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Syndicate 4444 Annual Report & Accounts

As at 31 December 2022

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Directors and Professional Advisors

MANAGING AGENT:

Canopus Managing Agents Limited

Directors

N J Betteridge
P Ceurvorst *
M V Greenwood *
P F Hazell *
S Lacy
P Meader *
N D Robertson
K Roy Appointed 5 September 2022
M C Watson *

Former Directors who served during the year and prior to date of signing

M J Bishop Resigned 30 June 2022
M P Duffy Resigned 31 December 2022
I B Owen* Resigned 31 December 2022
S A Willmont Appointed 6 September 2022; Resigned 31 October 2022

* Non-Executive Director

Company Secretary

P P Hicks

Registered office

Floor 29
22 Bishopsgate
London
EC2N 4BQ

Managing Agent's registration No. 01514453

FCA firm registration No. 204847

SYNDICATE:

Active Underwriter

A Rouffiac

Investment Managers

BlackRock - 12 Throgmorton Avenue, London, EC2N 2DL
Federated - Nuffield House, 41-46 Piccadilly, London, W1J 0DS
LGIM - One Coleman Street, London, EC2R 5AA
Lloyd's - One Lime Street, London, EC3M 7HA
Loomis Sayles - One Financial Center, Boston, MA 02111
NEAM - 4th Floor, DBP House, 63 Mark Lane, London, EC3R 7NQ
Schroders - 1 London Wall Place, London, EC2Y 5AU
SYZ - Southwest House, 11a Regent Street, London, SW1Y 4LR
Wellington - Cardinal Place, 80 Victoria Street, London, SW1E 5JL
Barings - 20 Old Bailey, London, EC4M 7BF
M&G - 10 Fenchurch Ave, London EC3M 5AG
RAW Capital Partners - 12 The Grange, St Peter Port, Guernsey
Maxim Capital Group - 600 Madison Ave 17th Floor, New York, NY 10022, United States
Invesco Advisers, Inc – 1555 Peachtree Street, Suite 1800, Atlanta, Georgia 30309, USA

Independent Auditors

Ernst & Young LLP ("EY")
25 Churchill Place, Canary Wharf, London, E14 5EY

Report of the Directors of the Managing Agent

The directors of Canopus Managing Agents Limited (“CMA”), the managing agent for Syndicate 4444 (the “Syndicate”), present the annual report and audited financial statements for the Syndicate for the year ended 31 December 2022.

These financial statements 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 Republic of Ireland” (“FRS102”), Financial Reporting Standard 103, “Insurance Contracts” (“FRS103”) and the Companies Act 2006. Furthermore, these financial statements comply with the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 (“the 2008 Regulations”).

Review of the business

Syndicate 4444 is a syndicate at Lloyd’s managed by CMA. Its principal activity is the underwriting of insurance and reinsurance business at Lloyd’s, transacted through direct channels and via delegated underwriting. The Syndicate capacity for the 2022 year of account was £1,700m (2021: £1,700m).

The 2021 year of account of Syndicate 4444 was written following the pooling of capacity with Syndicate 1861, another Syndicate managed by CMA, with all risks being underwritten by Syndicate 4444. The 2020 year of account of Syndicate 1861 will be reinsured to close into Syndicate 4444’s 2021 year of account as at 1 January 2023.

In December 2021 CMA entered into a Loss Portfolio Transfer Reinsurance (LPT) agreement with RiverStone Managing Agency Limited (“RiverStone”) covering the majority of classes of business no longer written by Syndicates 4444 (2020 & prior years of account) and 1861 (2020 year of account only). Under the terms of the agreement the Syndicates purchased reinsurance from RiverStone’s managed syndicate (Lloyd’s syndicate 3500) to provide loss portfolio reinsurance on the agreed policies. The results for the prior year include the premium ceded to Riverstone of £477m under the contract, while the reinsurers share of the change in provisions for claims includes the recoveries due on the business reinsured under the agreement. As at the year end, the balance of the premium due to Riverstone is included in reinsurance payable.

Results and performance – Key performance indicators (“KPIs”)

The following KPIs were used during the year:

	2022 £m	2021 (post LPT) £m	2021 (pre LPT) £m
Gross premiums written	1,698.2	1,413.9	1,413.9
Earned premiums, net of reinsurance	1,254.9	545.8	955.9
Investment return	(32.5)	8.2	8.2
Profit / (loss) for the year	8.3	33.8	36.9
Total comprehensive income / (loss)	0.9	33.9	37.0
Gross claims ratio	56.8%	60.0%	60.0%
Net claims ratio	56.4%	23.3%	55.9%
Expenses ratio:			
- Acquisition ratio	34.3%	58.7%	33.5%
- Administrative Expense ratio	5.5%	13.2%	7.5%
Combined operating ratio	96.2%	95.2%	96.9%
Investment return, on average invested balances	(2.3)%	0.6%	0.6%

¹The gross claims ratio is the ratio of gross claims incurred to gross premiums earned gross of reinsurance and acquisition costs.

²The net claims ratio is the ratio of net claims incurred to premiums earned net of reinsurance and gross of acquisition costs.

³The expense ratios are the ratios of the acquisition cost and operating expenses to earned premiums net of reinsurance and gross of brokerage and commissions.

⁴The combined ratio is the ratio of net claims incurred, acquisition costs and net operating expenses to net premiums earned.

⁵Investment return is calculated as the combined investment income for the period divided by the average of the opening and closing investments, cash and overseas deposit balances.

Report of the Directors of the Managing Agent

Syndicate 4444 recorded a profit of £8.3m for the year ended 31 December 2022 (2021: £33.8m profit post LPT) with a combined ratio of 96.2% (2021: 95.2% post LPT and 96.9% pre LPT). The full results of the Syndicate are set out on pages 13 and 14.

Following the pooling of capacity between Syndicate 4444 and Syndicate 1861, gross written premiums rose significantly during the 2022 calendar year to £1,698.2m (2021: £1,413.9m). Premium growth was supported by favourable rate change across a broad range of classes, increased business originating through the Syndicate's areas of distinction such as Accident & Health, Credit Political Risk, Cyber and VAVE (Canopus' algorithmic platform to offer bindable quotes for US commercial and homeowners property) but also the Syndicate's overseas service company in Asia Pacific. Portfolio rebalancing continues as we reduce our relative exposure to natural catastrophe exposed classes and increased premium in Specialty and Casualty insurance lines now representing 43% of the syndicate's business. Analysis of the gross written premium by class of business is presented in Note 7: Segmental Analysis in the notes to the financial statements.

Claims experience during 2022 was dominated by two major events being the tragic outbreak of war in Ukraine and the devastating effects of Hurricane Ian in addition to other catastrophic loss events. The net impact on our result is set out in the table below:

	2022
Major Loss Event	£m
Hurricane Ian	80.6
Ukraine war	47.5
Eastern Australian floods	12.4

Offsetting current accident year catastrophe losses was the favourable development of prior period reserves of £50.1m (2021: £41.7m) as claims experience emerged better than expected across most classes and in particular on previously established reserves for COVID-19 exposures. The Syndicate has also strengthened reserves during the period in response to global inflationary pressures.

Syndicate operating expenses of £498.7m (2021: £392.5m) have reduced slightly relative to net earned premium (on a pre LPT basis) despite increased investment in initiatives to drive growth and efficiency through enhanced digital distribution capabilities and implementation of a market leading data strategy. Continued premium earnings growth against a scalable operating cost base will see the expense ratio continue to improve.

Syndicate profit of £8.3m was achieved despite recognised investment losses totalling £32.5m for the year. The investment return of (2.3)% (2021: 0.6%) was primarily due to significant increases in risk-free yields during the period as global central banks sought to contain rampant inflation and accompanying credit spread widening, both of which resulted in mark to market losses on the high quality short duration bond portfolio held within the Syndicate. With respect to additional asset allocation/deployment, the focus remains on building higher yielding private markets exposure, with a number of commitments now having been made and circa \$120m drawn to date.

The 2020 year of account of Syndicate 4444 closed with a loss of £34.6m representing a loss of 3.3% on managed capacity. The 2021 year of account is forecast to make a profit of 2.4% of managed capacity.

Reinsurance is purchased to reduce retention levels in accordance with CMA's risk appetite as well as to protect against potential catastrophe accumulations. Catastrophe reinsurances are generally purchased to protect capital whereas non-catastrophe reinsurances, including the loss portfolio transfer concluded in the year, are purchased for a blend of capital protection, capital efficiency and profit stability.

Report of the Directors of the Managing Agent

Business environment

The insurance industry suffered significant natural catastrophe losses during 2022. The largest single loss event was Hurricane Ian, a category 4 hurricane that is estimated to have resulted in insured losses of \$50-65bn. Winter storms in Europe and flooding in South Africa and Australia also led to significant losses.

The tragedy of the war in Ukraine has also resulted in industry losses of upwards of \$10bn, largely due to grounded aircraft, ships trapped in the Black Sea and disrupted exports of grain and other agricultural products. The war, as well as the resulting sanctions placed on Russia, have had wide ranging economic impacts, from a significant increase in energy prices to contributing to broader supply-chain concerns.

The rapid increase in inflation, exacerbated by the effects of the war in Ukraine, is also impacting insurers and reinsurers, driving up the cost of claims as well as other expenses. To combat inflation, central banks increased interest rates markedly over the course of 2022 and into the early part of 2023. While this has led to significant mark to market losses on fixed-income investment portfolios across the industry, these losses are expected to reverse as bonds mature and healthy investment returns are anticipated in 2023 and 2024.

Despite these headwinds the outlook for the industry remains positive. Insurance markets experienced premium rate rises through 2022 and rates have increased considerably into 2023 renewals. The impact of Hurricane Ian and war in Ukraine, combined with increased capital costs and greater constraints on capital availability have led to very favourable market conditions for underwriting.

Strategy

Our mission is to be a profitable international Specialty and P&C (re)insurer, taking an approach of growing a sustainable business in areas where we have, or can have, distinction or competitive advantage. We seek to be an organisation driven by empowered and accountable people, underpinned by digital innovation and analytical expertise, supporting people, community, business and environmental resilience.

Over the next three years the Syndicate has an ambition to deliver significant profitable growth. During 2022, we have transformed our target operating model by successfully establishing three regional ExCo's – the UK, US & Bermuda and APAC, as well as appointing product leaders structured around our core global underwriting classes.

