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# Syndicate 4444 Annual Report & Accounts

As at 31 December 2023

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# Directors and Professional Advisors

## MANAGING AGENT:

Canopus Managing Agents Limited

### Directors

P Ceurvorst \*  
M V Greenwood \*  
P F Hazell \*  
P Meader \*  
J Pearson Appointed 15 March 2023  
N D Robertson  
A Rouffiac Appointed 13 April 2023  
K Roy  
M C Watson \*

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

N J Betteridge Resigned 25 May 2023  
S Lacy Resigned 25 May 2023

\* Non-Executive Director

### Company Secretary

M Hayhurst

### 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  
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 2023.

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 2023 year of account was £1,800m (2022: £1,700m).

With effect from 1 January 2023, Syndicate 1861's 2020 year of account closed into the 2021 year of account of Syndicate 4444 by way of a reinsurance to close transaction thus concluding the business of Syndicate 1861.

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

The following KPIs were used during the year:

	2023 £m	2022 £m
Gross premiums written	2,044.5	1,698.2
Earned premiums, net of reinsurance	1,290.3	1,254.9
Investment return	85.1	(32.5)
Profit for the year	245.4	8.3
Total comprehensive income	241.0	0.9
Gross claims ratio	43.5%	56.8%
Net claims ratio	47.8%	56.4%
Expenses ratio:		
- Acquisition ratio	34.3%	34.3%
- Administrative Expense ratio	5.2%	5.5%
Combined operating ratio	87.3%	96.2%
Investment return, on average invested balances	5.5%	(2.3)%

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

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

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

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

<sup>5</sup>Investment return, on average invested balances, is calculated as the combined investment income for the period, excluding investment management expenses, 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 £245.4m for the year ended 31 December 2023 (2022: £8.3m profit) with a combined ratio of 87.3% (2022: 96.2%). The full results of the Syndicate are set out on pages 12 and 13.

Presented with robust underwriting conditions, the Syndicate has grown its gross written premium by 20.4% in the year to £2,044m (2022:£1,698m). Growth was particularly pronounced across our D&F Property and Reinsurance classes where strong rate increase was achieved in addition to targeted growth across a number of the Syndicate's core areas of distinction namely Accident & Health, Credit & Political Risk and Cyber. New teams to underwrite Medical Liability and Aviation Treaty business were also introduced in the second half of the year.

In addition, the Syndicate's underwriting result has benefited from lower large catastrophe claims during 2023 with the Syndicate reporting a current year catastrophe loss ratio of 5.2% (2022: 10.7%). Prior year reserve releases of £11m (2022: £50m) were also recognised in the period with notable favourable development across Cyber, Casualty Professional Lines and Energy classes offset by deteriorations across the Reinsurance book driven by a number of individual specific older year losses.

Syndicate operating expenses of £508.7m (2022: £498.7m) have reduced relative to net earned premium 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 £245.4m was achieved with the help of a strong investment result of £85.1m (2022: loss of £32.5m) for the year. The investment return of 5.5% (2022: (2.3)%) was primarily due to significantly higher income from the portfolio as a result of marked increases in risk-free yields during 2022 as global central banks sought to contain rampant inflation. Elevated income combined with a dramatic shift in sentiment in the final quarter of 2023 across fixed income markets in response to a combination of weaker global growth and inflation numbers, and a more dovish tilt in messaging from the Federal Reserve, then also resulted in significant mark-to-market appreciation across the core bond portfolio.

The 2021 year of account of Syndicate 4444 closed with a profit of £68.2m representing a profit of 4.0% on managed capacity. The 2022 year of account is forecast to be profitable, with a forecast range of 4.6% to 9.6% of managed capacity.

## Business environment

Premium rate increases were experienced across the majority of classes of business during 2023, in particular for Catastrophe Reinsurance and Insurance lines, resulting in material growth in insurance premiums for P&C insurers.

Despite 2023 being an active year for natural catastrophes, insured losses arising from these events were less significant than in the prior year. Whereas 2022 was dominated by a small number of large catastrophes, 2023 was impacted by a larger number of moderate and minor sized events, including Hurricane Idalia, Typhoon Doksuri and Wildfires in Hawaii.

Inflation remained high during 2023 but eased slightly during the latter part of the year. Central bank interest rates continued to increase, albeit more slowly than during 2022. This has contributed to positive investment returns for the industry as mark-to-market losses incurred in 2022 unwind and capital is reinvested at higher interest rates.

As we head into 2024 the outlook for the industry remains positive and underwriting conditions continue to be favourable for renewals across most classes of business.

# Report of the Directors of the Managing Agent

## Strategy

Our mission is to be a profitable international Specialty and P&C (re)insurer, taking an approach to 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.

Our ambition is to deliver significant profitable growth through building scale and diversification and building on our points of distinction.

Canopus 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, combined with a proven ability to attract top talent underpinned by a clear Environmental, Social and Sustainability (ESS) strategy.

## Principal risks and uncertainties

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. 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.

CMA's governance structure ensures a clear definition of responsibility for the management and oversight of the 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 risks.

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 2024 year of account has increased to £2,000m (2023: £1,800m).

## Going concern

Syndicate 4444 has commenced underwriting of the 2024 year of account underpinned by capital provided by existing members of Syndicate 4444 and a Syndicate Business Forecast ('SBF') approved by the Board and Lloyd's. On this basis the Directors have determined the Syndicate continues to be a going concern and have adopted this basis of preparation.

## Directors

The directors of the managing agent who served from 1 January 2023 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 2021 to 2023 years of account.

