

# Syndicate 1176

**chaucer**

☞ A China Re Company

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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

N J Stacey

L S Watkins

Dr H Zuo

Z Wang

A C Pearce (appointed 28 February 2023)

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

Chief Underwriting Officer

Independent Non-Executive Director

Group Non-Executive Director

Group Non-Executive Director

Independent 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

M G Dawson

## Syndicate banker

The custodian of the Syndicate's investment funds is:

Citibank N.A.

## Syndicate investment manager

Goldman Sachs Asset Management International

## Syndicate independent auditors

PricewaterhouseCoopers LLP

7 More London Riverside

London

SE1 2RT

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# Underwriter's Report

## Background

The Syndicate looks to provide insurance cover to the Nuclear Industry. It does not participate in the wider non-nuclear insurance market.

Nuclear risk predominantly comprises cover for physical damage loss to civil nuclear power stations, as well as nuclear liability, where the Syndicate issues policies with terms which have withstood the test of time. The Syndicate also provides coverage within the wider nuclear fuel cycle and associated risks, with insurance including coverage for radioactive isotopes, raw uranium and nuclear fuel (including manufacturing facilities), as well as shipment and storage of waste. The Syndicate's main exposures, however, derive from the power that nuclear energy produces in a power station because this is where most of the value from nuclear energy emanates. The Syndicate has been operating in a unique market niche and on a profitable basis since its inception in 1991.

## Nuclear power

Man has an insatiable need for power. In a developing world, even the poorest countries are in a phase of rapid power production. Against this background, there is a reducing supply of the fossil fuels which have provided much of the power to the world's leading countries. Further, increased awareness of the impact of carbon emissions on the planet are driving momentum away from fossil fuels to renewable energy production, including nuclear. The recent conflict in Ukraine has highlighted the risk of relying on gas producers, and the resultant need for "home grown" energy at more stable prices.

All power stations produce energy through the rotation of a generator. The power needed to turn the generator is produced through the rotation of a turbine, through water, wind or, most commonly, steam propulsion. Steam is produced by the boiling of water using a heat source; typically, gas, coal, oil or nuclear fission. The difference between a conventional fossil fuel station and a nuclear power station is that the heat is produced by nuclear fission. Other than this main heat source, a nuclear power station is similar to a fossil fuel station. Because the nuclear core is potentially damaging, considerable safety standards have been adopted to ensure that there is a very small risk of a significant nuclear accident.

Since the nuclear industry's formation in the early 1950s, there has only been one significant core melt nuclear event paid by the insurance market, at Three Mile Island in the US in 1979. Since then, safety standards have improved materially and the insurance industry has typically only suffered the occasional non-nuclear loss of an attritional nature. Following the Fukushima accident (which was not insured for earthquake and tsunami in the conventional market) in March 2011, an extensive review of the Syndicate's potential catastrophe exposure was undertaken, and exposure is considered to be limited. This topic is further explored below, however, as a generality, nuclear power stations are not built-in areas where natural catastrophe is expected and are not normally built in cities where an accumulation of risk with other businesses could occur. There has never been a significant insured nuclear loss from natural catastrophe.

Energy prices have recently been volatile. This is being led by two macro influencers: security of supply – where countries are nervous of relying on energy supply from often volatile areas, politically; and a low-carbon agenda – where most of the world agrees that generation from coal is just too abusive to the environment. Future ideas such as carbon capture and nuclear fusion remain on the horizon, where they have remained for many years. This has led to many countries reinvestigating the merits of nuclear power, including the possibility of developing smaller modular reactors. Whilst currently, the main new development remains as large-scale nuclear units, it is hoped that, in the future, the new nuclear build will be extended to include smaller modular reactors.

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# Underwriter's Report

One of the areas of debate to be had within society is where these modular reactors, which are cheaper and less prone to design creep, should be built. At present, many of the historic transmission and distribution lines (i.e. the grid, that carries electricity) are old and around 20% of generating production is lost in the transmission process. This would encourage the new smaller modular reactors to be built closer to main cities, which would reduce loss through distribution. However, the general public have not become engaged in the issue of siting of new nuclear builds and it remains to be seen quite what the enthusiasm for "local" new nuclear would be. These are important issues that need to be part of a national debate on manageable cost safe, secure low-carbon energy capacity in the future.

## Property damage

The Syndicate provides physical damage and business interruption cover within the nuclear fuel cycle. The largest values that the Syndicate insures are normally nuclear power stations, although the Syndicate also covers manufacturers of nuclear fuel and radioisotopes, their transport and, ultimately, their safe storage.

The probabilistic risk assessment of each unit suggests that there is limited catastrophe exposure. The Syndicate traditionally has excluded cover for earthquake in Japan and, following the Fukushima tsunami event, the Syndicate has undertaken extensive analysis of each site insured and the potential for catastrophe loss; including assessment of the plant location, construction, the coverage offered, deductible levels and exposure.

In general, though nuclear power plants are not built in areas where there is significant catastrophe exposure, if there is some residual exposure, construction and safety procedures are introduced to minimise the risk.

An analysis of cyber exposure has been undertaken and whilst there remains some residual risk, the Syndicate believes the exposure is limited. Cyber protection of nuclear plants is considered paramount, but details of such protection remain confidential.

## Windstorms, hurricanes and cyclones

In terms of other perils, the Syndicate Underwriter remains confident that exposure to windstorm is low. In the 60 years of operating nuclear sites, there has never been a significant loss to a nuclear facility from a windstorm event. The largest insured windstorm loss to date was from a spares warehouse on a nuclear site from Hurricane Andrew in 1992. While the warehouse was damaged, with losses in the region of \$200m, there was no damage to the nuclear unit. All the plants in the vicinity of the tracks of recent hurricanes and typhoons performed to plan and, as expected, there were no significant claims advised from these events.

## Earthquake and tsunami

Policies with exposures in Japan currently exclude cover for damage arising from earthquake or tsunami perils. While historically a product was considered for a small aggregate sub-limit, with significant deductibles and a satisfactory price, this was never pursued. Were it to be requested, following extensive safety upgrades at Japanese plants, this cover could be considered. But the sub-limit, deductible and price would be all important. Outside Japan, studies have been undertaken on the two nuclear sites in California. One is approximately 200km from San Francisco and the other is approximately 100km from Los Angeles (this plant was closed in 2014 as a result of economic assessment; there remains some residual risk during closure, but this is much reduced from that of an operating plant).

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# Underwriter's Report

Both were built to withstand earthquake, and even if some damage was incurred, it is considered a low risk that damage to plants would coincide with damage to the main conurbations of San Francisco and Los Angeles. Separate studies have also been made of tsunami risk. One site is located on top of a cliff and so tsunami damage is not considered possible; the other has significant sea walls and the backup generators (which were swamped and failed in the Japanese tsunami) are located in watertight bunkers. Elsewhere, exposures have been considered and there does not appear to be significant peril exposure.

## Liability

The Syndicate provides limited nuclear liability coverage to most non-US nuclear power stations. The coverage issued normally has an aggregate limit for the lifetime of the nuclear site, and also claims typically have to be made within 10 years of an occurrence. These policies, which normally include terrorism coverage, are enshrined in national nuclear laws and international conventions, and typically, the national government retains exposure in excess of insurer policy limits. The policy includes damage caused by an incident as a result of terrorism (see page 7) or any other incident leading to nuclear liability, such as cyber. Cyber protection of nuclear plants is considered paramount, but details of such protection remain confidential. We consider the chance of a cyberattack leading to a significant release of radiation, leading to offsite damage, to be remote. Strict liability would also follow, were damage to occur following any incident. This means, for instance, that were a worker to fall sick on duty from any illness, and cause a nuclear incident releasing nuclear material that causes damage, the nuclear liability policy would be expected to respond. That said, there are multiple layers of safety and such a possibility is not considered likely.

The Syndicate also writes non-nuclear incidental liability policies for much smaller limits, which do not benefit from international conventions. These are designed to cover incidental risks such as contractors or visitors to nuclear sites.

The Syndicate historically underwrote reinsurance of the US Nuclear Pool for liability business. The policy had a strict limit and a large fund was available to cover losses either notified or occurring within a 10 year period. As a result of the industry's desire to be more involved in self-insurance, this reinsurance was discontinued from 31 December 1998. While the Syndicate is not currently involved in any US liability business and remains cautious generally, were an acceptable risk offered, the Syndicate would consider it, subject to normal underwriting acceptance procedures.

There is a general need for increased liability limits worldwide. Historically, the bulk of the exposure has been with governments, which are increasingly looking for the nuclear insurance market to provide additional capacity. Looking forward, the revision of current international nuclear conventions has resulted in additional capacity and coverage being sought by operators. In the UK for instance, the indemnity for a nuclear accident increased at 1 January 2022 from £140m to €700m and thereafter is increasing by €100m in each of the subsequent five years to take the capacity needed to €1.2bn. This means that the UK liability limit increased to €900m at 1 January 2024. Further, international nuclear conventions have been revised to incorporate additional coverage. Anticipating the move to increased liability coverage, several years ago, the Syndicate increased the liability share of maximum exposure to 50%.

