IMPORTANT INFORMATION ABOUT SYNDICATE REPORTS AND ACCOUNTS

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ATRIUM

ANNUAL REPORT AND ACCOUNTS 2022

SYNDICATE 609

ATRIUM SYNDICATE 609 – ANNUAL ACCOUNTS

ATRIUM SYNDICATE 609 – UNDERWRITING YEAR ACCOUNTS

DIRECTORS

Christopher Stooke Non-Executive Chairman
James Cox Executive Director
Gordon Hamilton Non-Executive Director
Richard Harries Chief Executive Officer
Peter Laidlaw Active Underwriter
James Lee Agency Managing Director
Stephen Riley Non-Executive Director
Samit Shah Executive Director
Kirsty Steward Executive Director

ADVISORS

Auditor
KPMG LLP

Investment Managers
New England Asset Management
Conning Asset Management

Company Secretary
Martha Bruce
Bruce Wallace Associates Limited

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the managing agent present their report for the year ended 31 December 2022.

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (Lloyd's Regulations 2008) and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) and Financial Reporting Standard 103: Insurance Contracts (FRS103).

Separate underwriting year accounts for the closed 2020 year of account can be found on pages 40 to 65.

RESULTS

The Board of Directors (the Board) are pleased to announce total comprehensive income of £47.4m for Syndicate 609 (the syndicate) for calendar year 2022 (2021 – total comprehensive income of £68.1m). Profits will be distributed by reference to the results of individual underwriting years.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

RISK STRATEGY

Understanding its Risk Universe, the range of risks to which it is exposed, quantification and management of those risks enable the syndicate to determine the capital required to provide suitable security to its policyholders and to ensure that syndicate capital providers are delivered returns appropriate for the risk they assume. Management of risk and return is the core discipline of Atrium's business, against which all significant strategic and operational decisions are evaluated.

The Directors are responsible for setting the Risk Strategy for the syndicate and for oversight of its implementation. The syndicate's risk strategy is to actively take on underwriting risks across a balanced range of (re)insurance classes where the expected margins more than compensate for the risk to the syndicate and/or the costs of risk mitigation e.g. reinsurance. In addition, the syndicate seeks investment risk where it is adequately rewarded and the level of risk does not constrain the syndicate's underwriting.

As part of the annual business planning process, the Board determines a Risk Policy Statement, which sets out the levels of planned risk taking, sometimes referred to as Risk Appetite, the basis on which these risk levels will be monitored, and the actions to be taken in the event of deviations from the planned levels. The Managing Agency has a comprehensive governance framework within which the syndicate's exposures to these risks are managed. The governance framework is discussed further below.

BUSINESS AND PERFORMANCE EVALUATION

The syndicate writes a diversified portfolio of classes of business that include Accident & Health, Aviation, Liability, Marine, Non Marine Direct & Facultative, Property & Casualty Binding Authorities, Reinsurance, Upstream Energy and Terrorism.

In underwriting a diversified portfolio of classes, using their skill, knowledge and historic claims data to evaluate the potential claims costs and to determine the appropriate premium, and also by taking a limited amount of market and credit risk in investing the cash flows generated by this activity, the syndicate aims to reward its capital providers with results that are considered attractive relative to the risks assumed.

The key performance measure for the syndicate is return on adjusted Economic Capital Assessment (ECA). This is determined by comparing the total comprehensive income to the syndicate's ECA set by the Corporation of Lloyd's on agreement of the syndicate's Solvency Capital Requirement (SCR) derived from its Internal Model, including Solvency II balance sheet adjustments. Return on Capital and the following Key Performance Indicators (KPI's) are monitored regularly by the Directors.

	2022 £m	2021 £m
Gross premiums written	**926.0**	711.2
Net earned premiums	**751.0**	590.3
Total Comprehensive Income	**47.4**	68.1
Loss ratio	**53%**	45%
Combined ratio	**89%**	88%
Investment return	**(32.9)**	(1.2)
Adjusted ECA	**258.0**	317.7
Return on adjusted ECA	**18%**	21%

2022 was a challenging year in terms of the macro-economic landscape. The impacts of the war in Ukraine were far reaching and our sympathies are with all those have been impacted. The war resulted in an energy crisis in Europe, pushing up energy prices to record levels and accelerating inflation. Central banks reacted to the increasing levels of inflation by raising interest rates.

During 2022 the syndicate continued to grow the underwriting portfolio in line with the planned strategy taking advantage of strong market conditions and rate rises. The Aviation classes have outperformed expectations in 2022 due to combination of rate increases and new business opportunities as the market contracted during the year.