# Report of the Directors of the Managing Agent

## 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
- 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.

James Pearson  
Chief Financial Officer  
London  
27 February 2024



# Independent Auditor's Report to the Members of Syndicate 4444

for the year ended 31 December 2023

## Opinion

We have audited the syndicate annual accounts of syndicate 4444 ('the syndicate') for the year ended 31 December 2023 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 2023 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 2023

## 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 2023

## **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), and requirements referred to by Lloyd's in the instructions. 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 the 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 2023

- 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 and net 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 and net 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 and net 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 2024

# Income Statement: Technical Account – General Business

for the year ended 31 December 2023

		2023		2022	
	Notes	£000	£000	£000	£000
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written	7	2,044,452		1,698,179	
Outward reinsurance premiums		(602,690)		(380,841)	
Net premiums written		1,441,762		1,317,338	
<b>Change in the provision for unearned premiums:</b>					
Gross amount	25	(207,591)		(63,724)	
Reinsurers' share	25	56,139		1,239	
Change in the net provision for unearned premiums		(151,452)		(62,485)	
<b>Earned premiums, net of reinsurance</b>			1,290,310		1,254,853
<b>Allocated investment return transferred from the non-technical account</b>	14		85,100		(32,487)
<b>Claims incurred, net of reinsurance</b>					
<b>Claims paid</b>					
Gross amount		(866,802)		(716,618)	
Reinsurers' share		295,578		252,578	
Net claims paid		(571,224)		(464,040)	
<b>Change in the provision for claims</b>					
Gross amount	25	68,651		(212,214)	
Reinsurers' share	25	(114,578)		(31,408)	
Change in the net provisions for claims		(45,927)		(243,622)	
<b>Claims incurred, net of reinsurance</b>			(617,151)		(707,662)
<b>Net operating expenses</b>	10, 11		(508,651)		(498,672)
<b>Balance on the technical account for general business</b>			249,608		16,032

All of the above amounts are derived from continuing operations.

# Income Statement: Non-technical Account

for the year ended 31 December 2023

	<i>Notes</i>	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>Balance on the general business technical account</b>		249,608	16,032
Investment income	14	57,997	24,060
Realised losses on investments	14	(7,049)	(14,992)
Net unrealised gains/(losses) on investments	14	36,063	(39,985)
Investment expenses and charges	14	(1,911)	(1,570)
		85,100	(32,487)
Allocated investment return transferred to the general business technical account		(85,100)	32,487
Loss on exchange		(1,468)	(7,764)
Non-technical account charges		(2,762)	-
<b>Profit for the year</b>		245,378	8,268
Other comprehensive income - Currency translation differences		(4,387)	(7,373)
<b>Total comprehensive income</b>		240,991	895

All of the above amounts are derived from continuing operations.

# Statement of Change in Members' Balances

for the year ended 31 December 2023

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>Members' balances at 1 January</b>	(60,808)	(11,359)
Total comprehensive income for financial year	240,991	895
Distribution of closing year result from / (to) members' personal reserve funds	34,856	(50,228)
Other movements in members' balances	(78)	(116)
<b>Members' balances at 31 December</b>	214,961	(60,808)

# Statement of Financial Position – Assets

at 31 December 2023

	Notes	2023		2022	
		£000	£000	£000	£000
<b>Investments</b>					
Other financial investments	15		1,583,776		1,252,375
<b>Deposits with ceding undertakings</b>					
<b>Reinsurers' share of technical provisions</b>					
Provision for unearned premiums	25	301,234		209,311	
Claims outstanding	25	1,063,526		1,076,943	
			1,364,760		1,286,254
<b>Debtors</b>					
Debtors arising out of direct insurance operations	16	765,679		572,160	
Debtors arising out of reinsurance operations	17	405,962		344,553	
Other debtors	18	52,296		62,590	
			1,223,937		979,303
<b>Other assets</b>					
Cash at bank and in hand			42,453		30,416
Overseas deposits	19		125,400		120,858
<b>Prepayments and accrued income</b>					
Deferred acquisition costs	24	325,256		263,791	
Other prepayments and accrued income		2,277		2,525	
			327,533		266,316
<b>Total assets</b>			4,674,582		3,939,188

# Statement of Financial Position – Liabilities

at 31 December 2023

	Notes	2023		2022	
		£000	£000	£000	£000
<b>Capital and reserves</b>					
Members' balances	2		214,961		(60,808)
<b>Technical provisions</b>					
Provision for unearned premiums	25	1,185,931		994,882	
Claims outstanding	25	2,499,145		2,367,884	
			3,685,076		3,362,766
<b>Creditors</b>					
Creditors arising out of direct insurance operations	20	97,435		82,531	
Creditors arising out of reinsurance operations	21	546,276		505,779	
Other creditors	22	69,238		48,021	
			712,949		636,331
<b>Accruals and deferred income</b>	23		61,596		899
<b>Total liabilities</b>			4,674,582		3,939,188

The financial statements on pages 12 to 46 were approved by the Board of CMA on 26 February 2024 and were signed on its behalf by:

James Pearson  
Chief Financial Officer  
27 February 2024



# Statement of Cash Flows

for the year ended 31 December 2023

	2023		2022	
	£000	£000	£000	£000
<b>Cash flows from operating activities</b>				
Profit for the year	245,378		8,268	
Increase in gross technical provisions	322,310		527,635	
Increase in reinsurers' share of gross technical provisions	(78,507)		(75,154)	
Increase in debtors	(236,668)		(156,966)	
Increase/(decrease) in creditors	76,618		(140,064)	
Movement in other assets/liabilities	(5,097)		(56,893)	
Investment return	(85,100)		32,487	
Foreign exchange	(3,182)		(10,844)	
<i>Net cash flows from operating activities</i>		235,752		128,469
<b>Cash flows from investing activities</b>				
Purchase of equity and debt instruments	(863,821)		(860,437)	
Sale of equity and debt instruments	557,677		759,927	
Investment income received	49,038		7,498	
<i>Net cash flows used in investing activities</i>		(257,106)		(93,012)
<b>Cash flows from financing activities</b>				
Distribution of profit to members	-		(50,228)	
Collection of loss from members	34,856		-	
<i>Net cash flows from financing activities</i>		34,856		(50,228)
Foreign exchange on cash and cash equivalents		(1,205)		3,471
<i>Net increase/(decrease) in cash and cash equivalents</i>		12,297		(11,300)
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 beginning of year</i>		31,316		42,616
Cash at bank and in hand	42,453		30,416	
Short term deposits with credit institutions	1,160		900	
<i>Cash and cash equivalents at end of year</i>		43,613		31,316

# Notes to the Financial Statements

for the year ended 31 December 2023

## 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" (FRS 103) 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 surplus of £215.0m (2022: deficit £60.8m). 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 30.