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# Underwriter's Report

Increased income and exposure remain uncertain though, due to the Syndicate's reluctance to take on the new discovery period for losses, which has been extended from 10 years to 30 years in the EU and UK. The Syndicate has resisted the extension to the discovery period and has not written the revised convention liability business with a new 30-year tail. In the UK, the Syndicate has argued to the Government that the capital required for the extended reporting period means that this risk is unattractive for insurers, at affordable premium levels. This has resulted in the UK Government providing an indemnity to UK operators for 20 years in excess of 10 years, for those markets cautious about the extended reporting period. The Syndicate has also suggested to the UK Government that the 30-year discovery period could be underwritten, were a demonstrable trigger to be incorporated, which would ensure that claims payments would only be made if a release of radiation, beyond an agreed trigger threshold, occurred. Other markets have taken a more accommodative approach to the extended reporting period, including the nuclear industry's own self-insurance schemes. The fact that the UK and EU member state governments have allowed considerable limits of liability (estimated to be up to €300m per site) to be placed with these self-insurance operations presents a challenge to the Syndicate's future premium growth. Further, the wider industry could be impacted in the event of a systemic loss or losses over 30 years as these self-insurance entities may not have the resources available to pay the losses. The risk would then fall back to these governments, who assumed the losses would be paid by credible insurers. The Syndicate continues to work with the UK and EU member state governments as well as the nuclear industry to try and ensure the definition of nuclear event is clarified and that exposure to the 30-year discovery period does not lead to a systemic loss. Systemic loss concern is exacerbated due to factors such as "judicial creep", whereby courts in the future could look to assert that historic small releases of radiation have harmed people, leading to widespread claims, reminiscent of the aggregation of historic asbestos/pollution losses. The Syndicate is convinced that with clear policy wordings, or an agreed trigger beyond which liability would attach, the extended reporting period can be covered. Without clarity, the Syndicate is cautious of coverage which could result in reduced business in the future. The Syndicate continues to work with governments to try and reach a long-term satisfactory coverage position.

The Syndicate liability book comprised 24.1% of total gross written premium in 2023.

## Terrorism

In many countries, property terrorism is excluded, or excess coverage has been provided through government reinsurance schemes such as Pool Re (Nuclear) Ltd ("PRNL") in the UK (for fire and explosion property insurance) and under TRIPRA (Terrorism Risk Insurance Program Reauthorization Act 2007) in the US. Coverage is given where terrorism risk is considered to be lower. Further liability limits do not exclude strict liability under nuclear conventions for terrorism. While there are significant protections against terrorism, and the construction of power stations makes significant loss from terrorism unlikely, the Syndicate normally limits exposure to 50% of the maximum property net line for terrorism. In the UK, the Syndicate was advised that the UK Property Terrorism scheme, with unlimited reinsurance provided by the UK Government, was to cease accepting new business from 31 December 2023. The Syndicate only utilised this facility for a single risk, which is protected by the scheme during its run-off. At renewal, it seems unlikely that terrorism cover will be renewed by PRNL. Options for renewal include underwriting the terrorism exposure within risk appetite, reinsurance or discontinuation of cover. It remains to be seen what option will be taken on the renewal of the policy.

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# Underwriter's Report

## Transit

The Syndicate generates a small amount of premium insuring the transit of nuclear fuel and waste. The limits are typically modest and there has never been a significant transit loss. Transit of nuclear materials is undertaken to strict international standards and involves the highest safety procedures.

## Construction

The Syndicate has been open to the modest expansion of business to include Construction risks and has committed a modest line to insuring the new-builds expected over the coming years. The business is different in that the projects themselves are expected to take at least seven years to complete. Whilst the values of the projects only increase gradually over this time, resulting in small incremental exposures in the early years, the values towards the end of the project are high. Accordingly, whilst considerable premium is expected on a risk-by-risk basis, it is held to earn over the life of the project. The result is that there is little expected profit over the early years. Over the longer term, the accounts are expected to be profitable, but there can be no certainty in this regard. The Syndicate's line on these projects is expected to be well below that written for operational plants at a probable maximum loss of circa \$15m. This exposure, which is less than 2% of the normal contract loss, is expected to be retained net. The overall premium income is planned as modest at less than 1% of total premium income, and the development of this line is slow, but we remain open to consider this business, providing we follow respected leaders. Our approach is deliberately cautious, and we will learn and develop as appropriate over the years.

## NuPro

The Syndicate has developed a new trigger-based product, NuPro, which seeks to indemnify nuclear power generators should they sustain loss as a result of significant material damage and/or a release of radiation greater than 10 millisieverts, measured offsite. The Syndicate is leading a consortia of markets supporting this insurance with a planned commitment of \$62.5m gross and \$31.25m net. It remains to be seen how successful the new facility will be, but it has been developed to respond to the increased revenue generators are experiencing as a result of higher electricity pricing. The Syndicate has a planned income of £9.3m in 2024 gross, £4.6m net of quota-share reinsurance. The timing and quantum of premium written in 2024 is highly speculative, but it is hoped the product will be attractive to generators in 2024 and the future.

## Premium income

Historically, the Syndicate generated approximately 80% of premium income from nuclear property risk and 20% from nuclear liability risk. This is planned to be 78.3% property and 21.7% liability for the 2024 year of account.

## Outward reinsurance arrangements

Aside from inter-pool reciprocal exchange of risk and reinsurance through government terrorist schemes, the Syndicate does not generally purchase reinsurance. Historically, the Syndicate did buy excess of loss reinsurance, but this was discontinued predominantly on economic grounds in 2012.

Brexit has resulted in EEA required risks being underwritten through Lloyd's Brussels. Lloyd's Brussels is not a Pool and as such can only undertake reinsurance with the Syndicate. This means that in order to allow for reinsurance with other nuclear pools, the reinsurance needs to be undertaken at syndicate level. The Syndicate sought approval from Lloyd's to these arrangements in 2019, with a small portion of premium ceded since 2019, with £0.6m planned in 2024.

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# Underwriter's Report

The Syndicate's NuPro is protected by quota-share reinsurance of £4.6m planned for 2024. The success of the new product is uncertain and so the planned ceded premium is also speculative.

## Business placements

Most of the Syndicate's business comes through international pools of nuclear capacity. Countries that have nuclear capacity have established nuclear pools to insure domestic risks. As few pools have sufficient domestic capacity, the national pools reinsure on a reciprocal basis with the other foreign pools. The Syndicate is the leading participant of the British Nuclear Pool, Nuclear Risk Insurers Ltd (NRI Ltd), and owns a share of the associated management company in proportion to its share (approximately 47%) of the Pool. Any profit or loss from these operations is paid to the Syndicate account.

NRI Ltd insured business is reciprocally reinsured with non-UK countries' nuclear pools for a share of their indigenous risks. The Syndicate also participates as a local insurer in the Canadian, Chinese, Japanese and South African nuclear pools. The exposures and premiums received from the pools are net of the inter-pool reciprocal reinsurances. In addition, the Syndicate provides reinsurance capacity to nuclear insurance mutual organisations and underwrites some open market business. The Syndicate is careful to aggregate net exposures to ensure that these are within the limits set.

The Syndicate has no further involvement in the small exposure it had to Russian risks, following international sanctions introduced. It does maintain a small exposure in Ukraine for some liability policies, but there is an appropriate war exclusion clause in place.

The Syndicate underwrites a significant exposure, which is up to eight times the net capacity level committed to the UK Pool, although there are few exposures at this level. This means that in the event of a significant nuclear accident at one of the top exposures, a £10,000 share on the Syndicate is expected to suffer a loss of up to £80,000. Any further loss, however unlikely, would be in addition. Aside from inter-pool reciprocal exchange of risk and terrorism reinsurance for property risks, at pool level, a small amount of reinsurance is purchased at syndicate level from business flowing through Lloyd's Brussels. Lloyd's have approved special arrangements in respect of the Syndicate's EEA business. The maximum exposure retained by the pools currently suggests a maximum loss in the region of £300m; there are less than 10 risks at this level. In addition, this should be offset by the normal level of profit in a year reducing the impact of a single loss. During 2022, as a result of weakening of sterling, exposures were at one time as high as £350m on two risks. Since this time, sterling has appreciated and at the time of writing, all exposures are within the £300m net committed to the pools. Exposures can also fluctuate in line with sterling's volatility.

The Underwriter wishes to make it clear that, in the event of a material nuclear loss, an immediate cash call will be made, many multiples in excess of the Syndicate's capacity. Any further loss would be in addition. The Underwriter wishes to draw the members' attention to the possibility of increased loss because of exchange rate fluctuations. The Managing Agent carefully monitors the Syndicate's exposure to currency risk as detailed in Note 11.