In addition to resetting our target operating model, we conducted a detailed, bottom-up planning exercise which generated a large number of initiatives to drive growth, efficiency and enablement of our strategy. Expansion of our digital distribution capability, continued proactive cycle management, maintaining our excellent catastrophe modelling skills and implementing a market leading data strategy remain key to our strategy.

CMA remains committed to developing a first-class culture to attract, retain and develop good people. We encourage an open and honest working environment, focused on results and with a strong team ethic.

Environmental, social and governance (ESG) forms part of the core of Canopus Group Goals & Ambition. Our aim is to strengthen Canopus' culture around strategic planning, innovation, data & analytics and ESG. We see the development of a robust ESG strategy as core to our being able to attract and retain the best talent, business and capital.

Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

Report of the Directors of the Managing Agent

CMA's governance structure ensures a clear definition of responsibility for the management and oversight of the many risks faced by the business. CMA has established an Enterprise Risk Management ("ERM") framework that is designed to identify, assess, measure, mitigate, monitor and report all material financial and non-financial risk.

The managing agent has identified the following principal risks and uncertainties facing the Syndicate as detailed in Note 5 to the financial statements (management of risk):

- Insurance risk
- Financial risk
 - i. Market risk
 - ii. Credit risk
 - iii. Currency risk
 - iv. Liquidity risk
- Group risk
- Operational and regulatory risk
- Climate change risk

Future developments

Syndicate 4444's allocated capacity for the 2023 year of account has increased to £1,800m (2022: £1,700).

Going concern

After making enquiries, the directors have a reasonable expectation that continued capital support will be in place such that the Syndicate is able to write new business in future underwriting years of account. Accordingly, they continue to adopt the going concern basis in preparing the annual financial statements.

Directors

The directors of the managing agent who served from 1 January 2022 to the date of this report are shown on page 3. None of the directors had an allocated premium limit on the Syndicate, on either an unlimited or limited liability basis, for any of the 2020 to 2022 years of account.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors of the managing agent at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the Syndicate's auditor in connection with the auditor's report, of which the auditor is unaware; and
- Having made enquiries of fellow directors of the agency and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the directors of the managing agent to prepare syndicate annual accounts each year which give a true and fair view, in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period. In preparing those financial statements, the managing agent is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate accounts; and

Report of the Directors of the Managing Agent

- Prepare the syndicate accounts on the basis that the syndicate will continue to write future business unless it is inappropriate to do so.

The managing agent confirms that it has complied with the above requirements in preparing the syndicate accounts. The directors of the managing agent are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate accounts comply with the 2008 Regulations. The managing agent is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditors

In accordance with section 14(2) of Schedule 1 of the Lloyd's Regulations 2008, the auditors, Ernst & Young LLP, will be deemed to be reappointed and therefore continue in office.

Syndicate annual general meeting

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the managing agent does not propose to hold a syndicate annual meeting this year. Members may object to this proposal, or the intention to reappoint the auditors for a further 12 months, within 21 days of this notice. Any objections must be made in writing to the managing agent.

By order of the Board of the managing agent.

G Phillips
Group Chief Financial Officer
London
27 February 2023

Independent Auditor's Report to the Members of Syndicate 4444

for the year ended 31 December 2022

Opinion

We have audited the syndicate annual accounts of syndicate 4444 ('the syndicate') for the year ended 31 December 2022 which comprise the Income Statement, the Statement of Changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 30, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard as applied to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the 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.

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 12 months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Independent Auditor's Report to the Members of Syndicate 4444

for the year ended 31 December 2022

Other information

The other information comprises the information included in the Annual Report and Accounts, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the Annual Report and Accounts.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Independent Auditor's Report to the Members of Syndicate 4444

for the year ended 31 December 2022

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the 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 in operation, disclosing, as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

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

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. 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.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP). Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Audit Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.
- For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

Independent Auditor's Report to the Members of Syndicate 4444

for the year ended 31 December 2022

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, enquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, enquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, and inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, complex transactions, performance targets, economic or external pressures and the impact these have on the control environment. The fraud risk was considered to be higher within the valuation of gross incurred but not reported reserves and estimated premium income.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of gross incurred but not reported reserves and the recognition of estimated premium income.
- Evaluating the business rationale for significant and/or unusual transactions.
- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas including gross incurred but not reported reserves and estimated premium income.

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

Use of our report

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

Andrew Blackmore (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

27 February 2023

Income Statement: Technical Account – General Business

for the year ended 31 December 2022

		2022		2021	
	Notes	£000	£000	£000	£000
Earned premiums, net of reinsurance					
Gross premiums written	7	1,698,179		1,413,851	
Outward reinsurance premiums		(380,841)		(771,520)	
Net premiums written		1,317,338		642,331	
Change in the provision for unearned premiums:					
Gross amount	24	(63,724)		(203,696)	
Reinsurers' share		1,239		107,175	
Change in the net provision for unearned premiums		(62,485)		(96,521)	
Earned premiums, net of reinsurance			1,254,853		545,810
Allocated investment return transferred from the non-technical account	14		(32,487)		8,152
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(716,618)		(577,167)	
Reinsurers' share		252,578		70,562	
Net claims paid		(464,040)		(506,605)	
Change in the provision for claims					
Gross amount	24	(212,214)		(149,484)	
Reinsurers' share		(31,408)		529,043	
Change in the net provisions for claims		(243,622)		379,559	
Claims incurred, net of reinsurance			(707,662)		(127,046)
Net operating expenses	10, 11		(498,672)		(392,539)
Balance on the technical account for general business			16,032		34,377

All of the above amounts are derived from continuing operations.

Income Statement: Non-technical Account

for the year ended 31 December 2022

	<i>Notes</i>	2022 £000	2021 £000
Balance on the general business technical account		16,032	34,377
Investment income	14	24,060	13,670
Realised (losses)/gains on investments	14	(14,992)	542
Net unrealised losses on investments	14	(39,985)	(4,804)
Investment expenses and charges	14	(1,570)	(1,256)
Allocated investment return transferred to the general business technical account		(32,487)	(8,152)
Loss on exchange	10	(7,764)	(577)
Profit for the year		8,268	33,800
Other comprehensive income - Currency translation differences		(7,373)	81
Total comprehensive income		895	33,881

All of the above amounts are derived from continuing operations.

Statement of Change in Members' Balances

for the year ended 31 December 2022

	2022 £000	2021 £000
Members' balances at 1 January	(11,359)	(99,922)
Total comprehensive income for financial year	895	33,881
Distribution of (profits)/losses to members' personal reserve funds	(50,228)	54,840
Other movements in members' balances	(116)	(158)
Members' balances at 31 December	(60,808)	(11,359)

Statement of Financial Position – Assets

at 31 December 2022

	Notes	2022		2021	
		£000	£000	£000	£000
Investments					
Other financial investments	15		1,252,375		1,191,982
Deposits with ceding undertakings					
Reinsurers' share of technical provisions					
Provision for unearned premiums	24	209,311		192,435	
Claims outstanding	24	1,076,943		1,018,665	
			1,286,254		1,211,100
Debtors					
Debtors arising out of direct insurance operations	16	572,160		520,807	
Debtors arising out of reinsurance operations	17	344,553		221,121	
Other debtors	18	62,590		79,253	
			979,303		821,181
Other assets					
Cash at bank and in hand			30,416		41,584
Overseas deposits	19		120,858		86,487
Prepayments and accrued income					
Deferred acquisition costs	23	263,791		242,024	
Other prepayments and accrued income		2,525		1,828	
			266,316		243,852
Total assets			3,939,188		3,601,135

Statement of Financial Position – Liabilities

at 31 December 2022

		2022		2021	
	Notes	£000	£000	£000	£000
Capital and reserves					
Members' balances	2		(60,808)		(11,359)
Technical provisions					
Provision for unearned premiums	24	994,882		854,521	
Claims outstanding	24	2,367,884		1,980,610	
			3,362,766		2,835,131
Creditors					
Creditors arising out of direct insurance operations	20	82,531		67,625	
Creditors arising out of reinsurance operations	21	505,779		647,196	
Other creditors	22	48,021		61,574	
			636,331		776,395
Accruals and deferred income					
			899		968
Total liabilities					
			3,939,188		3,601,135

The financial statements on pages 13 to 47 were approved by the Board of CMA on 27 February 2023 and were signed on its behalf by:

G Phillips
Group Chief Financial Officer
27 February 2023

Statement of Cash Flows

for the year ended 31 December 2022

	2022		2021	
	£000	£000	£000	£000
Cash flows from operating activities				
Profit for the year	8,268		33,800	
Increase in gross technical provisions	527,635		363,218	
Increase in reinsurers' share of gross technical provisions	(75,154)		(631,060)	
Increase in debtors	(156,966)		(142,243)	
(Decrease)/increase in creditors	(140,064)		463,999	
Movement in other assets/liabilities	(56,893)		(82,569)	
Investment return	32,487		(8,152)	
Foreign exchange	(10,844)		(29)	
<i>Net cash flows from operating activities</i>		128,469		(3,036)
Cash flows from investing activities				
Purchase of equity and debt instruments	(860,437)		(1,482,405)	
Sale of equity and debt instruments	759,927		1,432,771	
Investment income received	7,498		12,956	
<i>Net cash flows from investing activities</i>		(93,012)		(36,678)
Cash flows from financing activities				
Distribution of profit from members	(50,228)		-	
Collection of loss from members	-		54,840	
<i>Net cash flows from financing activities</i>		(50,228)		54,840
Foreign exchange on cash and cash equivalents		3,471		110
<i>Net (decrease)/increase in cash and cash equivalents</i>		(11,300)		15,236
Cash at bank and in hand	41,584		26,874	
Short term deposits with credit institutions	1,032		506	
<i>Cash and cash equivalents at beginning of year</i>		42,616		27,380
Cash at bank and in hand	30,416		41,584	
Short term deposits with credit institutions	900		1,032	
<i>Cash and cash equivalents at end of year</i>		31,316		42,616

Notes to the Financial Statements

for the year ended 31 December 2022

1. Statement of compliance & basis of preparation

These financial statements 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 Republic of Ireland" ("FRS102"), Financial Reporting Standard 103, "Insurance Contracts" and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies. Furthermore, these financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations"). The directors of the managing agent have prepared the financial statements on the basis that the Syndicate will continue to write future business.