## 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 2023

## 3. Summary of significant accounting policies (continued)

### *a. Insurance contracts (continued)*

'Risks attaching' outwards reinsurance premiums 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 2023 and 31 December 2022 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 represents 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 2023

## 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 income statement.

### *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 income statement 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 2023

## 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 income statement 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, Euros and Australian dollars 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 2023

## 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 25.

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 2023

## 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 2023

## 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 2023:

<i>Peril</i>	<b>Gross Loss £m</b>	<b>Final Net Loss £m</b>
All Peril	750.2	191.3
North Atlantic Hurricane	577.4	104.4
US Earthquake	373.7	103.6
European Windstorm	122.5	59.3

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 2023

## 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 management and 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 Forum 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 Board 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 £14.4m gain/loss (2022: £12.9m 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 2023 gross and net deteriorations occurred.

The tables on the following page are presented at the exchange rates prevailing at 31 December 2023.

# Notes to the Financial Statements

for the year ended 31 December 2023

## 5. Management of risk (continued)

### a. Insurance risk (continued)

At December 2023	2013 & prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Gross of reinsurance	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative claims												
At end of underwriting year		248,923	302,111	307,702	582,303	365,181	388,275	459,312	492,502	500,836	360,796	4,007,941
One year later		498,154	603,060	722,655	993,426	706,917	1,049,166	869,702	874,522	868,925	-	7,186,527
Two years later		543,024	708,638	798,869	1,025,911	882,854	1,160,218	906,116	884,013	-	-	6,909,643
Three years later		560,493	717,740	795,669	1,055,638	868,920	1,126,706	915,016	-	-	-	6,040,182
Four years later		565,455	716,942	823,145	1,043,559	885,429	1,141,427	-	-	-	-	5,175,957
Five years later		558,911	722,610	828,474	1,053,075	893,724	-	-	-	-	-	4,056,794
Six years later		555,322	710,294	835,909	1,057,794	-	-	-	-	-	-	3,159,319
Seven years later		549,123	717,734	839,107	-	-	-	-	-	-	-	2,105,964
Eight years later		548,503	722,543	-	-	-	-	-	-	-	-	1,271,046
Nine years later	4,147,812	542,577	-	-	-	-	-	-	-	-	-	542,577
	4,147,812	542,577	722,543	839,107	1,057,794	893,724	1,141,427	915,016	884,013	868,925	360,796	12,373,734
Cumulative payments	(3,990,465)	(514,061)	(657,279)	(729,937)	(961,284)	(732,737)	(902,985)	(595,453)	(449,343)	(304,105)	(36,940)	(9,874,589)
Estimated balance to pay	157,347	28,516	65,264	109,170	96,510	160,987	238,442	319,563	434,670	564,820	323,856	2,499,145

The 2020 and prior years of account in the loss development table have the benefit of the loss portfolio reinsurance contracts (LPT) entered into in the calendar year 2021 with RiverStone Managing Agency Limited (for an on behalf of Lloyd's Syndicate 3500). The 2019 and 2020 years of account development includes the business assumed from Syndicate 1861.

At December 2023	2013 & prior	2014	2015	2016	2017	2018	2019	2020	2021	2022	2023	Total
Net of reinsurance	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative claims												
At end of underwriting year		211,906	258,016	266,768	396,922	295,795	335,765	354,514	354,776	345,396	265,071	3,084,929
One year later		426,314	531,825	592,358	737,357	601,618	867,688	611,720	650,116	620,707	-	5,639,703
Two years later		473,053	601,001	656,700	785,172	686,968	925,177	659,362	664,533	-	-	5,451,966
Three years later		478,599	614,565	654,856	799,067	624,113	878,500	689,494	-	-	-	4,739,194
Four years later		485,953	619,505	672,079	756,279	657,406	880,418	-	-	-	-	4,071,640
Five years later		481,873	627,656	618,600	760,724	665,552	-	-	-	-	-	3,154,405
Six years later		479,057	563,252	627,517	763,930	-	-	-	-	-	-	2,433,756
Seven years later		449,947	563,403	621,334	-	-	-	-	-	-	-	1,634,684
Eight years later		448,429	563,652	-	-	-	-	-	-	-	-	1,012,081
Nine years later	3,242,409	447,813	-	-	-	-	-	-	-	-	-	447,813
	3,242,409	447,813	563,652	621,334	763,930	665,552	880,418	689,494	664,533	620,707	265,071	9,424,913
Cumulative payments	(3,199,564)	(438,450)	(548,125)	(597,264)	(723,610)	(593,063)	(765,757)	(476,904)	(380,910)	(233,553)	(32,094)	(7,989,294)
Estimated balance to pay	42,845	9,363	15,527	24,070	40,320	72,489	114,661	212,590	283,623	387,154	232,977	1,435,619