## Brexit

Following the decision to leave the EU, UK nuclear insurers, including Syndicate 1176, have not been able to directly transact EEA business in the UK. Accordingly, the Syndicate's EEA business has been transacted through Lloyd's Brussels and reinsured back into Syndicate 1176. NRI Ltd (the UK Pool) is also no longer able to act as coverholder for EEA risks; accordingly, a subsidiary of NRI Ltd, NRI Europe, was set up and approved by the Central Bank of Ireland to operate from Dublin. All EEA risks have been placed through NRI Europe since 1 January 2021.

# Underwriter's Report

## Underwriting performance

### 2021 Year of Account

The plan was for a premium income of £35.3m, however, closing premium gross of acquisition costs is £28.7m, with the decrease being partly due to the delay in the ratification of the revised liability conventions. To date, the Syndicate has received a few claims notifications, all within expectations. Further, certain reserved losses which were attached to the 2019 and 2020 underwriting years have been settled well within reserves, leading to an increased profit and overall negative net loss ratio. The closing profit is a return on capacity of 47.4%.

### 2022 Year of Account

The 2022 year of account had an original planned income of £31.5m, which included c.£4.0m of income that was expected from the final implementation of the revised liability conventions. However, some markets, particularly the nuclear industry's own self-insurance schemes as well as some foreign pools, took the 30-year exposure, which resulted in this business not being placed through the Syndicate. The Syndicate did achieve some new liability business, particularly in the UK where the Government provided an indemnity to those insurers not willing to accept the risk associated with 30-year liability business. Rating levels have had some modest increases and the net effect from these, together with some lost liability business and the weakness in sterling, has resulted in an expected premium for 2022 of £30.5m. There has been a number of smaller losses which have been reserved at the year end, within loss expectations. With exposure remaining, profitability on the 2022 year of account is uncertain, but if the current loss advice continues, we should achieve an ultimate underwriting profit within a range of 15% to 35% return on capacity.

### 2023 Year of Account

The 2023 year of account had a planned premium income of £30.8m. This has been revised slightly to £31.1m. In general, pricing of original nuclear business was modestly better than plan leading to premium growth of £0.7m. At the time of writing, we have not been notified of any significant material damage or liability losses. There are substantial run-off exposures that remain on the 2023 underwriting year and so profit remains uncertain. However, if there are no losses beyond planned losses, we should achieve an ultimate underwriting profit.

To illustrate performance against plan, the following key metrics are useful:

Underwriting Year	Planned Gross Written Premium £m	Actual Gross Written Premium £m	Planned Net Loss Ratio %	Actual Net current Loss Ratio %
2021	35.3	28.7	50.4	(3.8)
2022	31.5	30.6	52.0	40.2
2023	30.8	36.7	48.7	37.5

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# Underwriter's Report

## Outlook

Until the liability conventions reporting period for claims language is clarified, the Syndicate is cautious about significant opportunity for premium growth in liability business. That said, we are hoping for additional premium in 2024 as a result of the NuPro product explained on page 8. This is an innovative trigger-based product that we hope will be attractive to nuclear generators. The attractiveness of this product to operators is unknown at the time of writing, but a cautious marketing plan will be commenced in early 2024 with the intent on achieving sales, initially mainly in the US. The low-carbon agenda is suggesting some opportunity for longer-term growth, but this is well into the future. Our relationship with China Re is leading to the opportunity for longer-term growth in China. In the UK, we are, in a measured way, looking to develop our existing nuclear output with new build. This is best illustrated by the Hinkley Point C project and the announced Sizewell C project which are being led by EDF – the French utility. Other examples include new units in the United Arab Emirates, which started producing power in 2020 and for which the Syndicate is, through NRI Ltd, the lead reinsurer; and further units being commissioned in China. In the longer term, we are optimistic that the small modular reactors and low-carbon agenda will lead to increased nuclear capacity and increased insurance needs globally. Despite underlying competition and the liability challenges that this report has explained, the Syndicate has remained, and expects to continue, to be a leading insurer of nuclear risk. While we still see opportunities as insurers in the specialist area of nuclear insurance, the volatility and exposure within the portfolio are real. The Syndicate has worked hard to sell stable rating and strong capital to our ultimate clients. We hope that this consistency of supply in underwriting capacity and stability in terms of coverage and pricing will continue to be appreciated by our ultimate customers.

I would like to take this opportunity to thank the team working on behalf of the Syndicate for their help. It is an efficient team that provides a real level of expertise in a highly specialised segment, and I appreciate their support.

### Michael Dawson

Active Underwriter  
14 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 1176, whose principal activity during the year continued to be the transaction of worldwide nuclear insurance and reinsurance business in the United Kingdom and overseas, underwriting at Lloyd's of London.

## Review of the business and future developments

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

	2023 £000	2022 £000
Gross written premiums	36,962	28,116
Total comprehensive income	24,073	19,567
Combined ratio <sup>1</sup>	37.4%	32.6%
Amount due to members	28,346	25,885

<sup>1</sup> The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. A lower combined ratio represents better performance.

Total comprehensive income primarily comprises net earned premium of £33.9m (2022: £29.3m) offset by net incurred claims of £2.9m (2022: £0.7m) and net operating expenses of £9.8m (2022: £8.9m). The increase in net incurred claims is driven by deterioration to a Scandinavian loss reserve on the nuclear property class. Total comprehensive income also includes investment return of £3.1m (2022: £(1.7)m).

Refer to the Underwriter's Report for more detail on the development and performance of the Syndicate during the year and future developments in the business of the Syndicate.

## Principal risks and uncertainties

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

### Underwriting risk

The Managing Agent separately defines underwriting risk appetite in respect of market losses and Syndicate-specific losses, with appetite for the former being greater.

Underwriting risk appetite is expressed at the highest level, as a maximum event-specific net underwriting loss as a percentage of Syndicate capacity for an annual year of account. Where appropriate, stochastic modelling of underwriting risk using dynamic financial analysis techniques supports this approach.

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# Managing Agent's Report

The Managing Agent Board approves the risk appetite limit, after considering the relativity between 'willing to lose' and potential forecast profitability for each year of account. The risk appetite will therefore reflect the view of forecast profitability, utilising the Syndicate's latest business plan assumptions.

## Managing risk aggregation

Underwriting exposure is controlled via risk policy coding systems, setting of maximum lines, setting of jurisdiction limits, strict underwriter authority limits, Realistic Disaster Scenario monitoring, reinsurance programme design, policy limitations and exclusions, imposed deductibles and policy wording and coverage clauses.

The Managing Agent records and monitors individual risk exposures on a regular basis to ensure these remain within the policies and guidelines set.

## Underwriting controls

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

## Underwriting planning process

The Underwriting Team undertakes an extensive annual underwriting planning process in order to determine targets for premiums written and profitability for the coming year. Factors taken into account in determining the targets include the risk appetite agreed by the Managing Agent with the principal and other capital providers, anticipated policy pricing, terms and conditions, expected claims frequency and cost, and reinsurance cost and efficacy.

## Monitoring performance against plan

The Managing Agent manages performance against plan through monthly reporting of detailed underwriting management information. 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 that several layers of review occur for underwriting risks, with the focus being on the main components of risk, notably pricing, loss ratio selection, reserving, experience variations, reinsurance protection and catastrophe modelling.

## 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.

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# Managing Agent's Report

## Claims risk

While claims events are inherently uncertain and volatile, the Managing Agent's Claims function has experience covering a wide range of business classes. The Managing Agent has 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 conducts an internal peer review of claims movements to ensure accurate recording of claims within the Managing Agent's systems. Any discrepancies discovered are escalated to the relevant claims handlers for resolution prior to sign off.

### Monthly reporting

Monthly reporting is produced for all claims movements in order to identify any movements in excess of claims handlers, authority limits. Any qualifying movements are checked to ensure adequate authority was in place prior to claims agreement. Any discovered breach of authority is escalated to the Head of Technical Claims Adjusting for further review/action.

### 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 that the Syndicate receives a high-quality service. Direct contact with external experts is also 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 the Underwriter.

### 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.

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# Managing Agent's Report

## **(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:

- Classes where early development is materially better or worse than expected;
- Classes or events with abnormally skewed claim distributions;
- 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.

## **(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 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.

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 Syndicate does not bear significant exposure to credit risk from reinsurers since it cedes a small proportion of its book of business. To date, no recoveries have been made and therefore the Managing Agent considers the Syndicate's exposure to credit risk on outwards reinsurance to be negligible.

The Syndicate's credit risk arises from exposure to international pools, however, this is deemed as low risk.

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# 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 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 a professional portfolio manager. The manager operates within a defined set of investment guidelines and against an appropriate benchmark.

Refer to Note 11 for more detail on the Syndicate's exposure to investment risks and the 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's Compliance function supports and monitors the compliance of the business with regulatory and legal requirements whilst promoting successful business practices and meeting business objectives through advice and guidance. The exposure to regulatory risk is managed by monitoring regulatory compliance with the requirements of the Prudential Regulation Authority (PRA), Financial Conduct Authority (FCA), Lloyd's, and other domestic and international regulatory requirements.