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

The financial statements are presented in Sterling, the presentational currency, and rounded to the nearest £'000. The functional currency of the Syndicate is US dollars.

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

2. Members' balances and Funds at Lloyd's ("FAL")

The members' balances on the balance sheet shows a deficit of £60.8m (2021: deficit £11.4m). The ability of the syndicate to meet its obligations as they fall due is underpinned by the members' Funds at Lloyd's and the support provided by the Lloyd's chain of security for any members who are unable to meet their underwriting liabilities. FAL is further explained in Note 29.

3. Summary of significant accounting policies

a. Insurance contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those that transfer significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause an insurer to pay significant additional benefits above the premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Contracts that do not transfer significant insurance risk are accounted for as financial transactions. The Syndicate adopts an annual basis of accounting for insurance contracts whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance.

Gross premiums written, stated gross of acquisition costs and exclusive of premium taxes, relates to business incepted during the year and adjustments to premiums booked in prior years and includes estimates, based on underwriting estimates or past experience, of premiums due but not yet receivable or notified to the Syndicate by intermediaries. Additional or return premiums are treated as a re-measurement of the initial premium.

Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated by reference to the expected incidence of risk over the period of cover.

Notes to the Financial Statements

for the year ended 31 December 2022

3. Summary of significant accounting policies (continued)

a. Insurance contracts (continued)

'Risks attaching' outwards reinsurance premiums (net of reinsurance commission costs) are accounted for with regard to the incidence of risk of the premiums for the direct or inwards reinsurance business to which they relate. Reinsurance contracts that operate on a 'losses occurring' basis are accounted for in full over the period of coverage. The provision for reinsurers' share of unearned premiums represents that part of reinsurance premiums written which is estimated to be earned in the following financial years.

There are a number of different types of business written by the Syndicate, including property, liability and marine business, broadly categorised as either "short tail" or "long tail" business. The Syndicate also writes reinsurance business. The characteristics of this business mirror those of the underlying business ceded to the syndicate.

The accounting policies for insurance claims and claims settlement expenses are considered in Note 4 (Critical accounting judgements and estimation uncertainty).

Short Tail Business

Property and accident and health business is generally "short tail", whereby there is not a significant delay between the occurrence of the claim and the claim being reported. The costs of claims notified at the balance sheet date are estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims, including provisions for claims incurred but not reported ("IBNR"), is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time.

Longer tail business

Liability and marine claims are generally longer tail than for those of the other classes of business described above and so a larger element of the claims provision relates to IBNR claims. Claims estimates for business in this category are derived from a combination of loss ratio based estimates and estimates based upon actual claims experience, using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimates of the claims provisions are based on the experience of previous years and benchmarks adjusted for factors such as premium rate changes and claims inflation. For liability claims, the assessment of claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability classes of business are also subject to the emergence of new types of latent claims.

b. Unexpired risk reserves

At each balance sheet date tests are performed to ensure the adequacy of the unearned premium reserve, net of associated deferred acquisition costs, to cover future claims liabilities. In performing these tests, estimates of future premiums and claims cash flows, claims handling expenses and investment income from the assets backing such liabilities are considered and compared to the balances in the unearned premium reserve and deferred acquisition costs. Provision is made for any deficiencies by establishing an unexpired risk reserve.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. Unexpired risk reserves, where relevant, are included within "claims outstanding" in the balance sheet.

At 31 December 2022 and 31 December 2021 the Syndicate did not have an unexpired risk provision.

c. Deferred acquisition costs

Acquisition costs comprise costs arising from the inception of insurance contracts. They include both direct costs, such as intermediary commissions and indirect costs, such as the administrative expenses associated with the issuing of policies.

Deferred acquisition costs, representing a proportion of commission and other acquisition costs that relate to policies in force at the period-end, that cover subsequent reporting periods. These are amortised over the period in which the related premiums are earned.

Notes to the Financial Statements

for the year ended 31 December 2022

3. Summary of significant accounting policies (continued)

d. Reinsurance to close ("RITC")

Each syndicate's underwriting year of account is normally closed after the end of the third year by means of reinsurance into the following underwriting year of account, which reinsures all liabilities for the closed year in return for a premium determined by the Syndicate's managing agent.

The acceptance of third party RITC is not reported as income but recognised as a transfer of assets and liabilities.

e. Outwards reinsurance contracts

Outwards reinsurance contracts are contracts entered into by the Syndicate with reinsurers whereby the Syndicate may recover a proportion of losses on contracts written by the Syndicate. Contracts that do not transfer significant insurance risk are accounted for as financial transactions.

The benefits to which the Syndicate is entitled under its outwards reinsurance contracts are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related insurance contracts. These balances are based on calculated amounts of outstanding claims and projections for IBNR, having regard to the reinsurance programme in place for the class of business and the claims experience for the period, net of estimated irrecoverable amounts after assessing the current security rating of the reinsurer involved. Reinsurance liabilities are primarily premiums payable for reinsurance contracts. Reinsurance contracts that contain a retroactive element but continue to transfer significant insurance risk are recognised as reinsurance contracts in full and are not bifurcated.

The Syndicate assesses its reinsurance assets for impairment. If there is evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit and loss account.

f. Receivables and payables related to insurance contracts

Receivables and payables include amounts due to and from agents, brokers and insurance contract holders. If there is evidence that the insurance receivable is impaired, the Syndicate reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account.

g. Financial assets

The Syndicate states financial assets at fair value.

The Syndicate classifies its financial assets into the following categories: financial assets at fair value through profit and loss, loans and receivables and derivative financial instruments. There are no assets classified as available for sale.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

(i) Financial assets at fair value through profit and loss

The Syndicate classifies its investments at fair value through profit and loss.

Purchases and sales of investments are accounted for at their fair values (normally their cost of acquisition or proceeds of disposal) on the trade date, which is the date the Syndicate commits to purchase or sell the assets.

The fair value of quoted investments is based on quoted bid prices. Realised and unrealised gains and losses arising from the changes in fair values are included in investment return in the profit and loss account in the period in which they arise. Unquoted investments are initially carried at cost as the best estimate of fair value, which is adjusted using appropriate valuation techniques and having regard to subsequent events or changes in circumstances.

Notes to the Financial Statements

for the year ended 31 December 2022

3. Summary of significant accounting policies (continued)

g. Financial assets (continued)

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.

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are not intended to be sold in the short term and do not fall into the other categories of financial assets as described above. Loans and receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the Syndicate will not be able to collect all amounts due according to their original terms. These are reversed if the payment is received. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(iii) Deposits with ceding undertakings

The Syndicate advances funds to ceding undertakings for the settlement of claims. These are measured at cost less allowance for impairment.

(iv) Derivative financial instruments

Syndicate 4444 enters into exchange traded derivatives and foreign currency forward contracts from time to time to manage its exposures to interest rate risk and foreign exchange rate volatility. These contracts are initially recorded at cost and revalued to their fair value at each period end by reference to the rates of exchange ruling at the balance sheet date. Any gains or losses on the contracts are included in the non-technical account.

(v) Cash and cash equivalents

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

Lloyd's overseas deposits are not included within the balance of cash at bank and in hand on the Balance Sheet. These are recognised separately in their own category within other assets.

h. Foreign currencies

In accordance with FRS102, the functional currency is the currency of the primary economic environment in which the Syndicate operates. The functional currency for Syndicate 4444 is the US Dollar. The presentational currency for the Syndicate Annual Report and Accounts is Sterling. Foreign exchange resulting from translating balances in functional currency into Sterling is included in Other Comprehensive Income. FRS 102 requires all foreign currency transactions to be translated into the functional currency at the transactional rate of exchange. Transactions in Sterling, Canadian dollars and Euros are translated to US Dollars at the average rates of exchange for the period as these approximate the actual rate. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

At the period end, the monetary foreign currency items are translated to US Dollars at the closing rate with any difference being recorded in the non-technical account. For the purposes of applying the requirements of Section 30 Foreign Currency Translation of FRS 102, all assets and liabilities arising from insurance contracts are treated as monetary items.

Notes to the Financial Statements

for the year ended 31 December 2022

3. Summary of significant accounting policies (continued)

i. Taxation

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

No provision has been made for any United States federal income tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading "other debtors".

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

4. Critical accounting judgements and estimation uncertainty

Insurance claims and claims settlement expenses

Insurance claims and claims settlement expenses comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for IBNR and related expenses, together with any other adjustments to claims from prior years. See Note 24.

Provision is made at the period-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. There is inherent uncertainty in establishing claims provisions and it is likely that the final outcome will prove to be different from the original estimate of the liability. Adjustments to the amounts of claims provisions established in prior years are included in the financial statements in the period in which the adjustments are made. The claims provisions are reviewed regularly.

Estimating claims IBNR is inherently more uncertain than the cost of claims notified, for which more information about the claim event is generally available.

Classes of business where the IBNR proportion of the total claims provisions is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility in the claims provisions.

Where possible the Syndicate adopts multiple techniques to estimate the required level of claims provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year of account.

Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the business environment or processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from prior periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

Notes to the Financial Statements

for the year ended 31 December 2022

4. Critical accounting judgements and estimation uncertainty (continued)

In estimating the cost of notified but not paid claims the Syndicate has regard to the claim circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims and catastrophe events impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Claims provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers. An assessment is also made of the recoverability of reinsurance recoveries having regard to available data on the financial strength of each of the reinsurance companies.

Claims reserved as non-life annuities are discounted for investment earnings that may be expected to arise in the future on funds retained to meet the future liabilities. All other claims provisions are undiscounted.

Premium estimates

Gross written premiums include an estimate of the total premiums expected to be received under each insurance and reinsurance contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is estimated in full at the inception of such contracts and, therefore, this estimate is judgemental. Further adjustments to estimates from previous years are also included in the reported premiums for the relevant underwriting years.

Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon paid losses and case reserves.

Premium estimation uses expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Gross written premium estimates are reviewed regularly using underwriter estimates and actuarial projections. The amount of estimated future premium that remains in insurance receivables is disclosed in Note 16 and 17.

The level of premium earned is made by reference to the exposure length of the type of business written and the pattern of insurance services provided by the contract.