### 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 2023

## 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 2023 was £1,030.7m (2022: £885.9m) with an average duration of around 1.9 years (2022: 1.9 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	
	2023	2022
	£m	£m
50 basis points increase	(9.2)	(9.4)
50 basis points decrease	9.2	9.4

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 Forum, 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 2023

## 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.

<b>At 31 December 2023</b>	<b>Neither past due nor impaired</b>	<b>Up to 3 months</b>	<b>3 – 6 months</b>	<b>6 – 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Debtors arising out of direct insurance operations	763,518	637	28	773	723	765,679
<b>Debtors arising out of reinsurance operations:</b>						
Due from intermediaries under reinsurance business	315,287	-	-	-	-	315,287
Reinsurance recoverables on paid claims	-	42,054	21,810	10,012	16,799	90,675
<b>Total</b>	<b>1,078,805</b>	<b>42,691</b>	<b>21,838</b>	<b>10,785</b>	<b>17,522</b>	<b>1,171,641</b>

Reinsurance recoverables on paid claims is net of bad debt provision of £1,452k (2022: 1,191k).

<b>At 31 December 2022</b>	<b>Neither past due nor impaired</b>	<b>Up to 3 months</b>	<b>3 – 6 months</b>	<b>6 – 12 months</b>	<b>More than 12 months</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Debtors arising out of direct insurance operations	565,712	5,298	947	148	55	572,160
<b>Debtors arising out of reinsurance operations:</b>						
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
<b>Total</b>	<b>854,937</b>	<b>32,141</b>	<b>12,856</b>	<b>10,413</b>	<b>6,366</b>	<b>916,713</b>

# Notes to the Financial Statements

for the year ended 31 December 2023

## 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.

<i>At 31 December 2023</i>	<i>AAA</i>	<i>AA</i>	<i>A</i>	<i>BBB/</i>	<i>Other/Not</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>BB</i>	<i>rated</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Reinsurers' share of claims outstanding	-	215,092	754,228	625	93,581	1,063,526
Debt and other fixed income securities	559,590	212,089	231,581	27,449	-	1,030,709
Shares and other variable yield securities and Participations in investment pools	17,646	212,078	179,320	-	107,110	516,154
Loans with credit institutions	-	-	-	-	35,643	35,643
Overseas deposits	53,458	9,667	8,027	24,550	29,698	125,400
Derivative assets	-	-	-	-	110	110
Deposits with credit institutions	-	-	1,160	-	-	1,160
Deposits with ceding undertakings	-	-	6,517	-	206	6,723
Cash	10,481	-	31,972	-	-	42,453
<b>Total</b>	<b>641,175</b>	<b>648,926</b>	<b>1,212,805</b>	<b>52,624</b>	<b>266,348</b>	<b>2,821,878</b>

  

<i>At 31 December 2022</i>	<i>AAA</i>	<i>AA</i>	<i>A</i>	<i>BBB/</i>	<i>Other/Not</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>BB</i>	<i>rated</i>	
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
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
<b>Total</b>	<b>611,953</b>	<b>519,169</b>	<b>1,030,394</b>	<b>64,801</b>	<b>257,941</b>	<b>2,484,258</b>

# Notes to the Financial Statements

for the year ended 31 December 2023

## 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>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Shares and other variable yield securities and participation in investment pools:</b>		
Equities	23,939	14,789
Hedge funds	22	25
Open-end funds	15,410	12,874
Private credit funds	67,739	56,736
<b>Total</b>	<b>107,110</b>	<b>84,424</b>

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.

<b>At 31 December 2023</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Shares and other variable yield securities	387,420	37,056	91,678	516,154
Debt and other fixed income securities	256,988	773,721	-	1,030,709
Derivative assets	-	110	-	110
Loans and deposits with credit institutions	1,160	-	35,643	36,803
<b>Other financial investments</b>	<b>645,568</b>	<b>810,887</b>	<b>127,321</b>	<b>1,583,776</b>
Overseas Deposits	29,195	96,205	-	125,400
Derivative liabilities	-	(49)	-	(49)
<b>Total</b>	<b>674,763</b>	<b>907,043</b>	<b>127,321</b>	<b>1,709,127</b>

# Notes to the Financial Statements

for the year ended 31 December 2023

## 5. Management of risk (continued)

### Fair Value Hierarchy

<b>At 31 December 2022</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
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
<b>Other financial investments</b>	<b>500,036</b>	<b>649,143</b>	<b>103,196</b>	<b>1,252,375</b>
Overseas Deposits	25,821	95,037	-	120,858
Derivative liabilities	-	(16)	-	(16)
<b>Total</b>	<b>525,857</b>	<b>744,164</b>	<b>103,196</b>	<b>1,373,217</b>

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.

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 £23.9m (2022: £14.8m) and includes £8.1m received on the acceptance of the RITC from Syndicate 1861.

There were no transfers to and from level 3 assets for the period ended 31 December 2023 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.

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
At 1 January	103,196	51,745
RITC adjustment <sup>1</sup>	8,103	-
<b>Adjusted 1 January</b>	<b>111,299</b>	<b>51,745</b>
Net gains through profit or loss	625	4,392
Purchases	98,034	98,286
Sales	(82,637)	(51,227)
<b>At 31 December</b>	<b>127,321</b>	<b>103,196</b>

<sup>1</sup>2023 RITC adjustment: 1 January 2023 the 2021 year of account of the Syndicate accepted the RITC of the 2020 year of account of Syndicate 1861. This was recorded as a balance sheet transaction in line with standard practice for a Lloyd's syndicate. An adjusted opening position has been presented to reflect the RITC of Syndicate 1861. This balance represents the level 3 assets transferred from Syndicate 1861 as a result of the RITC.