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.

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# Managing Agent's Report

## 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 requirements. The Managing 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

All of the staff of the Managing Agent are employed by Chaucer Underwriting Services Limited (CUSL). CUSL considers its staff to be a key resource and 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 risks arising from climate change may arise over different time horizons. However, the current assessment is that the physical risks of climate change will not materially impact the performance of the Syndicate because the risks insured are not materially exposed to natural catastrophe or climate change risks. The Syndicate's principal exposures are nuclear installations, typically at locations chosen for their naturally low incidence of natural catastrophe and hence inherently low risk. This assessment is subject to continual review and could change – see transition risk section on page 19. In delivering its business strategy, the Managing Agent is committed to considering and addressing those risks, including those that are longer term and extend beyond the usual business and strategy planning timescales.

There are also longer time horizon climate risks, such as acute and chronic risks that crystallise as sea level and temperature rises. The current assessment does not highlight any significant risks, but the Managing Agent's existing risk identification and assessment processes and future developments will continue to seek to capture any potential risks.

Therefore, the Syndicate's most material current climate change exposure is to transition risk.

In delivering its business strategy, 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:

- Strengthening of the climate risk governance at all levels of the risk governance structure.

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# Managing Agent's Report

## 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 the energy transition from fossil fuels to low-carbon energy production by providing underwriting capacity for nuclear risks, which are planned to grow in the UK and globally;
- 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 any exposures the Syndicate has to climate change risk. The Managing Agent will prioritise the assessment of exposure to vulnerable regions and will insist that the exposure to these vulnerable regions is adequately priced when accepting risk;
- 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.

## 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;
- 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 are considered with a focus on key risk categories;
- Changes to investment strategy to mitigate the transition risks of climate change;
- 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 and Transitional risk types, recognising the time horizon around expected emergence of issues.

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# 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 Supervisory Statement 3/19.

## Transition Risks

The Syndicate's investment portfolio is exposed to transition risk, and in particular, any impacts on 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 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 on 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.

## 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.

## 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.

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# Managing Agent's Report

## **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 order of the Board of Chaucer Syndicates Limited.

## **R J Callan**

Chief Executive Officer & Chief Financial Officer  
26 February 2024

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# Independent Auditors' Report to the Members of Syndicate 1176

## Report on the audit of the syndicate annual accounts

### Opinion

In our opinion, Syndicate 1176'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 Report, Annual Accounts and Underwriting Year 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 Members' Balances for the year then ended; and the notes to the syndicate annual accounts, which include a description of the significant accounting policies.

### Basis for opinion

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

### Independence

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

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

Other than those disclosed in note 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.

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# Independent Auditors' Report to the Members of Syndicate 1176

## 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.

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# Independent Auditors' Report to the Members of Syndicate 1176

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, the risk of inequitable treatment in relation to the closing year of account and the risk of 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;
- Designing audit procedures to allow us to incorporate unpredictability around the nature, timing or extent of our testing; and
- Assessing the appropriateness of the closing of the 2021 year of account, including testing and challenging the equity of the reinsurance to close premium charged.

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# Independent Auditors' Report to the Members of Syndicate 1176

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](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

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

## Other required reporting

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

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

We have no exceptions to report arising from this responsibility.

## 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(s)	2023 £000	2022 £000
<b>Technical account – general business</b>			
<b>Earned premiums, net of reinsurance</b>			
Gross premiums written	3	36,962	28,116
Outward reinsurance premiums		(673)	(565)
<b>Net premiums written</b>		<b>36,289</b>	<b>27,551</b>
<b>Change in the provision for unearned premiums</b>			
Gross amount	15	(2,433)	1,785
Reinsurers' share	15	39	(15)
<b>Net change in the provision for unearned premiums</b>		<b>(2,394)</b>	<b>1,770</b>
<b>Earned premiums, net of reinsurance</b>		<b>33,895</b>	<b>29,321</b>
Allocated investment return transferred from the non-technical account		3,111	(1,743)
<b>Total technical income</b>		<b>37,006</b>	<b>27,578</b>
<b>Claims incurred, net of reinsurance</b>			
<b>Claims paid</b>			
Gross amount	15	(136)	227
<b>Net claims paid</b>		<b>(136)</b>	<b>227</b>
<b>Change in the provision for claims</b>			
Gross amount	15	(2,884)	(933)
Reinsurers' share	15	126	46
<b>Net change in the provision for claims</b>		<b>(2,758)</b>	<b>(887)</b>
<b>Claims incurred, net of reinsurance</b>		<b>(2,894)</b>	<b>(660)</b>
Net operating expenses	3, 5	(9,799)	(8,902)
<b>Total technical charges</b>		<b>(12,693)</b>	<b>(9,562)</b>
<b>Balance on the technical account – general business</b>		<b>24,313</b>	<b>18,016</b>
<b>Non-technical account</b>			
Foreign exchange (loss)/gain		(240)	1,551
Investment income	9	1,793	809
Net unrealised gains/(losses) on investments	9	1,694	(1,995)
Investment expenses and charges	9	(376)	(557)
Allocated investment return transferred to the technical account – general business		(3,111)	1,743
<b>Total comprehensive income</b>	14	<b>24,073</b>	<b>19,567</b>

All the amounts above are in respect of continuing operations.

# Statement of Financial Position

as at 31 December 2023

	Note(s)	2023 £000	2022 £000
<b>Assets</b>			
<b>Investments</b>			
Other financial investments	11	39,922	30,181
<b>Reinsurers' share of technical provisions</b>			
Provision for unearned premiums	15	230	191
Claims outstanding	15	505	379
		<b>735</b>	<b>570</b>
<b>Debtors</b>			
Debtors arising out of direct insurance operations – intermediaries		10,839	8,547
Debtors arising out of reinsurance operations		31,507	24,137
Other debtors	12	331	301
		<b>42,677</b>	<b>32,985</b>
<b>Other assets</b>			
Cash and cash equivalents		7,257	18,582
Overseas deposits	13	547	533
		<b>7,804</b>	<b>19,115</b>
<b>Prepayments and accrued income</b>			
Deferred acquisition costs	15	791	844
Other prepayments and accrued income		321	262
		<b>1,112</b>	<b>1,106</b>
<b>Total assets</b>		<b>92,250</b>	<b>83,957</b>
<b>Liabilities</b>			
<b>Capital and reserves</b>			
Members' balances	14	28,346	25,885
<b>Technical provisions</b>			
Provision for unearned premiums	15	16,845	14,739
Claims outstanding	11, 15, 17	41,426	38,646
		<b>58,271</b>	<b>53,385</b>
<b>Creditors</b>			
Creditors arising out of direct insurance operations – intermediaries		-	178
Creditors arising out of reinsurance operations		976	549
Other creditors including taxation and social security	18	411	381
		<b>1,387</b>	<b>1,108</b>
Accruals and deferred income		4,246	3,579
<b>Total liabilities</b>		<b>92,250</b>	<b>83,957</b>

The annual accounts on pages 25-44 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

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# Statement of Changes in Members' Balances

for the year ended 31 December 2023

	Note	2023 £000	2022 £000
Balance as at 1 January		25,885	23,982
Total comprehensive income	14	24,073	19,567
Payments of profit to members' personal reserve funds	14	(21,504)	(17,624)
Other	14	(108)	(40)
<b>Balance as at 31 December</b>		<b>28,346</b>	<b>25,885</b>

# Statement of Cash Flows

for the year ended 31 December 2023

	Note	2023 £000	2022 £000
<b>Cash flows from operating activities</b>			
Total comprehensive income		24,073	19,567
Increase/(decrease) in gross technical provisions		5,505	(726)
Increase in reinsurers' share of technical provisions		(165)	(31)
(Increase)/decrease in debtors		(10,946)	1,178
Increase/(decrease) in creditors		951	(1,725)
Movement in other assets/liabilities		(34)	100
Investment return	9	(3,111)	1,743
Foreign exchange		843	(634)
Other		(41)	(40)
<b>Net cash generated from operating activities</b>		<b>17,075</b>	<b>19,432</b>
<b>Cash flows from investing activities</b>			
Purchase of equity and debt instruments		(24,258)	(15,116)
Sale of equity and debt instruments		15,644	21,672
Investment income received		1,718	751
Other		-	-
<b>Net cash (used in)/generated from investing activities</b>		<b>(6,896)</b>	<b>7,307</b>
<b>Cash flows from financing activities</b>			
Distribution profit		(15,479)	(11,928)
Open year profit release		(6,025)	(5,696)
<b>Net cash used in financing activities</b>		<b>(21,504)</b>	<b>(17,624)</b>
Net (decrease)/increase in cash and cash equivalents		(11,325)	9,115
Cash and cash equivalents at beginning of year		18,582	9,466
Foreign exchange on cash and cash equivalents		-	1
<b>Cash and cash equivalents at end of year</b>		<b>7,257</b>	<b>18,582</b>
<b>Cash and cash equivalents consist of:</b>			
Cash at bank		7,257	18,582
<b>Cash and cash equivalents</b>		<b>7,257</b>	<b>18,582</b>

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# 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. 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 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. 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, 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.