A large proportion of the business written by the Syndicate has a duration of one year, with business attaching to a specific year of account covering a 36 month duration. Where classes have a much longer exposure period, the earnings pattern reflects the exposure, in some cases up to 10 years. Judgement is required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Financial investments

The Syndicate uses prices provided by third party suppliers, investment managers and counterparty banks in determining the fair value of financial assets. Depending on the methods and assumptions used, for example, in the fair valuation of Level 2 and Level 3 financial assets, the fair valuation can be subject to estimation uncertainty. These methods and assumptions are described in Note 5 below.

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk

The Syndicate has identified the principal risks and uncertainties arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The sections below explain how the Syndicate defines and manages each category of risk.

a. Insurance risk

Insurance risk is defined as the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations. Syndicate 4444's exposure to insurance risk arises from underwriting/pricing, insurance concentrations, reserving and reinsurance. The Board of CMA seeks to mitigate insurance risk by analysing historical pricing and claims experience, setting a tolerance to concentration risk, monitoring performance, and conducting in-house actuarial reviews of claims provisions, independent of the underwriting teams.

The Syndicate has formal controls in place to ensure that business is underwritten in a controlled environment by reference to both the annual business plan and in line with underwriting policy. Preventative controls include underwriting authority limits which are agreed and signed off by the Active Underwriter, divisional and Group underwriting guidelines and benchmark ratings for all underwriting divisions. Detection controls include exception reports where authority limits are exceeded, expert review procedures, peer reviews and internal audit reviews.

Syndicate 4444 is exposed to potentially significant losses arising from natural catastrophe events such as windstorm, earthquake, flood or pandemic in addition to man-made perils. CMA quantifies catastrophe risk exposures using proprietary modelling software in conjunction with the principal underwriting systems to assess and model catastrophe exposures. The modelling tools are used in conjunction with CMA's knowledge of the business, historical loss information and geographic accumulations to monitor aggregation and to simulate catastrophe losses. The range of scenarios considered includes natural catastrophe, property, marine, liability and terrorism events.

CMA's capital setting methodology enables modelling to be performed in a sophisticated, but practical, manner particularly in determining the correlations between catastrophe exposed classes of business. Models use event tables which capture directly the different geographic distributions of risk in the various lines of business.

Effective risk management in non core areas and from non modelled perils is ensured using a suite of exposure accumulation and aggregation monitoring techniques and proprietary deterministic models.

As a guide to the level of concentration of exposure the Syndicate writes, the following table shows the Syndicate's 1:100 Aggregate Exceedance Probability ("AEP") modelled exposure to its three largest natural catastrophe perils during 2022:

<i>Peril</i>	Gross Loss £m	Final Net Loss £m
North Atlantic Hurricane	621.5	188.1
US Earthquake	327.6	100.6
European Windstorm	138.4	60.6

The managing agent manages insurance risks on behalf of the Syndicate, including the following:

- inappropriate underwriting activities and cycle management;
- inadequate catastrophe exposure management; and
- inadequate or insufficient reinsurance protection.

The underwriters, supported by the actuarial pricing team, use their expertise and experience to determine the likely claims cost and, therefore, the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit in line with the agreed business plan.

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

a. Insurance risk (continued)

Due to the nature of insurance risk, however, the premium charged may not be sufficient to cover the cost of claims. The shortfall may result from insufficient premium being calculated and charged or from an unexpected or unprecedented high level of claims.

A number of controls are employed to limit insurance exposures. Each year a business plan is prepared and agreed by the Board which sets the premium income targets and exposures to be written in total and for each class of business. Progress against this plan is monitored by the Board during the year.

Insurance liabilities are assumed through individual risk acceptances, reinsurance treaties or binding authorities. Binding authorities delegate underwriting authority to other underwriters, or agents acting as coverholders, who use their judgement to write risks on Syndicate 4444's behalf under clear authority levels. In such situations, the coverholders' activities are closely monitored and reviewed, and periodic on-site audits are carried out to ensure that the terms of the delegated authorities are being adhered to.

The Syndicate is also exposed to the risk of:

- inappropriate claims reserves;
- inappropriate payment of claims.

All claims arising are reserved upon notification. The entire portfolio of business is subject to a quarterly reserving process whereby levels of paid and outstanding claims are reviewed. Potential future claims are assessed with a provision for IBNR claims being made. The quarterly review process is overseen by the Reserving Committee and Board Audit Committee. Whilst a detailed and disciplined reserving exercise is carried out, known claims can develop beyond the level of reserves held.

Furthermore, there is increased uncertainty around the provision for IBNR claims. Consequently, there is a possibility that claims may arise which in aggregate exceed the reserve provision established. In the event that claims do not develop in line with expectations, the Reserving Committee will seek to release any redundant reserves. The Syndicate purchases specific reinsurances to protect against single risk losses. The Syndicate also purchases general excess of loss reinsurance to protect from severe losses.

The structure of the programme and type of protection bought will vary from year to year depending on risk appetite and the availability and price of cover.

(i) Development of claims

The claims provisions established can be more or less than adequate to meet eventual claims. The level of uncertainty varies from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% improvement/deterioration in the total net claims reserves would be a £12.9m gain/loss (2021: £9.6m gain/loss).

(ii) Claims development tables

The development of insurance liabilities provides a measure of the Syndicate's ability to estimate the ultimate value of claims. Historic development includes a mix of prior year releases and deteriorations, in 2022 gross and net deteriorations occurred.

The tables on the following page are presented at the exchange rates prevailing at 31 December 2022.

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

a. Insurance risk (continued)

At December 2022	2012 & prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Gross of reinsurance												
Estimate of cumulative claims												
At end of underwriting year		265,431	258,697	313,504	320,139	611,635	381,417	254,757	308,112	515,216	525,563	3,754,471
One year later		496,799	516,640	623,266	750,727	1,037,857	735,828	604,729	587,818	914,435	-	6,268,099
Two years later		504,642	563,448	732,003	829,893	1,071,044	915,282	683,114	613,331	-	-	5,912,757
Three years later		494,150	580,594	741,693	826,769	1,102,394	899,889	652,818	-	-	-	5,298,307
Four years later		513,734	585,339	741,644	855,822	1,089,417	916,705	-	-	-	-	4,702,661
Five years later		510,800	578,988	747,100	861,281	1,099,025	-	-	-	-	-	3,797,194
Six years later		497,890	575,279	734,058	868,960	-	-	-	-	-	-	2,676,187
Seven years later		493,228	568,628	741,648	-	-	-	-	-	-	-	1,803,504
Eight years later		486,013	567,990	-	-	-	-	-	-	-	-	1,054,003
Nine years later	3,597,051	484,641	-	-	-	-	-	-	-	-	-	484,641
	3,597,051	484,641	567,990	741,648	868,960	1,099,025	916,705	652,818	613,331	914,435	525,563	10,982,167
Cumulative payments	(3,432,625)	(469,165)	(523,122)	(658,881)	(735,774)	(970,257)	(684,291)	(450,868)	(335,654)	(293,936)	(59,710)	(8,614,283)
Estimated balance to pay	164,426	15,476	44,868	82,767	133,186	128,768	232,414	201,950	277,677	620,499	465,853	2,367,884

The 2021 and prior years of account in the loss development table have the benefit of the LPT in the calendar year 2021 impacting the net reserves.

At December 2022	2012 & prior	2013	2014	2015	2016	2017	2018	2019	2020	2021	2022	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Net of reinsurance												
Estimate of cumulative claims												
At end of underwriting year		211,898	216,354	264,876	277,457	415,763	308,592	232,588	238,322	369,868	361,493	2,897,211
One year later		425,606	429,454	541,290	614,619	768,150	625,758	523,649	410,954	677,905	-	5,017,385
Two years later		445,628	474,971	613,403	680,810	817,287	710,444	545,418	444,544	-	-	4,732,505
Three years later		452,774	489,037	626,132	679,113	831,797	644,873	518,427	-	-	-	4,242,153
Four years later		468,825	495,135	631,855	697,107	787,678	679,907	-	-	-	-	3,760,507
Five years later		466,000	491,278	640,106	641,772	792,150	-	-	-	-	-	3,031,306
Six years later		457,113	488,398	573,489	651,042	-	-	-	-	-	-	2,170,042
Seven years later		453,289	458,244	573,620	-	-	-	-	-	-	-	1,485,153
Eight years later		439,057	456,641	-	-	-	-	-	-	-	-	895,698
Nine years later	2,767,255	437,390	-	-	-	-	-	-	-	-	-	437,390
	2,767,255	437,390	456,641	573,620	651,042	792,150	679,907	518,427	444,544	677,905	361,493	5,593,119
Cumulative payments	(2,730,418)	(432,225)	(444,660)	(552,962)	(612,264)	(738,561)	(571,830)	(393,028)	(276,923)	(261,230)	(55,332)	(4,339,015)
Estimated balance to pay	36,837	5,165	11,981	20,658	38,778	53,589	108,077	125,399	167,621	416,675	306,161	1,290,941

b. Financial risk

The Syndicate is exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from its insurance contracts. An analysis of the Syndicate's exposure to the significant components of financial risk is given below split between:

- (i) Market risk (including interest rate risk and equity price risk);
- (ii) Credit risk (including Fair Value Hierarchy);
- (iii) Currency risk; and
- (iv) Liquidity risk.

(i) Market risk

Market risk arises from fluctuations in values of, or income from, assets or in interest or exchange rates and is derived primarily from the Syndicate's investment asset portfolio and from currency exposures. The Board has agreed an investment strategy commensurate with the Syndicate's risk appetite.

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

b. Financial risk (continued)

Interest rate risk

CMA manages sensitivity to market conditions by reference to interest rate risk and equity price risk. Since the majority of the Syndicate's investments comprise cash, overseas deposits and fixed income securities, the fair value of the portfolio is inversely correlated to movements in interest rates. If interest rates fall, the fair value of the Syndicate's fixed income securities tends to rise and vice versa. The fair value of fixed income investments in the Syndicate's balance sheet at 31 December 2022 was £885.9m (2021: £806.2m) with an average duration of around 1.9 years (2021: 1.6 years).

The sensitivity of the Syndicate's investments from a rise or fall in interest rates is listed below:

	Impact on profit and net assets	
	2022	2021
	£m	£m
50 basis points increase	(9.4)	(7.0)
50 basis points decrease	9.4	7.0

The Syndicate manages interest rate risk by investing in financial investments, cash and overseas deposits with an average duration of less than two years. The Group Investment Committee monitors the duration of these assets on a regular basis. The Syndicate also uses interest rate futures for the purposes of efficient portfolio management and market risk management.