The largest loss event to occur in 2022 was the Russian invasion of Ukraine in February. We have incurred claims in our Marine War, Aviation War, Terrorism and Marine Reinsurance accounts mostly due to trapped ships and destroyed buildings. At year end our total reserves amount to £21.1m gross and £8.7m net of reinsurance.

There is a further possible loss though that could surpass this – the fate of the western leased aircraft in Russia. This is an extremely

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

complicated situation and one in which the evidential picture is still developing. The following factors: (i) whether there has been a loss at all, and (ii) if so, whether that loss is an all-risks (as multiple aviation war insurers are asserting) or war peril loss, (iii) when it occurred, (iv) whether it's a single loss event or multiple loss events and (v) how sanctions impact the same, all result in considerably different reserving outcomes to the syndicate. In arriving at the reserving position for this loss, the financial implications of multiple scenarios have been modelled, taking account of the uncertainties listed above and utilising a probabilistic framework. In arriving at our reserving position, the likelihood of these scenarios occurring was established using expert judgement. This has resulted in gross reserves of £138.3m, £39.2m net of reinsurance, included in the financial results for the year ended 31 December 2022. The two classes potentially impacted are Aviation Reinsurance and Aviation War. The loss reserve is split 93% to the 2021 year of account and 7% to the 2022 year of account. Due to the nature of the circumstances mentioned above, the potential for variation to the booked reserves is considerably greater than the normal level of reserve sensitivity to downside risk and the actual outcome of the loss could be in a particularly wide range with greater than usual variability.

The Directors, in conjunction with the relevant subject matter experts, have been monitoring the situation closely, taking legal advice and meeting with market participants on a regular basis to ensure that the most up to date information is reflected within the syndicate reserves.

During 2022 the macro-economic environment resulted in levels of inflation in excess of historic levels. The syndicate reviewed the total reserves that should be carried in order to ensure that the resultant excess economic and social inflation is adequately accounted within the best estimate. The inflation allowance takes account of the expected levels and duration of inflation across the different classes of business and territories where we write business.

The syndicate reserves comprise the best estimate plus a reserve margin which is applied over and above the actuarial best estimate. The level of reserve margin held above the best estimate remains within the risk appetite that has been set by the Board of Directors.

Whilst the overall performance of the syndicate in 2022 was not as strong as in the prior year due to the increased level of catastrophe losses as well as unrealised investment losses, the syndicate remains well positioned to deliver on its underwriting strategy.

INVESTMENT PERFORMANCE

Our investment portfolio returned a loss of £32.9m (2021 – loss of £1.2m) or 4.2% reflecting the challenging market conditions during 2022. In response to the rising inflationary environment in the US, the Federal Reserve increased the Fed Funds Rate by 400 basis points in total. US Treasury yields also increased significantly during the year with a 2-year Treasury yielding 4.4% and a 5-year Treasury 3.96%. As rates increased and credit spreads modestly widened, this caused mark-to-market losses in our core fixed income portfolio. The syndicate has a policy of holding assets to maturity which remains unchanged. As a result it is expected that these unrealised losses will unwind in future periods.

The syndicate invests 8.0% of its investment portfolio in a bank loan fund. The bank loan fund returned a loss of 1.2% (2021 – profit of 5.0%) due to the floating rate nature of the portfolio and limited allocation to high yield bonds.

The table below compares the actual investment performance with the 2021 calendar year.

Investment Return	2022 %	2021 %
US Dollar	**(4.4)%**	(0.1)%
Canadian Dollar	**(2.7)%**	(1.4)%
Euro	**(6.0)%**	(0.8)%
Sterling	**(2.2)%**	0.6%

PRINCIPAL RISKS AND UNCERTAINTIES

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment (ORSA), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by the syndicate and to evaluate the amount of funds necessary to cover these risks taking into consideration the business profile and risk appetite of the syndicate. Critical to the efficacy of the ORSA is the effective operation of the Risk Management Framework (RMF), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Atrium has established systems of governance and risk management that enable it to manage its business prudently.

The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day-to-day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

Strategy: This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies.

The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed.

The Risk Governance Structure is comprised of the Risk Committee (RC), which fulfils the role of Atrium's Risk Management Function, the Executive Risk Committee (ERC) and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the RC, the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital.

