer Corporate Capital (No. 3) Limited – GBP	1,500.0	1,250.0	1,150.0
Chaucer Corporate Capital (No. 3) Limited – USD (converted at 31 December 2023 exchange rates)	1,909.7	1,591.4	1,464.1

Notes to the Accounts

for the year ended 31 December 2023

19. Related parties (continued)

B) The following are related party transactions with Chaucer branches and other Chaucer group companies:

Chaucer Singapore PTE, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2023 \$m	2022 \$m
Fees paid to Chaucer Singapore PTE	2.9	2.9
Balance due to Chaucer Singapore PTE at 31 December	(0.8)	(1.1)

Chaucer Oslo AS, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate. Chaucer Oslo AS was placed into liquidation during 2023.

	2023 \$m	2022 \$m
Fees paid to Chaucer Oslo AS	-	0.1
Balance due from Chaucer Oslo AS at 31 December	-	-

Chaucer Labuan Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2023 \$m	2022 \$m
Fees paid to Chaucer Labuan Limited	0.1	0.1
Balance due to Chaucer Labuan Limited at 31 December	-	(0.3)

Lonham Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2023 \$m	2022 \$m
Fees paid to Lonham Limited	-	0.1
Balance due from/(to) Lonham Limited at 31 December	0.1	(0.1)

Sports, Leisure and Entertainment Limited (SLE), a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2023 \$m	2022 \$m
Commissions paid to SLE	2.7	1.2
Balance due (to)/from SLE at 31 December	(0.3)	4.0

Chaucer MENA Underwriting Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2023 \$m	2022 \$m
Commissions paid to Chaucer MENA Underwriting Limited	1.7	1.5
Balance due to Chaucer MENA Underwriting Limited at 31 December	(0.6)	(0.5)

Notes to the Accounts

for the year ended 31 December 2023

19. Related parties (continued)

B) The following are related party transactions with Chaucer branches and other Chaucer group companies:

Chaucer Bermuda Services Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides underwriting services to the Syndicate.

	2023 \$m	2022 \$m
Commissions paid to Chaucer Bermuda Services Limited	0.2	0.1
Balance due to Chaucer Bermuda Services Limited at 31 December	-	(0.1)

C) The following are related party transactions with the ultimate parent and its subsidiaries outside the Chaucer group of companies:

China Property & Casualty Reinsurance Company Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, has entered into certain reinsurance policies with the Syndicate.

	2023 \$m	2022 \$m
Outwards reinsurance premium	37.3	22.0
Reinsurance claims recovery	4.8	5.3
Balance due to China Property & Casualty Reinsurance Company Limited at 31 December	(12.0)	(5.3)

China Continent Insurance Company Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, has entered into certain reinsurance policies with the Syndicate.

	2023 \$m	2022 \$m
Gross premium written	1.9	-
Balance due from China Continent Insurance Company Limited at 31 December	1.7	0.7

China Property & Casualty Reinsurance Company Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, has entered into a transaction with the Syndicate that does not meet the definition of a reinsurance contract. It is considered an insurance contract held and is therefore accounted for within other technical income and other technical charges.

	2023 \$m	2022 \$m
Other technical charges	0.3	0.3

China Re Asset Management (Hong Kong) Company Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, provides investment management services to the Syndicate.

	2023 \$m	2022 \$m
Investment management charges	1.2	1.0

Notes to the Accounts

for the year ended 31 December 2023

19. Related parties (continued)

C) The following are related party transactions with the ultimate parent and its subsidiaries outside the Chaucer group of companies:

China Re UK Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, effected the RITC of Syndicate 2088 into the Syndicate on 1 January 2022. The RITC premium was equally offset by an increase in technical provisions.

	2023 \$m	2022 \$m
Gross premium written	-	95.0

Amounts held by related parties are unsecured and are expected to be settled in cash and cash equivalents within one year.

Related party transactions relating to Chaucer MENA Underwriting Limited and Chaucer Bermuda Services Limited, subsidiaries within Chaucer group of companies, and China Re Asset Management (Hong Kong) Company Limited, a subsidiary of the ultimate parent, were omitted in the 2022 annual accounts, but have been correctly disclosed within the comparative column.

20. 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 Prudential Regulation Authority 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 an 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 accounts by way of such capital resources. However, the Managing Agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses.

21. Capital

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority under the Financial Services and Markets Act 2000 and in accordance with Solvency II legislation.

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

Although, as described on page 44, 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 Syndicate 1084 is not disclosed in these annual accounts.

Notes to the Accounts

for the year ended 31 December 2023

21. Capital (continued)

Lloyd's capital-setting process

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

A syndicate may comprise one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating 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 Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2023 was 35% (2022: 35%) of the member's SCR 'to ultimate'.

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 (funds at Lloyd's), 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, all of the assets less liabilities of the Syndicate, as represented in the member's balance reported on the Statement of Financial Position on page 23, represent resources available to meet member's and Lloyd's capital requirements.

22. Immediate and ultimate parent company of the Managing Agent

The Managing Agent's immediate parent company is Chaucer Capital Investments Limited.

The largest and smallest group of undertakings for which group financial statements are prepared, and in which the results of the Managing Agent are included, is China Reinsurance (Group) Corporation. The Company considers China Reinsurance (Group) Corporation to be its ultimate parent company. A copy of the most recent consolidated financial statements is available from the website of China Reinsurance (Group) Corporation (www.chinare.com.cn).

Statement of Managing Agent's Responsibilities

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

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

In preparing the Syndicate annual accounts, the Managing Agent is required to:

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

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

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

Lloyd's is the world's leading insurance and reinsurance marketplace.

Through the collective intelligence and risk-sharing expertise of the market's underwriters and brokers, Lloyd's helps to create a braver world.

The Lloyd's market provides the leadership and insight to anticipate and understand risk, and the knowledge to develop relevant, new and innovative forms of insurance for customers globally.

It offers the efficiencies of shared resources and services in a marketplace that covers and shares risks from more than 200 territories, in any industry, at any scale.

And it promises a trusted, enduring partnership built on the confidence that Lloyd's protects what matters most: helping people, businesses and communities to recover in times of need.

Lloyd's began with a few courageous entrepreneurs in a coffeeshop. Three centuries later, the Lloyd's market continues that proud tradition, sharing risk in order to protect, build resilience and inspire courage everywhere.

Registered office

52 Lime Street

London | EC3M 7AF

T: 020 7327 8120 | www.chaucergroup.com

Managed by Chaucer Syndicates Limited

Registered in England No. 00184915