Outstanding claims provisions are not sensitive to the level of interest rates as they are undiscounted and contractually non-interest bearing.

Equity price risk

Equity price risk is managed through a well-diversified portfolio which is complemented by non-correlated assets.

At the balance sheet date the Syndicate was not exposed to any direct equity price risk other than the loan to the Lloyd's central fund.

(ii) Credit risk

Credit risk is the risk that the Syndicate becomes exposed to loss if a counterparty fails to perform its contractual obligations. Credit risk could, therefore, impact upon the Syndicate's ability to meet its claims as they fall due. The Syndicate has in place policies and procedures designed to manage its credit risk exposures.

The primary sources of credit risk for the Syndicate are:

- amounts due from reinsurers,
- amounts due from insurance intermediaries, and
- counterparty risk with respect to investments including cash and cash equivalents.

The credit risk in respect of reinsurance debtors is primarily managed by review and approval of reinsurance security by CMA's Reinsurance Security Committee, prior to the purchase of reinsurance contracts. Guidelines are set and monitored, that limit the purchase of reinsurance based on Standard & Poor's or appropriate alternative ratings for each reinsurer. The credit risk in respect of reinsurers is primarily managed by CMA's reinsurance team. Provisions are made against the amounts due from certain reinsurers, depending on the current rating assigned to the reinsurer. Some reinsurers provide collateral, usually in the form of letters of credit, to protect the Syndicate in the event of non-payment of debt. As this collateral effectively guarantees the debt, these reinsurers are zero-rated for bad debt provisions. The recovery of debt from reinsurers is administered by the credit management team.

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

b. Financial risk (continued)

The credit risk in respect of insurance intermediaries is managed by the credit management function with the aid of the underwriting support team and a dedicated binder management team.

To transact business with the Syndicate the insurance intermediary must first comply with internal guidelines that include approval (where relevant) by both the PRA and Lloyd's, to have a satisfactory credit rating and to have in place a terms of business agreement or a binding authority agreement with the Syndicate. The position is then monitored through ongoing review of the amount of debt outstanding to terms, and by regular cover-holder audits.

Debts from insurance intermediaries fall due according to the terms of trade; debts from reinsurers crystallise in line with the reinsurance contract terms.

An analysis of amounts past due from insurance intermediaries and reinsurers by age is presented below.

At 31 December 2022	Neither past due nor impaired	Up to 3 months	3 – 6 months	6 – 12 months	More than 12 months	Total
	£000	£000	£000	£000	£000	£000
Debtors arising out of direct insurance operations	565,712	5,298	947	148	55	572,160
Debtors arising out of reinsurance operations:						
Due from intermediaries under reinsurance business	289,225	-	-	-	-	289,225
Reinsurance recoverables on paid claims	-	26,843	11,909	10,265	6,311	55,328
Total	854,937	32,141	12,856	10,413	6,366	916,713

Reinsurance recoverables on paid claims is net of bad debt provision of £1,191k (2021: 1,880k).

At 31 December 2021	Neither past due nor impaired	Up to 3 months	3 – 6 months	6 – 12 months	More than 12 months	Total
	£000	£000	£000	£000	£000	£000
Debtors arising out of direct insurance operations	516,945	3,205	542	59	56	520,807
Debtors arising out of reinsurance operations:						
Due from intermediaries under reinsurance business	204,427	-	-	-	-	204,427
Reinsurance recoverables on paid claims	-	396	7,085	5,309	3,904	16,694
Total	721,372	3,601	7,627	5,368	3,960	741,928

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

(ii) Credit risk (continued)

Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by setting minimum credit worthiness of investments and ensuring diversification of the holdings. Fixed income investments are invested in government and corporate bonds.

An analysis of the Syndicate's major exposure to counterparty credit risk and credit risk with the investment funds and cash, based on Standard & Poor's or equivalent rating, is presented below. These assets are neither overdue nor impaired.

At 31 December 2022	AAA	AA	A	BBB/ BB	Other/Not rated	Total
	£000	£000	£000	£000	£000	£000
Reinsurers' share of claims outstanding	-	198,658	747,679	558	130,048	1,076,943
Debt and other fixed income securities	523,162	202,412	138,943	21,337	-	885,854
Shares and other variable yield securities and Participations in investment pools	26,564	101,050	104,889	5,641	84,424	322,568
Loans with credit institutions	-	-	-	-	31,672	31,672
Overseas deposits	56,894	17,049	9,361	37,265	289	120,858
Derivative assets	-	-	-	-	11,381	11,381
Deposits with credit institutions	-	-	900	-	-	900
Deposits with ceding undertakings	-	-	3,539	-	127	3,666
Cash	5,333	-	25,083	-	-	30,416
Total	611,953	519,169	1,030,394	64,801	257,941	2,484,258

At 31 December 2021	AAA	AA	A	BBB/ BB	Other/Not rated	Total
	£000	£000	£000	£000	£000	£000
Reinsurers' share of claims outstanding	-	188,287	747,452	1,541	81,385	1,018,665
Debt and other fixed income securities	495,271	170,348	112,322	28,307	-	806,248
Shares and other variable yield securities and Participations in investment pools	29,368	122,712	169,688	-	43,957	365,725
Loans with credit institutions	-	-	-	-	18,948	18,948
Overseas deposits	37,861	4,296	16,782	27,429	119	86,487
Derivative assets	-	-	-	-	29	29
Deposits with credit institutions	-	-	1,032	-	-	1,032
Deposits with ceding undertakings	-	-	4,767	-	182	4,949
Cash	10,504	-	31,080	-	-	41,584
Total	573,004	485,643	1,083,123	57,277	144,620	2,343,667

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

(ii) Credit risk (continued)

The carrying values represent the maximum exposure to credit risk at the balance sheet date in respect of the above assets. The analysis above does not include insurance debtors from direct insurance operations as the majority of these assets are in respect of premiums for which the information is not readily available.

The underlying investments in 'other/not rated' are shown below. These investments comprise of unlisted equities and managed funds which form part of the Syndicate's investment strategy and risk appetite.

<i>Underlying investments in 'other/not rated'</i>	2022	2021
	£000	£000
Shares and other variable yield securities and participation in investment pools:		
Equities	14,789	15,352
Hedge funds	25	22
Open-end funds	12,874	10,024
Private credit funds	56,736	17,445
Money Market Funds	-	1,114
Total	84,424	43,957

The Syndicate has classified its financial instruments in accordance with the requirements of paragraph 34.42 to the March 2018 amendment to FRS102 and has adopted an approach consistent with IFRS13, Fair Value Measurement. The fair value hierarchy classifies financial instruments into Level 1 to 3 based on the significance of the inputs used in measuring their fair value.

The levels within the fair value hierarchy are defined as follows:

- Level 1 - Based on unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement.
- Level 2 - Based on 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 3 - Where inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

<i>At 31 December 2022</i>	<i>Level 1</i>	<i>Level 2</i>	<i>Level 3</i>	<i>Total</i>
	£000	£000	£000	£000
Shares and other variable yield securities	206,501	44,543	71,524	322,568
Debt and other fixed income securities	292,635	593,219	-	885,854
Derivative assets	-	11,381	-	11,381
Loans and deposits with credit institutions	900	-	31,672	32,572
Other financial investments	500,036	649,143	103,196	1,252,375
Overseas Deposits	25,821	95,037	-	120,858
Derivative liabilities	-	(16)	-	(16)
Total	525,857	744,164	103,196	1,373,217

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

Fair Value Hierarchy

<i>At 31 December 2021</i>	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Shares and other variable yield securities	298,748	34,180	32,797	365,725
Debt and other fixed income securities	258,348	547,900	-	806,248
Derivative assets	29	-	-	29
Loans and deposits with credit institutions	1,032	-	18,948	19,980
Other financial investments	558,157	582,080	51,745	1,191,982
Overseas Deposits	20,438	66,049	-	86,487
Derivative liabilities	-	(656)	-	(656)
Total	578,595	647,473	51,745	1,277,813

The level within the hierarchy that a financial instrument is placed is based on the lowest level of any input that is significant to its fair value measurement. Quoted prices for corporate bonds are based on a limited number of transactions for those securities and as such are considered to meet the definition of level 2 assets. CMA determines whether transfers have occurred between levels in the fair value hierarchy by assessing categorisation at the end of the reporting period. There have been no transfers between level 1 and level 2 financial instruments during the year (2021: £nil).

Level 3 assets include non-traded private credit funds, loans to credit institutions and the Syndicate's loans to the Lloyd's central fund. The fair value of private credit funds is determined with reference to the net asset value. Loans to credit institutions which have no market price have been valued at cost as a proxy for fair value. The loans to the Lloyd's central fund are not tradeable and are fair valued based on a discounted cash flow model to which a fair value adjustment has been applied to appropriately reflect the credit and illiquidity risk of the instrument. These loans are deemed to be equity on the basis that the repayment of the loan and payment of interest thereon is at the discretion of the Corporation of Lloyd's. The Syndicate loans have been classified as level 3 because the valuation approach includes significant unobservable inputs and an element of subjectivity in determining appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow model. The fair value of the loan at year end is £14.8m (2021: £15.4m).

There were no transfers to and from level 3 assets for the period ended 31 December 2022 when compared with the comparative prior period end.

The table below shows a reconciliation of opening and closing balances for financial instruments classified as level 3 of the fair value hierarchy.

	2022	2021
	£000	£000
At 1 January	51,745	22,670
Net gains/(losses) through profit or loss	4,392	(255)
Purchases	47,059	29,330
At 31 December	103,196	51,745

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

Fair value hierarchy (continued)

(iii) Currency risk

Policyholders' assets are held in the four principal Lloyd's settlement currencies (Sterling, Euros, US dollars and Canadian dollars) which represent the vast majority of the Syndicate's liabilities by currency. A significant proportion of the Syndicate's business is transacted in US dollars. Its presentation currency is Sterling and, therefore, foreign exchange risk also arises when non-Sterling profits are converted into Sterling.

CMA has a policy to mitigate foreign exchange risk and this policy is managed by the Finance team and overseen by the Finance Committee.