There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee, which is a Committee of the Board with membership comprised of Non-Executive Directors. Together these three groups provide the "Third Line of Defence". The Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Risk Committee (RC)

The RC fulfils the Risk Management Function, in conjunction with the ERC and the Risk Management Team, and coordinates the risk management activities conducted for the syndicate. The RC has its membership comprised of Non-Executive Directors though is attended by various Executives to ensure that the RC is provided with the information it requires to perform its role. It is responsible for ensuring that the RMF and Internal Model operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

Due to overarching considerations of climate change and Environmental, Corporate and Social Governance (ESG) in strategy setting and risk profile changes, this Committee is also responsible for oversight of the climate change and ESG frameworks.

To support delivery of the RC's responsibilities, there is the ERC and its three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicate and in particular, ensuring activities are within risk policies, that risks are suitably identified monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

The ERC exists to support the RC and ensure that it can focus on key issues and also to ensure that there is the scope for executive discussion on risk issues and aggregation across the Risk Sub-Committees prior to the RC.

Insurance Risk Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti-selection, inappropriate premium estimation or catastrophic loss activity.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to Lloyd's for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient. In addition climate change can affect the occurrence and severity of weather related events. Whilst we do research the impact of these there is significant uncertainty to the impact climate change has on events in the tail of distributions which increases uncertainty in this area.

Reserving risk is that there is insufficient provision for losses that have already occurred.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters.

Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

Financial Risk Sub-Committee (FRSC)

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment managers and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mismatch is the risk that the syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short tail nature of the majority of these liabilities, the syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicate substantially mitigates exposures to currency mismatch by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the syndicate's business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with security that adheres to the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default.

Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash flow projections are also reviewed on a regular basis.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risk Sub-Committee (ORSC)

The ORSC is responsible for oversight of the syndicate's exposures to operational, group, conduct and regulatory risks.

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Conduct risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products. In October 2022 the Board approved its plan for implementing the Financial Conduct Authority's (FCA) new Consumer Duty. As part of this implementation Stephen Riley (Independent Non-Executive Director) was appointed by the Board as its Consumer Duty Champion.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy and maintain an ongoing open dialogue with both regulators and Lloyd's. They also carry out a compliance monitoring programme.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

Culture Committee

The Culture Committee is a formal committee of the Board which has been set up to review all areas relating to Atrium's people, longer term organisational development and culture.

It met for the first time in March 2021 in response to the increase in strategic emphasis in culture and also to help co-ordinate across the various employee led groups working on areas such as working practices, ESG, Corporate Social Responsibility, Diversity & Inclusion.

Lloyd's Europe Operating Model

Lloyd's Insurance Company S.A. (LIC) held discussions during 2020 with the Financial Services and Markets Authority (FSMA) of Belgium and the National Bank of Belgium (NBB) about the LIC operating model and the activities performed for it by managing agents through the Outsourcing Agreement. When LIC was set up in 2018, they took extensive legal advice to ensure that the activities performed by LIC and managing agents under the outsourcing model were structured to ensure that they would not be carrying on activities in the European Economic Area (EEA). This required authorisation under the Insurance Distribution Directive (IDD) or other regulatory framework.

The definition of insurance distribution contained in the IDD is broad and has been interpreted in differing ways by legislators implementing it in EU member states. LIC started its activities around the same time that the IDD was implemented and, in addition to guidance issued by the European Insurance and Occupational Pensions Authority (EIOPA), national supervisors are now more certain of the applicability of IDD provisions.

During the latter part of 2020, FSMA initiated discussions regarding the nature of some activities performed by managing agents on behalf of LIC and the question of whether it was possible that they could be construed as constituting insurance distribution under the IDD, which would therefore require them to be authorised within the EEA.

LIC committed to the regulators that it would take steps to make any relevant changes to aspects of its business model to avoid the possibility that managing agents might be construed as performing IDD activities for LIC. Atrium, along with other managing agents, has worked with LIC during 2021 in order to design and implement an updated LIC operating model, proposing 3 plausible solutions to the regulators to address any concerns, who had no objection in principle to them, namely: (1) Underwriters employed by or seconded to LIC through its UK branch; (2) Underwriters seconded or employed by LIC; (3) A service company/mandated underwriter(s) model. Atrium elected for a slightly amended version of solution 1 (1.2), which involves five Atrium underwriters being seconded to LICs UK branch (LIC UK) to perform the IDD activities as secondees of LIC UK. Each seconded underwriter has entered into a tripartite secondment agreement between LIC UK, Atrium and the secondee which provides control, supervision and oversight over the secondee's work via a Performance Management Framework. Neither the secondment nor this Secondee Performance Management Framework gives rise to any relationship of employment between LIC UK and any secondee; all secondees will remain employed by Atrium throughout their secondments.