# Notes to the Financial Statements

for the year ended 31 December 2023

## 5. Management of risk (continued)

### Fair value hierarchy (continued)

#### (iii) Currency risk

Policyholders' assets are held in the five principal Lloyd's settlement currencies (Sterling, Euros, US dollars, Canadian dollars and with effect from 1 January 2023 Australian 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 Forum.

The Syndicate is exposed to foreign exchange risk primarily with respect to the Sterling, Euro, Canadian dollars and Australian dollars. 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 £0.5m (2022: £1.7m).

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

<i>At 31 December 2023</i>	<i>Sterling &amp; Other</i>	<i>US dollar</i>	<i>Euro</i>	<i>CAD</i>	<i>AUD</i>	<i>Total</i>
	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>	<i>£000</i>
Financial investments	151,744	1,151,828	195,600	84,604	-	1,583,776
Overseas deposits	91,729	13,118	-	16,929	3,624	125,400
Reinsurers' share of technical provisions	269,756	946,278	121,924	16,989	9,813	1,364,760
Insurance and reinsurance receivables	186,806	814,248	110,754	14,155	45,678	1,171,641
Cash and cash equivalents	9,984	25,946	1,327	58	5,138	42,453
Other assets	157,853	168,218	41,843	5,162	13,476	386,552
<b>Total assets</b>	<b>867,872</b>	<b>3,119,636</b>	<b>471,448</b>	<b>137,897</b>	<b>77,729</b>	<b>4,674,582</b>
Technical provisions	693,353	2,492,120	365,754	62,659	71,190	3,685,076
Insurance and reinsurance payables	149,234	393,352	79,016	16,887	5,222	643,711
Other creditors	104,613	29,280	1,523	47	(4,629)	130,834
<b>Total liabilities</b>	<b>947,200</b>	<b>2,914,752</b>	<b>446,293</b>	<b>79,593</b>	<b>71,783</b>	<b>4,459,621</b>

<sup>1</sup>Australian dollar assets held with effect from 1 January 2023.



# Notes to the Financial Statements

for the year ended 31 December 2023

## 5. Management of risk (continued)

### (iii) Currency risk (continued)

<b>At 31 December 2022</b>	<b>Sterling &amp; Other £000</b>	<b>US dollar £000</b>	<b>Euro £000</b>	<b>CAD £000</b>	<b>Total £000</b>
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
<b>Total assets</b>	<b>778,637</b>	<b>2,634,464</b>	<b>414,150</b>	<b>111,937</b>	<b>3,939,188</b>
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
<b>Total liabilities</b>	<b>855,035</b>	<b>2,660,309</b>	<b>409,804</b>	<b>74,848</b>	<b>3,999,996</b>

### (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.

# Notes to the Financial Statements

for the year ended 31 December 2023

## 5. Management of risk (continued)

### (iv) Liquidity risk (continued)

<b>At 31 December 2023</b>	<b>0-1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Derivative liabilities	49	-	-	-	49
Creditors	712,900	-	-	-	712,900
Claims outstanding	845,580	954,205	394,269	305,091	2,499,145
<b>Total</b>	<b>1,558,529</b>	<b>954,205</b>	<b>394,269</b>	<b>305,091</b>	<b>3,212,094</b>

Claims outstanding is reported gross of discounting credit on non-life annuities liability business of £24.3m (2022: £4.9m)

<b>At 31 December 2022</b>	<b>0-1 year</b>	<b>1-3 years</b>	<b>3-5 years</b>	<b>&gt;5 years</b>	<b>Total</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
Derivative liabilities	16	-	-	-	16
Creditors	431,182	205,133	-	-	636,315
Claims outstanding	885,512	980,056	337,401	169,803	2,372,772
<b>Total</b>	<b>1,316,710</b>	<b>1,185,189</b>	<b>337,401</b>	<b>169,803</b>	<b>3,009,103</b>

### 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 2023

## 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 and 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. Canopus Group is 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 2023

## 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% 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 15, 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 2023

## 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:

2023	Gross written premiums	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance Balance	Total
	£000	£000	£000	£000	£000	£000
<b>Direct Insurance:</b>						
Accident and health	167,883	150,752	(92,436)	(73,157)	(1,255)	(16,096)
Motor (third party liability)	8,819	7,568	(1,077)	(3,746)	(307)	2,438
Motor (other classes)	10,953	9,622	(291)	(4,692)	(3,024)	1,615
Marine & Energy	154,177	140,958	(40,787)	(40,216)	(15,551)	44,404
Marine, aviation and transport	138,423	121,054	(65,843)	(41,562)	(681)	12,968
Fire & other damage to property	534,933	487,051	(171,216)	(146,243)	(143,130)	26,462
Third party liability	368,539	357,009	(149,355)	(116,431)	(22,770)	68,453
Pecuniary Loss	83,200	50,365	(19,426)	(16,617)	(4,016)	10,306
<b>Total Direct</b>	<b>1,466,927</b>	<b>1,324,379</b>	<b>(540,431)</b>	<b>(442,664)</b>	<b>(190,734)</b>	<b>150,550</b>
<b>Reinsurance inwards</b>	<b>577,525</b>	<b>512,482</b>	<b>(257,720)</b>	<b>(128,297)</b>	<b>(112,507)</b>	<b>13,958</b>
<b>Total</b>	<b>2,044,452</b>	<b>1,836,861</b>	<b>(798,151)</b>	<b>(570,961)</b>	<b>(303,241)</b>	<b>164,508</b>

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.