The Syndicate is exposed to foreign exchange risk primarily with respect to the Sterling, Euro and Canadian dollar. The Syndicate mitigates this risk by endeavouring to match assets and liabilities in foreign currency. Moreover, Syndicate 4444 enters into conventional foreign currency forward contracts to manage its exposures to foreign exchange rate volatility.

In certain circumstances, the Syndicate is exposed to a subsidiary foreign exchange risk where regulators demand that the Syndicate holds US dollar and Canadian dollar currency assets to match liabilities measured on a regulatory basis, rather than best estimate.

The Syndicate does not take speculative currency positions to make gains; the purpose of its foreign exchange risk policy is to protect against the downside risk.

If the exchange rates of all non-USD currencies moved by a foreseeable 5% either to the benefit or detriment of the Syndicate at the same time, the impact on both the result for the year and the member's balances, expressed in presentational GBP terms, would be £1.7m (2021: £5.3m).

The profile of the Syndicate's assets and liabilities, categorised by currency, was as follows:

At 31 December 2022	Sterling & Other	US dollar	Euro	CAD	Total
	£000	£000	£000	£000	£000
Financial investments	148,187	878,708	161,188	64,292	1,252,375
Overseas deposits	95,159	13,104	-	12,595	120,858
Reinsurers' share of technical provisions	272,506	881,919	112,885	18,944	1,286,254
Insurance and reinsurance receivables	158,692	653,133	93,685	11,203	916,713
Cash and cash equivalents	8,730	20,580	987	119	30,416
Other assets	95,363	187,020	45,405	4,784	332,572
Total assets	778,637	2,634,464	414,150	111,937	3,939,188
Technical provisions	670,066	2,298,439	336,857	57,404	3,362,766
Insurance and reinsurance payables	167,244	332,678	71,244	17,144	588,310
Other creditors	17,725	29,192	1,703	300	48,920
Total liabilities	855,035	2,660,309	409,804	74,848	3,999,996

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

(iii) Currency risk (continued)

<i>At 31 December 2021</i>	<i>Sterling & Other £000</i>	<i>US dollar £000</i>	<i>Euro £000</i>	<i>CAD £000</i>	<i>Total £000</i>
Financial investments	199,027	769,215	173,785	49,955	1,191,982
Overseas deposits	63,467	10,622	-	12,398	86,487
Reinsurers' share of technical provisions	312,605	758,125	114,113	26,257	1,211,100
Insurance and reinsurance receivables	128,598	538,792	64,367	10,171	741,928
Cash and cash equivalents	13,836	25,993	1,744	11	41,584
Other assets	93,601	181,299	49,282	3,872	328,054
Total assets	811,134	2,284,046	403,291	102,664	3,601,135
Technical provisions	668,931	1,805,300	304,515	56,385	2,835,131
Insurance and reinsurance payables	250,429	341,863	97,633	24,896	714,821
Other creditors	24,894	35,928	1,541	179	62,542
Total liabilities	944,254	2,183,091	403,689	81,460	3,612,494

(iv) Liquidity risk

Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due.

All valid claims must be paid as they fall due and, therefore, it is essential that the Syndicate maintains an appropriate level of liquidity at all times. As a consequence, cash is managed closely by the Treasury team. The Syndicate is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities.

The Syndicate's policy is to manage its liquidity position so that it can reasonably meet a significant individual or market loss event. This means that the Syndicate maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements.

The availability of liquidity in the event of a major loss event is regularly tested using internal cash flow forecasts and realistic disaster scenarios.

The majority of the Syndicate's investments are in highly liquid assets which could be converted into cash promptly and at minimal expense. The Syndicate has a relatively low balance of illiquid property backed loans and investments in private debt through limited partnership structures which have limited market liquidity. Cash and overseas deposits are generally bank deposits and money market funds.

In addition, the duration of assets is maintained at a level to manage liability durations and in recognition of the Syndicate's catastrophe exposures. Greater levels of cash and/or liquid assets may be held when determined by market conditions and is considered appropriate by the Chief Investment Officer and the Board.

The tables below show the maturity profile of the Syndicate's financial liabilities.

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for the year ended 31 December 2022

5. Management of risk (continued)

(iv) Liquidity risk (continued)

At 31 December 2022	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£000	£000	£000	£000	£000	£000
Derivative liabilities	-	16	-	-	-	16
Creditors	-	431,182	205,133	-	-	636,315
Claims outstanding	-	885,512	980,056	337,401	169,803	2,372,772
Total	-	1,316,710	1,185,189	337,401	169,803	3,009,103

Claims outstanding is reported gross of discounting credit on non-life annuities liability business of £4.9m (2021: £5.3m)

At 31 December 2021	No stated maturity	0-1 year	1-3 years	3-5 years	>5 years	Total
	£000	£000	£000	£000	£000	£000
Derivative liabilities	-	656	-	-	-	656
Creditors	-	562,907	212,832	-	-	775,739
Claims outstanding	-	688,046	745,538	293,727	258,601	1,985,912
Total	-	1,251,609	958,370	293,727	258,601	2,762,307

c. Group risk

Group risk arises from the potential impact of risk events, of any nature, arising in or from membership of a corporate group. CMA is part of the Canopus Group Limited ("CGL"), a global underwriter of insurance and reinsurance business transacted both through direct channels and via delegated underwriting. CGL has established a risk management framework to protect the Group's stakeholders, including Syndicate members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the critical importance of having effective risk management systems in place.

A clear organisational structure is in place with delegated authorities and clear responsibilities. A Group policy framework is in place which sets out the risk management, internal control and business conduct standards for the Group's operations. Group risk management policies set out the identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. Each policy has a member of senior management charged with overseeing compliance throughout the Group and the CGL Board meet regularly to approve any commercial, regulatory and organisational requirements of such policies.

d. Operational and Regulatory risk

Operational risk is the risk of inadequate or failed internal processes, people and systems, or external events that have an adverse impact on the business. The Syndicate manages these risks through a framework of robust systems and controls. CMA's objective for operational risk management is to identify, assess, manage, monitor and report risks and to prevent or reduce any failures or inadequacies in systems and controls. To this end, CMA has established key policies and controls that include:

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

d. Operational and Regulatory risk (Continue)

- regular meetings of the Board of directors at which key aspects of the managing agent's and Syndicate's businesses are reviewed, including review of reports from various sub-committees of the Board
- underwriting procedures guidelines
- claims management policies and guidelines
- risk registers which are reviewed by risk and control owners on a regular basis
- a suite of risk policies for major risk categories relating to the activities of the Syndicate
- an internal audit function whose audit plan is aligned with CMA's risk framework
- human resources policies and guidelines designed to ensure that the operations are adequately resourced by sufficiently skilled and trained people, who are appropriately remunerated
- financial policies and controls that cover:
 - maintaining segregated funds for the Syndicate's assets
 - investment of funds
 - expense management
 - establishing adequate provisions for unpaid claims
 - credit risk, including debt collection and managing counter-party exposures
 - cash flow and other financial projections
 - regular review and reconciliation of the entity's financial records.

In addition, the managing agent has an established and integrated capital and planning cycle. This provides an assessment of the significant financial and non-financial risks, as identified by the managing agent's risk management framework. The capital requirement is assessed in accordance with applicable requirements through the use of deterministic and stochastic modelling and further challenged using a comprehensive validation process which includes the use of stress and scenario tests. This process assesses the capital required to meet a 1 in 200 year extreme outcome from the aggregation of all recognised sources of risk.

Regulatory risk is the risk that the Syndicate fails to meet the regulatory requirements of the Prudential Regulatory Authority ("PRA"), the Financial Conduct Authority ("FCA"), Lloyd's and those of overseas regulators in jurisdictions where Lloyd's syndicates are licensed to trade.

Regulatory risk is a key area of focus for the Risk and Compliance teams to ensure legislative and regulatory changes are understood and observed.

e. Climate change risk

CMA has recognised climate change as an emerging risk for a number of years but has significantly developed its climate risk framework recently in line with Canopus Group developments and evolving regulatory expectations. Climate change and society's response to it, present physical, transition and liability risks to the business but CMA believes it is well positioned to identify, assess, manage and mitigate risk and seek opportunities for innovation, diversification and growth within the industry.

CMA's climate risk framework covers governance, risk management, scenario analysis and disclosures. It aligns with the requirements of regulatory requirements in the UK, specifically PRA Supervisory Statement SS3/19. During 2021, Canopus Group became a member of ClimateWise, a global network of leading insurers, reinsurers, brokers and industry service providers which share a commitment to reduce the impact of climate change on society and the insurance industry.

Notes to the Financial Statements

for the year ended 31 December 2022

5. Management of risk (continued)

e. Climate change risk (continued)

CMA's climate risk framework is part of its wider ESG framework which covers a broad range of sustainability issues. As part of this, CMA is developing and embedding a suite of responsible business policies covering underwriting, investments and operations.

6. Capital setting, capital management policies and objectives

The Syndicate's objectives in managing its capital are to:

- satisfy the requirements of its policyholders and regulators; and
- allocate capital efficiently to support strategic objectives.

The Society of Lloyd's applies capital requirements at member level and in aggregate to ensure that Lloyd's complies with all regulatory requirements such as Solvency II, whilst meeting its own financial strength, licence and ratings objectives.

Although Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of Syndicate 4444 is not disclosed in these financial statements.

The PRA and Lloyd's oversee the capital setting regime that requires syndicates to calculate their own capital requirements through a Solvency Capital Requirement ("SCR"). The SCR 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 be comprised of one or more underwriting members of Lloyd's. Each member is liable for its share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member, operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining a SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member.

The SCR represents the equivalent of minimum regulatory capital, as is required by the PRA and Lloyd's, and does not represent the amount of economic capital required to support and maintain Lloyd's financial strength, licence and ratings objectives. The SCR process produces a result that is then uplifted by Lloyd's (by 35% in 2022) of the member's SCR 'to ultimate'.

Each member may provide capital to meet its Economic Capital Assessment ("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 16, are included in resources available to meet members' and Lloyd's capital requirements.

The Syndicate maintains models in accordance with this regime, and also operates an Own Risk & Solvency Assessment ("ORSA") process which it reports on at least annually.