Atrium successfully implemented the new Lloyd's Europe Operating Model for business incepting after 1 January 2022 for all impacted business. This operates under a model which involves Atrium underwriters being seconded to LIC UK to perform the IDD activities as secondees of LIC UK.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

DIRECTORS AND OFFICERS

The Directors and Officers of the managing agent who served during the year ended 31 December 2022 and to the date of signing these financial statements were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
James Cox
Toby Drysdale (Active Underwriter 609) (Resigned 1 January 2023)
Gordon Hamilton
Richard Harries
Peter Laidlaw (Active Underwriter 609) (Appointed 1 January 2023)
James Lee
Stephen Riley
Samit Shah
Kirsty Steward
Christopher Stooke

DIRECTORS' INTERESTS

Details of Directors' interests may be found in note 17 to the accounts.

GOING CONCERN

The Directors have performed an assessment of the syndicate's ability to continue as a going concern, including the impact of inflation as well as the direct and indirect impacts of the war in Ukraine.

The syndicate has included the expected impact of inflationary pressures on the claims reserves within the best estimate reserves as at 31 December 2022. The impact of inflation has been assessed on a class by class basis with reference to available forward looking inflation forecasts and relevant indices as applicable to each class. The capital setting process for 2023 took account of the expectation of the higher inflationary environment that we are currently in as well as the volatility around when inflation will peak and what the new normal run rate of inflation may be in the future.

The syndicate has reserved for losses arising out of the war in Ukraine following the principals set out in Financial Reporting Standard 102 (FRS 102). Direct losses reserved for amount to £21.1m gross and £8.7m net of reinsurance as at 31 December 2022. The reserves for the indirect losses amount to £138.3m gross and £39.2m net of reinsurance as at 31 December 2022.

The indirect impacts of the war relate to the fate of the western leased aircraft in Russia. This is an extremely complicated situation and one in which the evidential picture is still developing. The following factors: (i) whether there has been a loss at all, and (ii) if so, whether that loss is an all-risks (as multiple aviation war insurers are asserting) or war peril loss, (iii) when it occurred, (iv) whether it's a single loss event or multiple loss events and (v) how sanctions impact same, all result in considerably different reserving outcomes to the syndicate. In arriving at the reserving position for this loss, the financial implications of multiple scenarios have been modelled, taking account of the uncertainties listed above and utilising a probabilistic framework. In arriving at our reserving position, the likelihood of these scenarios occurring was established using expert judgement. The two classes potentially impacted are Aviation Reinsurance and Aviation War. The loss reserve is split 93% to the 2021 year of account and 7% to the 2022 year of account. Due to the nature of the circumstances mentioned above, the potential for variation to the booked reserves is considerably greater than the normal level of reserve sensitivity to downside risk and the actual outcome of the loss could be in a particularly wide range with greater than usual variability.

The Directors, in conjunction with the relevant subject matter experts, have been monitoring the situation closely, taking legal advice and meeting with market participants on a regular basis to ensure that the most up to date information is reflected within the syndicate reserves.

The syndicate has a documented Stress & Scenario Testing Framework which sets out the stress, scenario and reverse stress tests conducted during the year and the governance, reporting and escalation procedures around these. As per its role to oversee and coordinate the stress testing process, the ERC has reviewed this framework and the RC has also reviewed and challenged the Framework and tests.

The purpose of scenario testing is to assess the financial impact caused by a series of major detrimental events within one scenario. The total financial impact is then used as a check of the Internal Model's robustness and the syndicate's overall capital adequacy. The scenarios used by management are informed by the syndicate business plan, making them bespoke to the business. As part of the stress testing work, reverse stress tests were also completed. Reverse stress tests assess scenarios and circumstances that would render the syndicate's business model unviable, thereby identifying potential business vulnerabilities.

The Board's long-term strategy is to grow the syndicate into a hardening market, increasing stamp capacity in order to take advantage of rising rates and new business opportunities. This results in increased capital requirements for the capital providers. The syndicate continues to take advantage of the improved rating environment by writing increased levels of business at higher pricing levels in 2023. The syndicate was able to open the 2023 year of account with increased stamp capacity of £872.6m.

As at 31 December 2022, the Board considers that the syndicate has more than adequate liquidity to pay its obligations as they fall due. The syndicate held cash and cash equivalents of £37.9m and fixed maturity investments with maturity dates of less than one year of £258.2m.

Based on the going concern assessment performed as at 31 December 2022, the Directors have formed a judgment that there is a reasonable expectation that the syndicate has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these financial statements. The 2023 year of account has opened and that based on the Directors assessment that the syndicate has sufficient resources to do so, they have a reasonable expectation to be in a position to open a 2024 year of account. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements.