#### 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.

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# 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.

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 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 and other costs directly related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date.

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# Notes to the Accounts

for the year ended 31 December 2023

## 2. Accounting policies (continued)

### B) 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, Managing Agency costs, the costs of membership of Lloyd's and other expenses attributable to the Syndicate's underwriting.

### C) Cash and cash equivalents

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

### D) Foreign currencies

The functional and presentation currency of the Syndicate is pound sterling.

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.

### E) 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 that 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. 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'.

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# Notes to the Accounts

for the year ended 31 December 2023

## 2. Accounting policies (continued)

### F) 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.

### G) 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.

### H) 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 earning. Any payments on account made by the Syndicate during the year are included in the Statement of Financial Position under the heading 'Members' balances'. No provision has been made for any overseas tax payable by members on underwriting results.

### I) 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.

### J) Profit commission

Profit commission is charged by the Managing Agent at a rate of 15% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included in members' standard personal expenses within administrative 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 accounts are:

- Valuation of general insurance contract liabilities (pages 29-30);
- Measurement of premium written (page 29).

# 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 £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000	Net technical provisions £000
<b>2023</b>							
<b>Direct insurance</b>							
Fire and other damage to property	7,898	7,132	(62)	(1,852)	-	5,218	3,798
Third-party liability	2,517	2,508	(599)	(647)	-	1,262	8,277
	10,415	9,640	(661)	(2,499)	-	6,480	12,075
Reinsurance	26,547	24,889	(2,359)	(7,300)	(508)	14,722	45,461
	<b>36,962</b>	<b>34,529</b>	<b>(3,020)</b>	<b>(9,799)</b>	<b>(508)</b>	<b>21,202</b>	<b>57,536</b>
<b>2022</b>							
<b>Direct insurance</b>							
Fire and other damage to property	5,541	6,016	303	(1,872)	(147)	4,300	6,542
Third-party liability	1,806	2,004	555	(580)	(48)	1,931	5,671
	7,347	8,020	858	(2,452)	(195)	6,231	12,213
Reinsurance	20,769	21,881	(1,564)	(6,450)	(339)	13,528	40,602
	<b>28,116</b>	<b>29,901</b>	<b>(706)</b>	<b>(8,902)</b>	<b>(534)</b>	<b>19,759</b>	<b>52,815</b>

All premiums were concluded in the UK.

Commission on gross premiums written as direct insurance business during 2023 was £0.1m (2022: £0.1m).

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

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

	2023 £000	2022 (restated) £000
UK	4,134	2,587
Americas (including US)	12,623	9,150
Asia & Oceania	12,023	10,321
European Union	8,182	6,058
<b>Gross premiums written</b>	<b>36,962</b>	<b>28,116</b>

# Notes to the Accounts

for the year ended 31 December 2023

## 3. Segmental analysis (continued)

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

	2023 Gross technical provisions £000	2023 Net technical provisions £000	2022 Gross technical provisions (restated) £000	2022 Net technical provisions (restated) £000
UK	6,517	5,295	4,913	4,861
Americas (including US)	19,900	18,723	17,373	17,187
Asia & Oceania	18,954	21,122	19,597	19,388
European Union	12,900	12,396	11,502	11,379
<b>Total</b>	<b>58,271</b>	<b>57,536</b>	<b>53,385</b>	<b>52,815</b>

The geographical distribution of gross premiums written, gross technical provisions and net technical provisions are restated from the 2022 annual accounts as more reliable information on risk location has become available.

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

During the year, the Syndicate released £7.0m of technical reserves in respect of prior years (2022: £9.8m) arising from the nuclear property and nuclear liability classes (2022: from the nuclear property and nuclear liability classes).

## 5. Net operating expenses

	2023 £000	2022 £000
Acquisition costs – brokerage and commissions	1,036	463
Change in deferred acquisition costs	14	-
Administrative expenses	8,749	8,439
	<b>9,799</b>	<b>8,902</b>

### Administrative expenses include:

Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission)	6,800	5,919
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## 6. Auditors' remuneration

	2023 £000	2022 £000
Audit of the Syndicate annual accounts	115	113
Other services pursuant to legislation	56	52
	<b>171</b>	<b>165</b>

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

# Notes to the Accounts

for the year ended 31 December 2023

## 7. Staff costs

All staff are employed by a related group undertaking, CUSL.

Syndicate expenses, including the audit fee, are incurred by CUSL and recharged to the Syndicate via Chaucer Syndicates Limited as a flat fee included in administrative expenses.

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	5	5
Underwriting	2	2
Other	2	2
	<b>9</b>	<b>9</b>

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

The Directors of Chaucer Syndicates Limited were not remunerated in respect of their services to the Syndicate.

The Active Underwriter received the following consultancy fees, incurred by a related group undertaking and recharged to the Syndicate within Managing Agency fees.

	2023 £000	2022 £000
Active Underwriter	245	245

## 9. Investment return

	2023 £000	2022 £000
<b>Investment income</b>		
Income from financial assets at fair value through profit and loss	710	524
Interest on cash and cash equivalents	301	143
Other interest and similar income	740	113
Realised gains on investments	42	29
	<b>1,793</b>	<b>809</b>
<b>Investment expenses and charges</b>		
Investment management expenses, including interest	(35)	(20)
Realised losses on investments	(341)	(537)
	<b>(376)</b>	<b>(557)</b>
<b>Net unrealised gains/(losses) on investments</b>	<b>1,694</b>	<b>(1,995)</b>
<b>Total investment return</b>	<b>3,111</b>	<b>(1,743)</b>

# Notes to the Accounts

for the year ended 31 December 2023

## 10. 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 £000	2022 £000
Average funds	45,925	43,922
Investment return	3,111	(1,743)
Calendar year investment return	6.8%	(4.0%)
<b>Average funds available for investment by fund</b>		
Sterling	39,485	35,786
United States dollars	2,517	4,349
Canadian dollars	3,923	3,786
<b>Analysis of calendar year investment return by fund</b>		
	%	%
Sterling	7.1	(5.2)
United States dollars	5.0	1.6
Canadian dollars	4.2	1.6

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 valued at month-end market prices, which includes accrued income where appropriate.

## 11. Financial instruments

	Cost £000	2023 Market value £000	Cost £000	2022 Market value £000
Shares and other variable yield securities at fair value through profit and loss	4,853	4,612	7,071	7,022
Debt securities and other fixed income securities at fair value through profit and loss	36,213	35,306	25,750	23,155
Deposits with ceding undertakings	4	4	4	4
	<b>41,070</b>	<b>39,922</b>	<b>32,825</b>	<b>30,181</b>

### Risk policies

#### 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.

# Notes to the Accounts

for the year ended 31 December 2023

## 11. Financial instruments (continued)

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

	2023 £000	2022 £000
50 basis points increase	(493)	(303)
50 basis points decrease	493	303
100 basis points increase	(985)	(605)
100 basis points decrease	985	605
200 basis points increase	(1,970)	(1,210)
200 basis points decrease	1,970	1,211

### Currency risk

The Syndicate writes a proportion of insurance business in currencies other than sterling, which gives rise to exposure to currency risk. The Managing Agent mitigates this through a policy of broadly 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 cash is available to settle liabilities and other obligations when due without excessive cost to the business.

The liquidity risk policy sets limits for cash required to meet expected cash flows. It includes a contingency funding plan, which details the process and provisions for liquidating assets and/or raising additional funds required to meet liabilities in extreme circumstances.

The expected payment profile of undiscounted liabilities is as follows:

	Maturity band (Years)				
	<1 £000	1-3 £000	3-5 £000	>5 £000	Total £000
Creditors	1,387	-	-	-	1,387
Claims outstanding	10,066	14,285	8,290	8,785	41,426
<b>At 31 December 2023</b>	<b>11,453</b>	<b>14,285</b>	<b>8,290</b>	<b>8,785</b>	<b>42,813</b>
Creditors	1,108	-	-	-	1,108
Claims outstanding	9,150	13,300	7,743	8,453	38,646
<b>At 31 December 2022</b>	<b>10,258</b>	<b>13,300</b>	<b>7,743</b>	<b>8,453</b>	<b>39,754</b>

### Credit risk

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

# Notes to the Accounts

for the year ended 31 December 2023

## 11. Financial instruments (continued)

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

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
Debt securities	35,307	23,155
Cash and cash equivalents	7,257	18,582
Shares and other variable yield securities	4,611	7,022
Overseas deposits	547	533
Reinsurers' share of claims outstanding	506	379
Deposits with ceding undertakings	4	4
	<b>48,232</b>	<b>49,675</b>
AAA	18,587	30,044
AA	13,064	10,413
A	12,062	6,539
BBB	4,459	2,431
BB or less	57	248
Not rated	3	-
<b>Total assets bearing credit risk</b>	<b>48,232</b>	<b>49,675</b>

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.