Key elements of CMA's capital methodology include:

Notes to the Financial Statements

for the year ended 31 December 2022

6. Capital setting, capital management policies and objectives (continued)

- risk identification;
- the articulation of risk bearing capacity and establishment of risk appetite;
- identification of capital requirement for all significant risks;
- sensitivity analysis and 'reasonableness checks';
- aggregation and correlation of risks;
- comparison with other benchmarks e.g. prior years' internal SCRs; standard formula SCR results, the PRA published calculations based on industry SCR submissions and market surveys/studies; and
- Board review and challenge.

To improve the risk management capability, and the assessment of capital requirements, CMA has developed a stochastic model to analyse the potential performance of its main underwriting operations. Stress and scenario analysis is also performed for those risks that cannot be easily modelled quantitatively and where more subjective judgement is required (for example, operational risk) as well as to challenge the output of the stochastic model.

Using its detailed measurement of risk exposures, the Syndicate allocates capital to support the business according to the risk appetite and expected returns. The Syndicate has complied with all capital requirements during the year.

CMA regularly reviews and enhances its risk management processes and their enabling governance structures to ensure that CMA can demonstrate continuous compliance with regulatory and Lloyd's requirements.

7. Segmental analysis

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

2022	Gross written premiums	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance Balance	Total
	£000	£000	£000	£000	£000	£000
Direct Insurance:						
Accident and health	135,126	129,132	(68,586)	(58,517)	(2,557)	(528)
Motor (third party liability)	6,634	6,597	1,473	(2,652)	352	5,770
Motor (other classes)	8,654	9,685	(3,088)	(3,469)	57	3,185
Marine & Energy	140,678	130,659	(91,505)	(32,159)	(5,994)	1,001
Marine, aviation and transport	111,328	104,034	(45,208)	(37,884)	(9,045)	11,897
Fire & other damage to property	406,580	390,963	(235,258)	(125,988)	(52,574)	(22,857)
Third party liability	328,761	353,072	(163,282)	(114,841)	(27,848)	47,101
Pecuniary Loss	65,770	45,894	(22,856)	(16,134)	(6,190)	714
Total Direct	1,203,531	1,170,036	(628,310)	(391,644)	(103,799)	46,283
Reinsurance inwards	494,648	464,419	(300,522)	(107,028)	(54,633)	2,236
Total	1,698,179	1,634,455	(928,832)	(498,672)	(158,432)	48,519

Underwriting results for those policies transferred to Lloyd's Brussels via Part VII transfer and subsequently reinsured back to the Syndicate on 30 December 2020 have been reported under the inwards reinsurance class of business, reflecting the contractual arrangement with Lloyd's Brussels.

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for the year ended 31 December 2022

7. Segmental analysis (continued)

2021	Gross written premiums	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance Balance	Total
	£000	£000	£000	£000	£000	£000
Direct Insurance:						
Accident and health	110,784	87,558	(40,360)	(39,653)	(2,246)	5,299
Motor (third party liability)	4,389	9,965	(3,422)	(2,695)	55	3,903
Motor (other classes)	7,548	17,389	5,398	(8,186)	(10,028)	4,573
Marine & Energy	105,350	91,944	(49,915)	(26,596)	(9,665)	5,768
Marine, aviation and transport	92,786	76,256	(31,532)	(24,931)	(1,848)	17,945
Fire & other damage to property	335,919	278,333	(172,185)	(96,486)	4,970	14,632
Third party liability	282,745	253,629	(124,186)	(88,084)	(27,858)	13,501
Pecuniary Loss	74,606	36,780	7,019	(18,471)	(6,968)	18,360
Total Direct	1,014,127	851,854	(409,183)	(305,102)	(53,588)	83,981
Reinsurance inwards	399,724	358,301	(317,468)	(87,437)	(11,152)	(57,756)
Total	1,413,851	1,210,155	(726,651)	(392,539)	(64,740)	26,225

The reinsurance balance represents the (charge)/credit to the technical account from the aggregate of all items relating to reinsurance outwards. All premiums were concluded in the United Kingdom.

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

	2022 £000	2021 £000
UK	382,308	373,549
EU countries	119,347	95,730
US	737,851	646,852
Other	458,673	297,720
Total	1,698,179	1,413,851

8. Currency rates of exchange

	31 Dec 22	Average for 2022	31 Dec 21	Average for 2021
US \$	1.20	1.24	1.35	1.38
Euro	1.13	1.17	1.19	1.16
Canadian \$	1.63	1.61	1.71	1.72

Notes to the Financial Statements

for the year ended 31 December 2022

9. Net claim outstanding

A favourable/(adverse) run-off deviation was experienced during the year in respect of the following classes of business (prior year presented pre LPT for comparability).

	2022 £000	2021 £000
Accident & health	(1,245)	1,767
Motor (third party liability)	4,255	2,343
Motor (other classes)	876	4,214
Marine & Energy	5,059	9,349
Marine, aviation and transport	7,212	6,212
Fire & other damage to property	4,923	4,512
Third party liability	7,753	2,686
Pecuniary loss	14,444	18,362
Total Direct	43,277	49,445
Reinsurance inwards	6,815	(7,765)
Total	50,092	41,680

10. Net operating expenses

	2022 £000	2021 £000
Commissions on direct business	271,921	229,826
Commissions on inwards reinsurance business	71,629	60,273
Other acquisition costs	90,461	73,474
Change in deferred acquisition costs	(4,190)	(43,163)
Administrative expenses	56,831	58,604
Personal expenses (see note 11)	12,020	13,525
Total expenses – technical account	498,672	392,539
Loss on exchange – non technical account	7,764	577
Total expenses	506,436	393,116

Administrative expenses include:

	2022 £000	2021 £000
Auditors' remuneration:		
Audit of syndicate accounts	957	652
Other services pursuant to Regulations and Lloyd's Byelaws	151	155
Other non-audit services	275	240
Total audit and non-audit fees	1,383	1,047

11. Personal expenses

	2022 £000	2021 £000
Members' standard personal expenses	11,602	12,800
Managing Agent's fee	418	725
Total	12,020	13,525

Notes to the Financial Statements

for the year ended 31 December 2022

12. Staff numbers and costs

All staff are employed by a service company, Canopus Services Limited ("CSL"). The following amounts were recharged to the Syndicate in respect of salary costs:

	2022	2021
	£000	£000
Wages and salaries	53,548	51,316
Social security costs	6,499	6,355
Pension contributions to money purchase schemes	3,247	3,447
Total	63,294	61,118

The average number of employees employed by CSL working on the Syndicate's affairs during the year was as follows:

	2022	2021
Underwriting	171	195
Insurance Services	111	108
Other	179	126
Total	461	429

13. Emoluments of the directors of Canopus Managing Agents

The directors of CMA received the following aggregate remuneration for their qualifying services rendered to the Syndicate during the year ended 31 December 2022, borne by the syndicate and a fellow group company:

	2022	2021
	£000	£000
Emoluments	2,898	2,014
Pension contributions to money purchase schemes	153	145
Total	3,051	2,159

Retirement benefits are accruing to 8 directors (2021: 8) under money purchase schemes.

The Active Underwriters received the following remuneration charged as a syndicate expense:

	2022	2021
	£000	£000
Emoluments	782	828
Total	782	828

Pension contributions amounting to £40k were charged to Syndicate 4444 on behalf of the active underwriters in 2022. (2021: £44k).

Notes to the Financial Statements

for the year ended 31 December 2022

14. Net investment income recognised in profit or loss

	2022	2021
	£000	£000
Interest and similar income		
From financial instruments designated at fair value through profit or loss	21,693	10,859
Dividend income	-	1,760
Interest on cash at bank	2,367	1,051
Investment expenses	(1,570)	(1,256)
Total interest and similar income	22,490	12,414
Other (charges)/income from investments designated at fair value through profit or loss		
Realised (losses)/gains on investments	(14,992)	542
Unrealised losses on investments	(39,985)	(4,804)
Total losses	(54,977)	(4,262)
Net investment return	(32,487)	8,152
	2022	2021
	£000	£000
Average amount of syndicate funds available for investment during the year	1,361,851	1,273,652
Gross aggregate investment return for the calendar year	(30,917)	9,409
Gross calendar year investment yield	(2.3%)	0.6%

The Syndicate classifies its investments at fair value through profit and loss. Financial assets classified into this category form a portfolio of financial assets which may be sold to meet the cash flow requirements of the Syndicate or as investment conditions change.

15. Other financial investments

	Fair value		Cost		Listed	
	2022	2021	2022	2021	2022	2021
	£000	£000	£000	£000	£000	£000
Shares and other variable yield securities	322,568	365,725	319,876	366,756	207,381	305,672
Debt and other fixed income securities	885,854	806,248	935,536	809,021	885,854	806,248
Derivative assets	11,381	29	-	-	152	29
Deposits with credit institutions	900	1,032	900	1,032	-	-
Loans secured by mortgages	31,672	18,948	31,412	18,839	-	-
Total	1,252,375	1,191,982	1,287,724	1,195,648	1,093,387	1,111,949

The Syndicate uses exchange traded derivatives and forward foreign exchange derivatives in order to hedge its exposure to interest rate and foreign currency risk.

Notes to the Financial Statements

for the year ended 31 December 2022

15. Other financial investments (continued)

The following derivative assets and liabilities were held at 31 December.

	Notional amount		Fair value	
	2022 £000	2021 £000	2022 £000	2021 £000
Foreign exchange forward contracts	524,183	360,980	11,213	(656)
Interest rate future contracts	160,674	8,766	152	29
Total	684,857	369,746	11,365	(627)

16. Debtors arising out of direct insurance operations

	2022 £000	2021 £000
Due within one year		
Intermediaries	572,142	520,807
	572,142	520,807
Due after more than one year and within five years		
Intermediaries	18	-
Total	572,160	520,807

Debtors arising out of direct insurance operations include £395.5m (2021: £274.5m) of pipeline premium which is estimated using expert judgement, relevant underwriting input and management review.

17. Debtors arising out of reinsurance operations

	2022 £000	2021 £000
Due within one year		
Ceding insurers and intermediaries under reinsurance business	289,206	204,391
Reinsurance recoverable on paid claims net of bad debt provision	55,328	16,694
	344,534	221,085
Due after more than one year and within five years		
Ceding insurers and intermediaries under reinsurance business	19	36
Total	344,553	221,121

Debtors arising out of reinsurance operations include £248.5m (2021: £186.3m) of pipeline premium which is estimated using expert judgement, relevant underwriting input and management review.