# Notes to the Financial Statements

for the year ended 31 December 2023

## 7. Segmental analysis (continued)

2022	Gross written premiums	Gross premiums earned	Gross claims incurred	Gross operating expenses	Reinsurance Balance	Total
	£000	£000	£000	£000	£000	£000
<b>Direct Insurance:</b>						
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
<b>Total Direct</b>	<b>1,203,531</b>	<b>1,170,036</b>	<b>(628,310)</b>	<b>(391,644)</b>	<b>(103,799)</b>	<b>46,283</b>
<b>Reinsurance inwards</b>	<b>494,648</b>	<b>464,419</b>	<b>(300,522)</b>	<b>(107,028)</b>	<b>(54,633)</b>	<b>2,236</b>
<b>Total</b>	<b>1,698,179</b>	<b>1,634,455</b>	<b>(928,832)</b>	<b>(498,672)</b>	<b>(158,432)</b>	<b>48,519</b>

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:

	2023 £000	2022 £000
UK	389,280	382,308
EU countries	145,435	119,347
US	924,822	737,851
Other	584,915	458,673
<b>Total</b>	<b>2,044,452</b>	<b>1,698,179</b>

## 8. Currency rates of exchange

	31 Dec 23	Average for 2023	31 Dec 22	Average for 2022
US \$	1.27	1.24	1.20	1.24
Euro	1.15	1.15	1.13	1.17
Canadian \$	1.68	1.68	1.63	1.61
Australian \$	1.87	1.87	1.77	1.78

<sup>1</sup>Australian dollar assets and liabilities held with effect from 1 January 2023.

# Notes to the Financial Statements

for the year ended 31 December 2023

## 9. Net claim outstanding

A favourable/(adverse) run-off deviation was experienced during the year in respect of the following classes of business.

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
Accident & health	(9,401)	(1,245)
Motor (third party liability)	722	4,255
Motor (other classes)	411	876
Marine & Energy	39,483	5,059
Marine, aviation and transport	720	7,212
Fire & other damage to property	(4,835)	4,923
Third party liability	29,045	7,753
Pecuniary loss	(1,636)	14,444
<b>Total Direct</b>	<b>54,509</b>	<b>43,277</b>
<b>Reinsurance inwards</b>	<b>(43,394)</b>	<b>6,815</b>
<b>Total</b>	<b>11,115</b>	<b>50,092</b>

## 10. Net operating expenses

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
Commissions on direct business	357,682	271,921
Commissions on inwards reinsurance business	101,508	71,629
Other acquisition costs	108,976	90,461
Change in deferred acquisition costs	(63,925)	(4,190)
Administrative expenses	52,620	56,831
Personal expenses (see note 11)	14,100	12,020
Gross operating expenses – technical account	<b>570,961</b>	<b>498,672</b>
Reinsurers commissions income <sup>1</sup>	(62,310)	-
<b>Net operating expenses – technical account</b>	<b>508,651</b>	<b>498,672</b>

<sup>1</sup>Reinsurers commissions income: In the current year the Syndicate has presented reinsurance earned premium gross of reinsurance ceding commission income, with the reinsurers commission being reported as a credit to operating expenses. In 2022 £48.4m of reinsurers commission income was included as a reduction to reinsurance earned premium. The comparatives have not been restated as we do not believe the presentation would influence the economic decisions of users and is therefore not considered material from a qualitative perspective.

Administrative expenses include:

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>Auditors' remuneration:</b>		
Audit of syndicate accounts	1,123	957
Other services pursuant to Regulations and Lloyd's Byelaws	151	151
Other non-audit services	-	275
<b>Total audit and non-audit fees</b>	<b>1,274</b>	<b>1,383</b>

# Notes to the Financial Statements

for the year ended 31 December 2023

## 11. Personal expenses

	<b>2023</b>	2022
	<b>£000</b>	£000
Members' standard personal expenses	13,920	11,602
Managing Agent's fee	180	418
<b>Total</b>	<b>14,100</b>	<b>12,020</b>

## 12. Staff numbers and costs

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

	<b>2023</b>	2022
	<b>£000</b>	£000
Wages and salaries	69,491	53,548
Social security costs	7,448	6,499
Pension contributions to money purchase schemes	3,818	3,247
<b>Total</b>	<b>80,757</b>	<b>63,294</b>

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

	<b>2023</b>	2022
Underwriting	166	171
Insurance Services	115	111
Other	179	179
<b>Total</b>	<b>460</b>	<b>461</b>

## 13. Emoluments of the directors of Canopius 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 2023, borne by the Syndicate and a fellow group company:

	<b>2023</b>	2022
	<b>£000</b>	£000
Emoluments	3,499	2,898
Pension contributions to money purchase schemes	150	153
<b>Total</b>	<b>3,649</b>	<b>3,051</b>

Retirement benefits are accruing to 9 directors (2022: 8) under money purchase schemes.

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

	<b>2023</b>	2022
	<b>£000</b>	£000
Emoluments	662	782
<b>Total</b>	<b>662</b>	<b>782</b>

Pension contributions amounting to £32k were charged to Syndicate 4444 on behalf of the active underwriters in 2023 (2022: £40k).



# Notes to the Financial Statements

for the year ended 31 December 2023

## 14. Net investment income recognised in profit or loss

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b>Interest and similar income</b>		
From financial instruments designated at fair value through profit or loss	52,638	21,693
Interest on cash at bank	5,359	2,367
Investment expenses	(1,911)	(1,570)
<b>Total interest and similar income</b>	<b>56,086</b>	<b>22,490</b>
<b>Other income/(charges) from investments designated at fair value through profit or loss</b>		
Realised losses on investments	(7,049)	(14,992)
Unrealised gains/(losses) on investments	36,063	(39,985)
<b>Total gains/(losses)</b>	<b>29,014</b>	<b>(54,977)</b>
<b>Net investment return</b>	<b>85,100</b>	<b>(32,487)</b>
	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
Average amount of Syndicate funds available for investment during the year	1,577,639	1,361,851
Investment return, excluding investment management expenses	87,011	(30,917)
Investment return, on average invested balances	5.5%	(2.3%)

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

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	
	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
Shares and other variable yield securities	516,154	322,568	508,353	319,876	387,694	207,381
Debt and other fixed income securities	1,030,709	885,854	1,043,512	935,536	1,030,709	885,854
Derivative assets	110	11,381	-	-	-	152
Deposits with credit institutions	1,160	900	1,160	900	-	-
Loans secured by mortgages	35,643	31,672	35,344	31,412	-	-
<b>Total</b>	<b>1,583,776</b>	<b>1,252,375</b>	<b>1,588,369</b>	<b>1,287,724</b>	<b>1,418,403</b>	<b>1,093,387</b>

# Notes to the Financial Statements

for the year ended 31 December 2023

## 15. Other financial investments (continued)

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

The following derivative assets and liabilities were held at 31 December 2023.