	<b>Level 1</b> <b>£000</b>	<b>Level 2</b> <b>£000</b>	<b>Level 3</b> <b>£000</b>	<b>Total</b> <b>£000</b>
Shares and other variable yield securities and unit trusts	4,125	-	486	4,611
Debt securities and other fixed income securities	-	35,307	-	35,307
Overseas deposits	-	547	-	547
<b>At 31 December 2023</b>	<b>4,125</b>	<b>35,854</b>	<b>486</b>	<b>40,465</b>
Shares and other variable yield securities and unit trusts	6,541	-	481	7,022
Debt securities and other fixed income securities	-	23,155	-	23,155
Overseas deposits	-	533	-	533
<b>At 31 December 2022</b>	<b>6,541</b>	<b>23,688</b>	<b>481</b>	<b>30,710</b>

# Notes to the Accounts

for the year ended 31 December 2023

## 12. Other debtors

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Other debtors	331	301
	<b>331</b>	<b>301</b>

Other debtors primarily relate to overseas taxes.

## 13. 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 these markets. The Syndicate has only restricted access to these funds and no influence over their investment.

## 14. Reconciliation of movements in members' balances

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Members' balances at 1 January	25,885	23,982
Total comprehensive income	24,073	19,567
Payments of profit to members' personal reserve funds	(21,504)	(17,624)
Movement in members' balance in respect of members' agent's fees	(96)	(91)
Movement in members' balance in respect of tax and other	(12)	51
<b>Members' balances at 31 December</b>	<b>28,346</b>	<b>25,885</b>

Members participate on the Syndicate by reference to years of account, and their ultimate result, assets and liabilities are assessed with reference to the policies incepting in the year of account of their membership.

# Notes to the Accounts

for the year ended 31 December 2023

## 15. Technical reserves

	Provisions for unearned premiums £000	Claims outstanding £000	Deferred acquisition costs £000	Total £000
<b>Gross and net technical provisions</b>				
At 1 January 2023	14,739	38,646	844	52,541
Exchange adjustments	(327)	(104)	(39)	(392)
Claims paid in year	-	(136)	-	(136)
Movement in provision	2,433	3,020	(14)	5,467
<b>At 31 December 2023</b>	<b>16,845</b>	<b>41,426</b>	<b>791</b>	<b>57,480</b>
<b>Reinsurance</b>				
At 1 January 2023	191	379	-	570
Movement in provision	39	126	-	165
<b>At 31 December 2023</b>	<b>230</b>	<b>505</b>	<b>-</b>	<b>735</b>
<b>Net technical provisions</b>				
<b>At 1 January 2023</b>	<b>14,548</b>	<b>38,267</b>	<b>844</b>	<b>51,971</b>
<b>At 31 December 2023</b>	<b>16,615</b>	<b>40,921</b>	<b>791</b>	<b>56,745</b>

## 16. Sensitivity of insurance risk

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

	2023	2022
Net loss ratio	8.5%	2.3%
Impact of 1% variation (£000)	339	293

# Notes to the Accounts

for the year ended 31 December 2023

## 17. Claims development tables

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 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	Total £000
<b>Estimate of gross claims incurred</b>												
At end of underwriting year		5,220	7,590	10,521	7,538	6,667	6,671	7,578	6,332	8,350	7,435	
One year later		6,248	9,985	13,622	8,746	9,176	10,330	8,643	7,454	12,294	-	
Two years later		4,830	5,984	11,375	6,115	6,858	6,360	5,367	5,159	-	-	
Three years later		3,790	5,422	6,871	4,265	5,917	5,800	4,369	-	-	-	
Four years later		3,219	4,965	6,330	3,543	3,935	3,796	-	-	-	-	
Five years later		2,475	3,844	5,775	2,979	3,022	-	-	-	-	-	
Six years later		1,971	3,461	5,354	2,569	-	-	-	-	-	-	
Seven years later		1,433	2,955	4,993	-	-	-	-	-	-	-	
Eight years later		927	2,722	-	-	-	-	-	-	-	-	
Nine years later		581	-	-	-	-	-	-	-	-	-	
<b>As at 31 December 2023</b>	<b>25,727</b>	<b>581</b>	<b>2,722</b>	<b>4,993</b>	<b>2,569</b>	<b>3,022</b>	<b>3,796</b>	<b>4,369</b>	<b>5,159</b>	<b>12,294</b>	<b>7,435</b>	<b>72,667</b>
Less gross claims paid	25,277	138	1,899	3,269	52	378	67	33	122	5	1	31,241
<b>Gross reserves</b>	<b>450</b>	<b>443</b>	<b>823</b>	<b>1,724</b>	<b>2,517</b>	<b>2,644</b>	<b>3,729</b>	<b>4,336</b>	<b>5,037</b>	<b>12,289</b>	<b>7,434</b>	<b>41,426</b>

Pure underwriting year	2013 and prior £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	2020 £000	2021 £000	2022 £000	2023 £000	Total £000
<b>Estimate of net claims incurred</b>												
At end of underwriting year		5,220	7,590	10,509	7,538	6,667	6,626	7,389	6,173	8,204	7,256	
One year later		6,248	9,985	13,611	8,746	9,176	10,304	8,469	7,306	12,116	-	
Two years later		4,830	5,984	11,373	6,115	6,858	6,359	5,283	5,083	-	-	
Three years later		3,790	5,422	6,870	4,265	5,917	5,799	4,296	-	-	-	
Four years later		3,219	4,965	6,330	3,543	3,935	3,796	-	-	-	-	
Five years later		2,475	3,844	5,775	2,979	3,022	-	-	-	-	-	
Six years later		1,971	3,461	5,354	2,569	-	-	-	-	-	-	
Seven years later		1,433	2,955	4,993	-	-	-	-	-	-	-	
Eight years later		927	2,722	-	-	-	-	-	-	-	-	
Nine years later		581	-	-	-	-	-	-	-	-	-	
<b>As at 31 December 2022</b>	<b>25,727</b>	<b>581</b>	<b>2,722</b>	<b>4,993</b>	<b>2,569</b>	<b>3,022</b>	<b>3,796</b>	<b>4,296</b>	<b>5,083</b>	<b>12,116</b>	<b>7,256</b>	<b>72,161</b>
Less net claims paid	25,277	138	1,899	3,269	52	378	67	33	122	5	-	31,240
<b>Net reserves</b>	<b>450</b>	<b>443</b>	<b>823</b>	<b>1,724</b>	<b>2,517</b>	<b>2,644</b>	<b>3,729</b>	<b>4,263</b>	<b>4,961</b>	<b>12,111</b>	<b>7,256</b>	<b>40,921</b>

Gross and net claims incurred that are denominated in non-functional currency are converted to pound sterling 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 £000	2022 £000
Due to Managing Agent	249	251
Due to service company	146	112
Other creditors	16	18
	<b>411</b>	<b>381</b>

## 19. Related parties

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. Chaucer Syndicates Limited and Chaucer Underwriting Services Limited charged the Syndicate with the following expenses during the year along with the outstanding balance at the year end:

	2023 £000	2022 £000
Managing Agency fees	2,333	2,218
Profit commission	4,248	3,593
Expenses recharged	146	112
Year-end balance due to Chaucer Syndicates Limited at 31 December	4,498	3,844
Year-end balance due to Chaucer Underwriting Services Limited at 31 December	146	112

Amounts are unsecured and are expected to be settled in cash and cash equivalents within one year.

A subsidiary of China Reinsurance (Group) Corporation supports the underwriting capacity of the Syndicate as follows:

	2023 £000	2022 £000	Year of account 2021 £000
Chaucer Corporate Capital (No. 3) Limited	26,484	26,484	26,484

These transactions are subject to the Managing Agent's internal controls, which ensure that all are compliant with Lloyd's Related Party Byelaw provisions.

## 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 (PRA) requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and 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 members' FAL to meet liquidity requirements or to settle losses.

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# Notes to the Accounts

for the year ended 31 December 2023

## 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 below, 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 1176 is not disclosed in these accounts.

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 members' balances reported on the Statement of Financial Position on page 26, represent resources available to meet members' and Lloyd's capital requirements.

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## Notes to the Accounts

for the year ended 31 December 2023

### **22. Ultimate parent company**

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](http://www.chinare.com.cn)).

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## 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 the accounts may differ from legislation in other jurisdictions.

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**2023 Year of Account**

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# **Syndicate 1176**

## **Underwriting Year Accounts**

31 December 2023



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# Managing Agent's Report

The Managing Agent presents its report at 31 December 2023 for the 2021 closed year of account.