Notes to the Financial Statements

for the year ended 31 December 2022

18. Other debtors

	2022 £000	2021 £000
Due within one year		
Amounts due from group undertakings	50,745	46,193
Unsettled investment trades	9,365	30,073
Other	2,480	2,987
Total	62,590	79,253

19. Overseas deposits

Other assets include overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

20. Creditors arising out of direct insurance operations

	2022 £000	2021 £000
Due within one year		
Intermediaries	82,527	67,625
	82,527	67,625
Due after one year		
Intermediaries	4	-
Total	82,531	67,625

21. Creditors arising out of reinsurance operations

	2022 £000	2021 £000
Due within one year		
Reinsurance accepted	13,060	14,087
Reinsurance ceded	287,590	420,277
	300,650	434,364
Due after one year		
Reinsurance ceded	205,129	212,832
Total	505,779	647,196

Reinsurance ceded above includes premium due in relation to the LPT.

22. Other creditors

	2022 £000	2021 £000
Due within one year		
Amounts due to group undertakings	33,558	28,151
Derivative liabilities	16	656
Unsettled investment trades	10,500	30,216
Taxation	3,945	2,551
Other	2	-
Total	48,021	61,574

Notes to the Financial Statements

for the year ended 31 December 2022

23. Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:

	2022	2021
	£000	£000
At 1 January	242,024	198,853
Change in deferred acquisition costs	4,190	43,163
Foreign exchange	17,577	8
At 31 December	263,791	242,024

24. Reconciliation of insurance balances

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		Reinsurers' share	
	2022	2021	2022	2021
	£000	£000	£000	£000
At 1 January	854,521	648,980	192,435	84,891
Change in provision	63,724	203,696	1,239	107,175
Foreign exchange	76,637	1,845	15,637	369
At 31 December	994,882	854,521	209,311	192,435

The reconciliation of opening and closing provision for claims is as follows:

	Gross		Reinsurers' share	
	2022	2021	2022	2021
	£000	£000	£000	£000
At 1 January	1,980,610	1,822,933	1,018,665	495,149
Change in provision	212,214	149,484	(31,408)	529,043
Foreign exchange	175,060	8,193	89,686	(5,527)
At 31 December	2,367,884	1,980,610	1,076,943	1,018,665

25. Post balance sheet events

There are no material post balance sheet events that require disclosure in the annual report and accounts.

26. Pensions

CSL operates defined contribution pension schemes for the employees of CSL, including those working on the Syndicate's affairs during the year. The assets of the schemes are held separately from those of CSL in independently administered funds. The amounts recharged to the Syndicate from CSL in respect of pensions are disclosed in Note 12.

27. Related Parties

Transactions between the Managing Agent/Service Company and the Syndicate

CMA is the managing agent of Syndicate 4444. Managing agency fees of £418k were charged to the Syndicate by CMA during 2022 (2021: £725k). At 31 December 2022, an amount of £nil was due from CMA to the Syndicate (2021: £nil due from CMA to the Syndicate).

Employment of staff, provision of accommodation and related services are provided at cost by CSL, which is owned by Canopus Holdings UK Ltd ("CHUKL"). Expenses during 2022 totalling £114,022k (2021: £109,696k) were recharged to the Syndicate by CSL. At 31 December 2022 an amount of £4,662k was due from the Syndicate to CSL (2021: £14,388k due from CSL to the Syndicate).

Notes to the Financial Statements

for the year ended 31 December 2022

27. Related Parties (continued)

At 31 December 2022, Syndicate 4444 was owed £3,224k from CGL (2021: £7,478k) in respect of margin funding for hedging and overlay positions shared by CGL and its affiliated entities. Syndicate 4444 shares in the profits and losses associated with these arrangements.

Canopus Underwriting Bermuda Limited ("CUBL")

Canopus Underwriting Bermuda Limited ("CUBL") is an insurance service company that underwrites property insurance and reinsurance business on behalf of the Syndicate. Premiums written during 2022 totalled £7,806k (2021: £8,146k). At 31 December 2022, an amount of £637k was due from the Syndicate to CUBL (2021: £28k).

Canopus Asia Pte. Ltd ("CAPL")

Canopus Asia Pte. Ltd ("CAPL") trades as part of the Lloyd's Asia platform, and also through an Australian branch. CAPL underwrites Insurance and reinsurance lines, including and most notably, property, marine, energy and engineering, accident & health and treaty reinsurance business, on behalf of the Syndicate. Premiums written during 2022 totalled £186,899k (2021: £126,868k). At 31 December 2022, an amount of £11,387k was due from CAPL to the Syndicate (2021: £8,216k due from the Syndicate to CAPL).

Canopus Underwriting Agency Inc. ("CUAI")

Canopus Underwriting Agency Inc. ("CUAI") is a New York based insurance service company that underwrites direct and facultative property, marine, financial and professional insurance. It also underwrites property treaty reinsurance business on behalf of the Syndicate. Premiums written during 2022 totalled £125,232k (2021: £126,028k). At 31 December 2022, an amount of £1,560k was due from Syndicate to CUIAI (2021: £973k).

VAVE Digital Services ("VAVE")

VAVE Digital Services ("VAVE") is an appointed representative that underwrites US flood, homeowners and US commercial property risks on behalf of the Syndicate. Premiums written on behalf of the Syndicate during 2022 totalled £100,542k (2021: £7,731k). No amount was due from VAVE to the Syndicate at the year end (2021: £nil).

Canopus Ireland Limited ("CIL")

Canopus Ireland Limited ("CIL") is an insurance service company that underwrites structured reinsurance business on behalf of the Syndicate. Premiums written on behalf of the Syndicate during 2022 were £nil. (2021: £416k). At 31 December 2022, an amount of £316k was due from the Syndicate to CIL (2021: £293k).

Canopus Europe Limited ("CEL")

Canopus Europe Limited ("CEL") is an insurance service company that predominantly underwrites renewable energy and treaty reinsurance business on behalf of the Syndicate. Premiums written on behalf of the Syndicate during 2022 totalled £323k (2021: £416k). At 31 December 2022, an amount of £10,727k was due to the Syndicate from CEL (2021: £13,267k).

Excelsa Re Ltd ("Excelsa")

Excelsa Re Ltd ("Excelsa"), a Bermudan based special purpose insurer writing property treaty and direct and facultative business, accepted £27,624k of ceded premium from the Syndicate during the year (2021: £24,011k). At 31 December 2022, an amount of £5,672k (2021: £8,239k) was due from the Syndicate to Excelsa.

Other group companies

The Syndicate held creditor balances with the following group companies as at 31 December 2022: Canopus UK Specialty Limited £nil (2021: £99k). Trenwick Underwriting Ltd £19k (2021: £19k). Canopus US Insurance Inc £2k (2021: £2k).

Notes to the Financial Statements

for the year ended 31 December 2022

27. Related Parties (continued)

In addition, the Syndicate held debtor balances with the following group companies as at 31 December 2022; Canopus Reinsurance Limited ("CRL") of £172k (2021: £1,003k).

Samsung Fire and Marine Insurance ("SFMI")

Samsung Fire and Marine Insurance ("SFMI"), a non-life insurance company, has a minority shareholding in a parent of CGL. The Syndicate has an inwards quota share arrangement with SFMI to underwrite US admitted business. Premium written during 2022 totalled £44,264k (2021: £2,243k)

Capital

Canopus Corporate Capital Limited ("CCCL"), Canopus Capital Seven Limited ("CC7L") and Canopus Capital Twelve Limited ("CC12L") also subsidiaries of CHUKL, provided capacity to the 2020 to 2023 underwriting years as follows:

	2020		2021		2022		2023	
	£m	%	£m	%	£m	%	£m	%
CCCL	930.9	88.82%	1,597.9	93.99%	1,621.4	95.38%	1,738.3	96.57%
CC7L	31.4	3.0%	31.4	1.85%	31.4	1.85%	33.3	1.85%
CC12L	15.0	1.43%	16.0	0.94%	16.0	0.94%	16.0	0.89%

2020 Year of Account "split stamp"

The 2020 year of account of the Syndicate was written on a split stamp basis with Syndicate 1861, another syndicate managed by CMA. Under this arrangement Syndicate 4444 underwrote 65% of each risk. The Syndicates similarly share the reinsurance programme protecting the 2020 year of account. No commissions or fees are payable between the Syndicates under this arrangement.

28. Immediate and ultimate parent undertaking and controlling party

As at 31 December 2022, Syndicate 4444 was managed by CMA and CMA's immediate UK parent is CHUKL, which is registered in England and Wales. CHUKL is part of CGL which is registered in Jersey.

The ultimate controlling parties of CGL are CCP GP Investors Holdings (Cayman) LP, CCP III Cayman GP Limited and CCP III SBS Cayman GP Limited.

29. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as 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 a member is required to maintain is determined by CMA and Lloyd's based on compliance with PRA requirements. The determination of the FAL requirement has regard to a number of factors including the nature and amount of insurance contracts to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since the assets in FAL are not owned by the syndicate, no amount has been shown in these financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

Notes to the Financial Statements

for the year ended 31 December 2022

30. Part VII transfer of liabilities to Lloyd's Brussels

Following the UK's departure from the European Union, and the sanctioning of the scheme by the High Court on 25 November 2020, insurance policies (and related liabilities) underwritten in the European Economic Area ('EEA') by the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), were transferred to Lloyd's Insurance Company S.A. ('Lloyd's Brussels') together with cash of \$118m on 30 December 2020 in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby all risks on the same policies were reinsured back from Lloyd's Brussels to the relevant open years of account of the Syndicate which wrote the transferring policies, and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account, together with an equal amount of cash of \$118m.

The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there was no impact on the Syndicate's income statement, members' balance or total assets and total liabilities. Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels were included in the 'gross written premiums' line of the income statement. This treatment reflects the connection between both the Part VII transfer and the associated reinsurance arrangement, and the resulting economic substance of the combined transactions.

On 4 January 2021, the Syndicate advanced funds to Lloyd's Brussels under the reinsurance agreement into segregated Part VII settlement bank accounts. These accounts remain an asset of the Syndicate and are reported as deposits with ceding undertakings. The accounts are managed by CMA on behalf of Lloyd's Brussels to settle Part VII claims.

The underwriting results for the transferred policies in both the current and prior year are reported under the inwards reinsurance class of business, reflecting the contractual arrangement with Lloyd's Brussels.