	Notional amount		Fair value	
	2023 £000	2022 £000	2023 £000	2022 £000
Foreign exchange forward contracts	555,385	524,183	61	11,213
Interest rate future contracts	-	160,674	-	152
<b>Total</b>	<b>555,385</b>	<b>684,857</b>	<b>61</b>	<b>11,365</b>

The derivative fair value is net of liabilities of £49k (2022: £16k).

## 16. Debtors arising out of direct insurance operations

	2023 £000	2022 £000
<b>Due within one year</b>		
Intermediaries	765,679	572,142
	765,679	572,142
<b>Due after more than one year and within five years</b>		
Intermediaries	-	18
<b>Total</b>	<b>765,679</b>	<b>572,160</b>

Debtors arising out of direct insurance operations include £550.4m (2022: £395.5m) of pipeline premium which is estimated using expert judgement, relevant underwriting input and management review.

In 2022 £29.8m of profit commissions payable on direct business were presented net as a reduction to debtors arising out of direct insurance operations, which have now been grossed up and presented appropriately within creditors arising out of direct insurance operations in the current year. The comparatives have not been restated as we do not believe the reclassification would influence the economic decisions of users and is therefore not considered material from a qualitative perspective.

## 17. Debtors arising out of reinsurance operations

	2023 £000	2022 £000
<b>Due within one year</b>		
Ceding insurers and intermediaries under reinsurance business	315,277	289,206
Reinsurance recoverable on paid claims net of bad debt provision	90,675	55,328
	405,952	344,534
<b>Due after more than one year and within five years</b>		
Ceding insurers and intermediaries under reinsurance business	10	19
<b>Total</b>	<b>405,962</b>	<b>344,553</b>

Debtors arising out of reinsurance operations include £283.3m (2022: £248.5m) 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 2023

## 18. Other debtors

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b><i>Due within one year</i></b>		
Amounts due from group undertakings	45,905	50,745
Unsettled investment trades	2,619	9,365
Other	3,772	2,480
<b>Total</b>	<b>52,296</b>	<b>62,590</b>

## 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

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b><i>Due within one year</i></b>		
Intermediaries	97,435	82,527
	97,435	82,527
<b><i>Due after one year</i></b>		
Intermediaries	-	4
<b>Total</b>	<b>97,435</b>	<b>82,531</b>

In 2022 £29.8m of profit commissions payable on direct business were presented net as a reduction to debtors arising out of direct insurance operations, which have now been grossed up and presented appropriately within creditors arising out of direct insurance operations in the current year. The comparatives have not been restated as we do not believe the reclassification would influence the economic decisions of users and is therefore not considered material from a qualitative perspective.

## 21. Creditors arising out of reinsurance operations

	<b>2023</b> <b>£000</b>	<b>2022</b> <b>£000</b>
<b><i>Due within one year</i></b>		
Reinsurance accepted	10,231	13,060
Reinsurance ceded	536,045	287,590
	546,276	300,650
<b><i>Due after one year</i></b>		
Reinsurance ceded	-	205,129
<b>Total</b>	<b>546,276</b>	<b>505,779</b>

Reinsurance ceded above includes the balance of premium due in relation to the LPT entered into in 2021.

# Notes to the Financial Statements

for the year ended 31 December 2023

## 22. Other creditors

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>Due within one year</b>		
Amounts due to group undertakings	62,828	33,558
Derivative liabilities	49	16
Unsettled investment trades	2,227	10,500
Taxation	4,131	3,945
Other	3	2
<b>Total</b>	<b>69,238</b>	<b>48,021</b>

## 23. Accruals and deferred income

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
Deferred reinsurance commission <sup>1</sup>	58,672	-
Accrued expenses	2,924	899
<b>Total</b>	<b>61,596</b>	<b>899</b>

<sup>1</sup>Deferred reinsurance commissions correspond to unearned reinsurers ceded commission that would previously have been included within the reinsurance unearned premium reserve. In 2022 the unearned premium provision was presented net of unearned reinsurers commission of £39.6m. The comparatives have not been restated as we do not believe the presentation would influence the economic decisions of users and is therefore not considered material from a qualitative perspective

## 24. Deferred acquisition costs

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

	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>
<b>At 1 January</b>	263,791	242,024
RITC adjustment <sup>1</sup>	7,497	-
<b>Adjusted 1 January</b>	271,288	242,024
Change in provision	63,925	4,190
Foreign exchange	(9,957)	17,577
<b>At 31 December</b>	<b>325,256</b>	<b>263,791</b>

<sup>1</sup>2023 RITC adjustment: On 1 January 2023 the 2021 year of account of the Syndicate accepted the RITC of the 2020 year of account of Syndicate 1861. This was recorded as a balance sheet transaction in line with standard practice for a Lloyd's syndicate. An adjusted opening position has been presented to reflect the RITC of Syndicate 1861.