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

A list of Directors of the Managing Agent who held office during the year ended 31 December 2023 is on page 3 of the Syndicate Annual Reports and Accounts.

## Review of the business

The gross premiums written for the 2021 year of account were £28.7m compared to the Syndicate's 2020 year of account's gross premiums written of £30.8m.

The plan was for a premium income of £35.3m; the closing result shows premium gross of acquisition costs of £28.7m. The shortfall against plan is largely driven by delays in the ratification of the new liability conventions. We have received very few claims and those we did receive were settled at less than reserved. The total property losses advised to date are within forecast loss expectancy. The final profit achieved on the 2021 year of account is £22.0m, representing a return on capacity of 47.4%.

## 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.

Approved by order of the Board of Chaucer Syndicates Limited.

### **R J Callan**

Chief Executive Officer & Chief Financial Officer  
26 February 2024

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# Independent Auditors' Report to the Members of Syndicate 1176

## Report on the audit of the syndicate underwriting year financial statements

### Opinion

In our opinion, Syndicate 1176's syndicate underwriting year financial statements for the 2021 year of account for the 36 months ended 31 December 2023 (the "underwriting year financial statements"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2023 and of its profit for the 2021 closed year of account;
- 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 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the underwriting year financial statements included within the Underwriting Year Accounts, which comprise: the Statement of Financial Position as at 31 December 2023; the Statement of Comprehensive Income for the 36 months then ended; and the notes to the underwriting year financial statements, 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)"), including ISA (UK) 800, 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 underwriting year financial statements* 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 underwriting year financial statements 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.

### Emphasis of matter – Basis of preparation

Without modifying our opinion, we draw attention to note 1 of the underwriting year financial statements, which describes the basis of preparation. In particular, as these underwriting year financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these underwriting year financial statements. The underwriting year financial statements are prepared in accordance with a special purpose framework for the specific purpose as described in the *Use of this report* paragraph below. As a result, the underwriting year financial statements may not be suitable for another purpose.

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# Independent Auditors' Report to the Members of Syndicate 1176

## Reporting on other information

The other information comprises all of the information in the Underwriting Year Accounts other than the underwriting year financial statements and our auditors' report thereon. The Managing Agent is responsible for the other information. Our opinion on the underwriting year financial statements 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 underwriting year financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the underwriting year financial statements 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 underwriting year financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report based on these responsibilities.

## Responsibilities for the underwriting year financial statements and the audit

### Responsibilities of the Managing Agent for the underwriting year financial statements

As explained more fully in the Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the underwriting year financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2021 closed year of account. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of underwriting year financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibilities for the audit of the underwriting year financial statements

Our objectives are to obtain reasonable assurance about whether the underwriting year financial statements 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 underwriting year financial statements.

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 underwriting year financial statements. We also considered those laws and regulations that have a direct impact on the underwriting year financial statements such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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# Independent Auditors' Report to the Members of Syndicate 1176

We evaluated management's incentives and opportunities for fraudulent manipulation of the underwriting year financial statements (including the risk of override of controls), and determined that the principal risks were related to the risk of fraud in revenue recognition, the risk of inequitable treatment in relation to the closing year of account and the risk of 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;
- Evaluating and testing the operating efficiency of management's controls designed to prevent or detect misstatements in the underwriting year financial statements;
- 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;
- Designing audit procedures to allow us to incorporate unpredictability around the nature, timing or extent of our testing; and
- Assessing the appropriateness of the closing of the 2021 year of account, including testing and challenging the equity of the reinsurance to close premium charged.

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 underwriting year financial statements. 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 underwriting year financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## Use of this report

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) 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.

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# Independent Auditors' Report to the Members of Syndicate 1176

## Other required reporting

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), 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
- the underwriting year financial statements 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 closed 2021 year of account for the 36 months ended 31 December 2023

	Note	£000
<b>Syndicate allocated capacity</b>		46,476
<b>Technical account – general business</b>		
<b>Earned premiums, net of reinsurance</b>		
Gross premiums written	3	28,694
Outward reinsurance premiums		(606)
Earned premiums, net of reinsurance		28,088
<b>Reinsurance to close premium received, net of reinsurance</b>	4	23,175
		51,263
<b>Allocated investment return transferred from the non-technical account</b>		1,534
<b>Claims incurred, net of reinsurance</b>		
Gross claims paid		(131)
<b>Reinsurance to close premium payable, net of reinsurance</b>	4	(21,539)
		(21,670)
<b>Net operating expenses</b>	5	(8,898)
<b>Balance on the technical account – general business</b>	9	<b>22,229</b>
<b>Non-technical account</b>		
Foreign exchange loss		(193)
Investment income	8	1,005
Investment expenses and charges	8	(459)
Net unrealised gains on investments	8	988
Allocated investment return transferred to the technical account – general business		(1,534)
<b>Total comprehensive income for the 2021 closed year of account</b>		<b>22,036</b>

There is no other comprehensive income in the accounting period other than those dealt with in the Statement of Comprehensive Income.

# Statement of Financial Position

as at 31 December 2023

	Note	£000
<b>Assets</b>		
Investments	10	32,036
Cash and cash equivalents		5,806
Debtors arising out of direct insurance operations		1,327
Debtors arising out of reinsurance operations		3,038
Other debtors		210
Overseas deposits		244
Prepayments and accrued income		257
<b>Total assets</b>		<b>42,918</b>
<b>Liabilities</b>		
Amounts due to members	11	14,926
Reinsurance to close premiums payable to close the account – net amount	4	21,539
Other creditors	12	4,617
Accruals and deferred income		1,836
<b>Total liabilities</b>		<b>42,918</b>

The notes on pages 54-61 form an integral part of these underwriting year accounts.

The underwriting year accounts on pages 52-61 were approved by the Board of Chaucer Syndicates Limited on 26 February 2024 and were signed on its behalf by:

**R J Callan**

Chief Executive Officer & Chief Financial Officer

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# Notes to the Underwriting Year Accounts

## 1. Basis of preparation

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland" ("FRS102") as modified by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2021 year of account which has been closed by reinsurance to close as at 31 December 2023. Consequently, the Statement of Financial Position represents the assets and liabilities of the 2021 year of account at the date of closure. The underwriting account reflects the transactions for that year of account during the three-year period until closure. The Statement of Comprehensive Income reflects the transactions for that year of account during the three-year period until closure.

These accounts cover the three years from the date of inception of the 2021 year of account to the date of closure. Accordingly, this is the only reporting period and so corresponding amounts are not shown. As these underwriting year accounts relate to a closed underwriting year of account, matters relating to going concern are not relevant to these underwriting year accounts.

## 2. Accounting policies

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

### 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 attaching to the 2021 underwriting year. 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. 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, 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 premium ceded

Outwards reinsurance premiums are accounted for in the same accounting period as the premiums for the related direct or inwards business being reinsured.

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# Notes to the Underwriting Year Accounts

## 2. Accounting policies (continued)

### iv) Claims paid and related recoveries

Gross claims paid include internal and external claims settlement expenses and are attributed to the same year of account as the original premium for the underlying policy.

### v) Reinsurance to close premium payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs, including claims incurred but not reported, net of estimated collectible reinsurance recoveries relating to the closed year of account and all previous years of account reinsured therein.

The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims incurred but not reported ('IBNR') at the balance sheet date based on statistical methods.

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

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

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 estimates of gross claims are fairly stated on the basis of the information currently available to them. However, it is implicit in the estimation procedure that the ultimate liabilities will be at variance from the reinsurance to close premium so determined.

### B) Foreign currencies

The functional and presentation currency of the Syndicate is pound sterling.

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.

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# Notes to the Underwriting Year Accounts

## 2. Accounting policies (continued)

### B) Foreign currencies (continued)

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.

### C) 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 that 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.

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'.

### D) 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. The returns on the overseas deposits are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

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 three years, together with the reversal of unrealised gains and losses recognised during the three years 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.

### E) Cash and cash equivalents

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

### F) 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, Managing Agency costs, the costs of membership of Lloyd's and other expenses attributable to the Syndicate's underwriting.

# Notes to the Underwriting Year Accounts

## 2. Accounting policies (continued)

### G) Taxation

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

No provision has been made for any United States or Canadian 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 'Members' Balances'.

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

### H) Pension costs

Underwriting Services Limited (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.

### I) Profit commission

Profit commission is charged by the Managing Agent at a rate of 15% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included in members' standard personal expenses within administrative expenses.

## 3. Segmental analysis

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

	Gross premiums written <sup>3</sup> £000	Gross premiums earned £000	Gross claims incurred <sup>1</sup> £000	Net operating expenses £000	Reinsurance balance <sup>2</sup> £000	Total £000
<b>Direct insurance</b>						
Fire and Other damage	7,874	7,874	(188)	(2,114)	(145)	5,427
Third Party Liability	1,208	1,208	(696)	(556)	(24)	(68)
	9,082	9,082	(884)	(2,670)	(169)	5,359
<b>Reinsurance acceptances:</b>						
Reinsurance	18,869	18,869	(3,497)	(6,207)	(373)	8,792
Movements in respect of RITC received	24,003	24,003	(17,438)	(21)	-	6,544
<b>Total</b>	<b>51,954</b>	<b>51,954</b>	<b>(21,819)</b>	<b>(8,898)</b>	<b>(542)</b>	<b>20,695</b>

<sup>1</sup> Gross claims incurred comprise gross claims paid and gross reinsurance to close premium payable.

<sup>2</sup> The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close (RITC) payable.

<sup>3</sup> Movement in 2020 & prior year of account premium of £743k has been included within Movements in respect of RITC received.

All premiums are concluded in the UK.

# Notes to the Underwriting Year Accounts

## 4. Reinsurance premium to close the 2021 and prior years of account

	Reported £000	IBNR £000	Total £000
<b>Reinsurance to close premium received</b>			
Gross reinsurance to close premium receivable	3,516	19,744	23,260
Reinsurance to close premium receivable, reinsurers' share	-	(85)	(85)
<b>Reinsurance to close premium received, net of reinsurance</b>	<b>3,516</b>	<b>19,659</b>	<b>23,175</b>
<b>Reinsurance to close premium payable</b>			
Gross reinsurance to close premium payable	2,348	19,340	21,688
Reinsurance to close premium payable, reinsurers' share	-	(149)	(149)
<b>Reinsurance to close premium payable, net of reinsurance</b>	<b>2,348</b>	<b>19,191</b>	<b>21,539</b>

The reinsurance to close is effected with the 2022 year of account of Syndicate 1176.

## 5. Net operating expenses

	£000
Acquisition costs – brokerage and commissions	600
Administrative expenses	8,298
	<b>8,898</b>
Administrative expenses include:	
Members' standard personal expenses (Lloyd's subscriptions, New Central Fund contributions, Managing Agent's fees and profit commission)	6,365

## 6. Auditors' remuneration

	£000
Audit of the Syndicate 2021 underwriting year accounts	20

## 7. Emoluments of the Directors of the Managing Agent and Active Underwriter of the Syndicate

The Directors of Chaucer Syndicates Limited were not remunerated in respect of their services to the Syndicate.

The Active Underwriter received the following consultancy fees, incurred by a related group undertaking and recharged to the Syndicate within Managing Agency fees in relation to the 2021 year of account.

	£000
Active Underwriter	197

# Notes to the Underwriting Year Accounts

## 8. Investment return

	£000
<b>Investment income</b>	
Income from financial assets at fair value through profit and loss	685
Interest on cash and cash equivalents	266
Other interest and similar income	15
Realised gains on investments	39
Unrealised gains on investments	988
	<b>1,993</b>
<b>Investment expenses and charges</b>	
Investment management expenses, including interest	(79)
Realised losses on investments	(380)
	<b>(459)</b>
<b>Total investment return</b>	<b>1,534</b>

## 9. Balance on technical account

	£000
<b>Balance excluding investment return and operating expenses (other than acquisition costs):</b>	
Total comprehensive income attributable to business allocated to the 2021 pure year of account	22,449
Total comprehensive income attributable to business reinsured into the 2021 year of account	6,544
	28,993
Allocated investment return transferred from the non-technical account	1,534
Net operating expenses other than acquisition costs	(8,298)
	<b>22,229</b>

## 10. Investments

	Cost £000	Market Value £000
Shares and other variable yield securities at fair value through profit and loss	3,985	3,786
Debt securities and other fixed income securities at fair value through profit and loss	28,970	28,246
Deposits with ceding undertakings	4	4
	<b>32,959</b>	<b>32,036</b>

# Notes to the Underwriting Year Accounts

## 11. Amounts due to members

	<b>£000</b>
Total comprehensive income for the 2021 closed year of account	22,036
Transfers to members' personal reserve funds	(7,110)
	<b>14,926</b>

## 12. Other creditors

	<b>£000</b>
Inter year loans	4,557
Reinsurance ceded	51
Other creditors	9
	<b>4,617</b>

## 13. Related parties

Chaucer Syndicates Limited, a wholly owned subsidiary of China Reinsurance (Group) Corporation, is the Managing Agent of the Syndicate. Chaucer Syndicates Limited has charged the Syndicate with the following expenses during the year along with the outstanding balances at the year end:

	<b>2021 £000</b>
<b>Year of Account</b>	
Managing Agency fees	2,178
Profit commission	3,905
	<b>6,083</b>

A subsidiary of China Reinsurance (Group) Corporation supports the underwriting capacity of the Syndicate as follows:

	<b>2021 £000</b>
<b>Year of Account</b>	
Chaucer Corporate Capital (No. 3) Limited	26,484

Syndicate 1176 is the leading participant of the British Nuclear Pool, NRI Limited, and owns a share of the associated management company in proportion to its share (approximately 46%) of the Pool. Any profit or loss from these operations is paid to the Syndicate. The Pool underwrote premium of £24.2m on behalf of the Syndicate. The year-end balance due from the Pool is £1.2m and is included within debtors arising out of direct insurance operations.

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# Notes to the Underwriting Year Accounts

## 14. Ultimate parent company

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](http://www.chinare.com.cn)).

# Seven Year Summary (unaudited)

at 31 December 2023

	2015	2016	2017	2018	2019	2020	2021
Syndicate allocated capacity (£000)	31,666	34,931	37,480	46,500	46,470	46,403	<b>46,476</b>
Number of underwriting members	266	233	274	307	311	315	<b>325</b>
Aggregate net premiums (£000)	24,834	29,857	30,976	28,044	28,494	30,102	<b>28,088</b>
<b>Results for an illustrative share of £10,000</b>	£	£	£	£	£	£	£
Gross premiums	7,842	8,547	8,265	6,026	6,170	6,646	<b>6,174</b>
Net premiums	7,842	8,547	8,267	6,031	6,132	6,487	<b>6,044</b>
Premium for the reinsurance to close an earlier year of account	8,019	7,373	6,483	4,365	4,497	4,911	<b>4,894</b>
Net claims	(409)	(2,360)	(745)	(84)	(71)	49	<b>(28)</b>
Premium for the reinsurance to close the year of account	(8,137)	(6,898)	(5,447)	(4,495)	(4,904)	(4,994)	<b>(4,541)</b>
Syndicate operating expenses	(718)	(694)	(567)	(531)	(577)	(499)	<b>(565)</b>
Balance on technical account	6,597	5,968	7,991	5,286	5,077	5,954	<b>5,804</b>
Investment return	105	53	299	284	32	(317)	<b>330</b>
Other income/(charges)	(47)	151	34	82	(110)	325	<b>(41)</b>
Total comprehensive income for the closed year	6,655	6,172	8,324	5,652	4,999	5,962	<b>6,093</b>
Illustrative profit commission – Managing Agent’s share	(916)	(847)	(1,164)	(779)	(689)	(824)	<b>(840)</b>
Illustrative personal expenses <sup>1,2</sup>	(589)	(539)	(583)	(457)	(473)	(488)	<b>(510)</b>
Total comprehensive income after illustrative profit commission and illustrative personal expenses	5,150	4,786	6,577	4,416	3,837	4,650	<b>4,743</b>
<b>Percentage applicable for an illustrative share of £10,000</b>	%	%	%	%	%	%	%
Gross premiums	78.4	85.5	82.7	60.3	61.7	66.5	<b>61.7</b>
Net premiums	78.4	85.5	82.7	60.3	61.3	64.9	<b>60.4</b>
Balance on technical account to gross premiums	84.1	69.8	96.7	87.7	82.3	89.6	<b>94.0</b>

<sup>1</sup> Illustrative personal expenses comprise Managing Agent’s fee, Lloyd’s subscription, and contribution to Lloyd’s Central Guarantee Fund. The Managing Agent’s fee, where applicable, has been calculated so as to disregard the minimum charge to any member underwriting for less than a certain premium limit.

<sup>2</sup> Illustrative personal expenses have been shown for individual Names and MAPAs.

Under the standard agency agreements in force, an underwriting member who dies prior to 31 December in any year does not participate in that year; if death occurs on 31 December, the underwriting member participates fully in that year.

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## Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing Syndicate Underwriting Year Accounts in accordance with applicable law and Lloyd's Syndicate Accounting Byelaw.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Syndicate Accounting Byelaw (No. 8 of 2005) (the "Lloyd's Regulations") require the Managing Agent to prepare Syndicate Underwriting Year Accounts for each Syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December.

The Managing Agent must prepare Syndicate Underwriting Year Accounts which give a true and fair view of the result of the closed year of account.

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

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

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

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

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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.

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**Registered office**

52 Lime Street

London | EC3M 7AF

T: 020 7327 8120 | [www.chaucergroup.com](http://www.chaucergroup.com)

Managed by Chaucer Syndicates Limited

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