# Notes to the Financial Statements

for the year ended 31 December 2023

## 25. Reconciliation of insurance balances

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

	<b>Gross</b>		<b>Reinsurers' share</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January</b>	994,882	854,521	209,311	192,435
RITC adjustment <sup>1</sup>	26,893	-	5,186	-
Ceded commissions adjustment <sup>2</sup>	-	-	39,656	-
<b>Adjusted 1 January</b>	1,021,775	854,521	254,153	192,435
Change in provision	207,591	63,724	56,139	1,239
Foreign exchange	(43,435)	76,637	(9,058)	15,637
<b>At 31 December</b>	1,185,931	994,882	301,234	209,311

<sup>1</sup>2023 RITC adjustment: On 1 January 2023 the 2021 year of account of the Syndicate accepted the RITC of the 2020 year of account of Syndicate 1861. This was recorded as a balance sheet transaction in line with standard practice for a Lloyd's syndicate. An adjusted opening position has been presented to reflect the RITC of Syndicate 1861.

<sup>2</sup>Reinsurers ceded commission adjustment: Corresponds to unearned reinsurers ceded commission that would previously have been included within the opening reinsurance unearned premium reserve, now presented as deferred reinsurance commission. In 2022 the unearned premium provision was presented net of unearned reinsurers commission of £39.6m. The comparatives have not been restated as we do not believe the presentation would influence the economic decisions of users and is therefore not considered material from a qualitative perspective.

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

	<b>Gross</b>		<b>Reinsurers' share</b>	
	<b>2023</b>	<b>2022</b>	<b>2023</b>	<b>2022</b>
	<b>£000</b>	<b>£000</b>	<b>£000</b>	<b>£000</b>
<b>At 1 January</b>	2,367,884	1,980,610	1,076,943	1,018,665
RITC adjustment <sup>1</sup>	313,953	-	147,677	-
<b>Adjusted 1 January</b>	2,681,837	1,980,610	1,224,620	1,018,665
Change in provision	(68,651)	212,214	(114,578)	(31,408)
Foreign exchange	(114,041)	175,060	(46,516)	89,686
<b>At 31 December</b>	2,499,145	2,367,884	1,063,526	1,076,943

<sup>1</sup>2023 RITC adjustment: On 1 January 2023 the 2021 year of account of the Syndicate accepted the RITC of the 2020 year of account of Syndicate 1861. This was recorded as a balance sheet transaction in line with standard practice for a Lloyd's syndicate. An adjusted opening position has been presented to reflect the RITC of Syndicate 1861.

## 26. Post balance sheet events

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

## 27. 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.

## 28. Related Parties

### *Transactions between the Managing Agent/Service Company and the Syndicate*

CMA is the managing agent of Syndicate 4444. Managing agency fees of £180k were charged to the Syndicate by CMA during 2023 (2022: £418k). At 31 December 2023, an amount of £nil was due between CMA and the Syndicate (2022: £nil).

# Notes to the Financial Statements

for the year ended 31 December 2023

## 28. Related Parties (continued)

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 2023 totalling £138,317k (2022: £114,022k) were recharged to the Syndicate by CSL. At 31 December 2023 an amount of £30,376k was due from the Syndicate to CSL (2022: £4,662k).

### *Canopus Group Limited ("CGL")*

At 31 December 2023, Syndicate 4444 was owed £5,089k from CGL (2022: £3,224k) 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 2023 totalled £731k (2022: £7,806k). At 31 December 2023, an amount of £114k was due from the Syndicate to CUBL (2022: £637k).

### *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 2023 totalled £247,656k (2022: £186,899k). At 31 December 2023, an amount of £1,851k was due from the Syndicate to CAPL (2022: £11,387k due from CAPL to the Syndicate).

### *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 2023 totalled £144,461k (2022: £125,232k). At 31 December 2023, an amount of £578k was due from Syndicate to CUIAI (2022: £1,560k).

### *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 2023 totalled £114,484k (2022: £100,542k). At 31 December 2023, an amount of £nil was due between Vave and the Syndicate (2022: £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 2023 were £nil (2022: £nil). At 31 December 2023, an amount of £299k was due from the Syndicate to CIL (2022: £316k).

### *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 2023 totalled £nil (2022: £323k). At 31 December 2023, an amount of £10,499k was due to the Syndicate from CEL (2022: £10,727k).

### *Excelsa Re Ltd ("Excelsa")*

Excelsa Re Ltd ("Excelsa"), a Bermudan based special purpose insurer writing property treaty and direct and facultative business, accepted £79,644k of ceded premium from the Syndicate during the year (2022: £27,624k). At 31 December 2023, an amount of £15,689k (2022: £5,672k) was due from the Syndicate to Excelsa.

# Notes to the Financial Statements

for the year ended 31 December 2023

## 28. Related Parties (continued)

### Other group companies

The Syndicate held creditor balances with the following group companies as at 31 December 2023: Canopus UK Holdings Limited £44k (2022: £nil). Trenwick Underwriting Ltd £19k (2022: £19k). Canopus US Insurance Inc £2k (2022: £2k).

In addition, the Syndicate held debtor balances with the following group companies as at 31 December 2023; Canopus Reinsurance Limited ("CRL") of £764k (2022: £172k).

### 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 2023 totalled £54,068k (2022: £44,264k)

### 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 2021 to 2024 underwriting years as follows:

	2021		2022		2023		2024	
	£m	%	£m	%	£m	%	£m	%
CCCL	1,597.9	93.99%	1,621.4	95.38%	1,738.3	96.57%	1,950.1	97.5%
CC7L	31.4	1.85%	31.4	1.85%	33.3	1.85%	37.0	1.85%
CC12L	16.0	0.94%	16.0	0.94%	16.0	0.89%	-	-

## 29. Immediate and ultimate parent undertaking and controlling party

As at 31 December 2023, 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.

## 30. 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.