RE-APPOINTMENT OF AUDITORS

The Board of Directors have re -appointed KPMG LLP as the syndicate auditors for the year ending 31 December 2023. KPMG LLP have indicated their willingness to continue in office as the syndicate Auditor.

SYNDICATE ANNUAL GENERAL MEETING

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) AUL does not propose to hold a Syndicate Annual General Meeting of the members of the syndicate. Members may object to this proposal or the intention to reappoint auditors within 21 days of the issue of these financial statements. Any such objection should be addressed to James Cox, Compliance Direct or, at the registered office.

DISCLOSURE OF INFORMATION TO THE AUDITORS

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

By order of the Board

James Lee
Managing Director
24 February 2023

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The Directors of the managing agent are responsible for preparing the syndicate annual accounts in accordance with applicable law and regulations.

Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their syndicate's annual accounts for each financial year. Under that law they have elected to prepare the annual accounts in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the syndicate and of the profit or loss of the syndicate for that period. In preparing these annual accounts, the directors of the managing agent are 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 annual accounts;
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The Directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable them to ensure that the annual accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the syndicate and to prevent and detect fraud and other irregularities.

The Directors of the managing agent are responsible for the maintenance and integrity of the syndicate and financial information included on the syndicate's website. Legislation in the UK governing the preparation and dissemination of syndicate annual accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SYNDICATE 609

OPINION

We have audited the syndicate annual accounts of syndicate 609 ("the syndicate") for the year ended 31 December 2022 which comprise the Statement of Comprehensive Income: Technical account – General business, Statement of Comprehensive Income: non-technical account, Balance Sheet – Assets, Balance Sheet – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the syndicate annual accounts:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; 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 are described below. We have fulfilled our ethical responsibilities under, and are independent of the syndicate in accordance with, UK ethical requirements including the FRC Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

EMPHASIS OF MATTER – LEVEL OF UNCERTAINTY IN RUSSIAN AVIATION EXPOSURES

We draw attention to Note 2 of the syndicate annual accounts, concerning the significant level of uncertainty in relation to the possible claims arising out of the syndicate's Russian aviation exposures. This matter results in more potential variability than would ordinarily be the case in the potential outcomes regarding technical provisions.

Our opinion is not modified in respect of this matter.

GOING CONCERN

The Directors of the Managing Agent ("the Directors") have prepared the syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the syndicate annual accounts ("the going concern period").

In our evaluation of the Directors' conclusions, we considered the inherent risks to the syndicate's business model and analysed how those risks might affect the syndicate's financial resources or ability to continue operations over the going concern period, including reviewing correspondence with Lloyd's to assess whether there were any known impediments to establishing a further year of account.

Our conclusions based on this work:

- we consider that the Directors' use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate; and
- we have not identified, and concur with the Directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the syndicate will continue in operation.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit, and inspection of policy documentation as to the syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the syndicate and Managing Agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected, or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements related to the valuation of claims reserves.

Valuation of these liabilities, especially in respect of the incurred but not reported (IBNR) component, is highly judgmental as it requires a number of assumptions to be made such as initial expected loss ratios and claim development patterns all of which carry high estimation uncertainty and are difficult to corroborate creating opportunity for management to commit fraud.

On this audit we do not believe there is a fraud risk related to revenue recognition because of the limited estimation involved in accruing premium income. We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing these entries to supporting documentation. These included those posted to cash accounts or journals posted by individuals who typically do not make journal entries.
- We assessed the appropriateness and consistency of the methods and assumptions used for reserving. For a selection of classes of business we considered to be high risk, we performed alternative reprojections to the actuarial best estimate using our own gross loss ratios and compared these to the syndicate's results, assessing the results for evidence of bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the syndicate annual accounts from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Managing Agent's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the syndicate annual accounts varies considerably.

Firstly, the syndicate is subject to laws and regulations that directly affect the syndicate annual accounts including financial reporting legislation (including related Lloyd's legislation), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related syndicate annual accounts items.

Secondly, the syndicate is subject to many other laws and regulations where the consequences of non- compliance could have a material effect on amounts or disclosures in the syndicate annual accounts, for instance through the imposition of fines or litigation or the loss of the syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: corruption and bribery, compliance with regulations relating to sanctions due to the nature of the business written by the syndicate, financial products and services regulation and the Solvency II regime including capital requirements, recognising the financial and regulated nature of the syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the syndicate annual accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non- compliance with laws and regulations is from the events and transactions reflected in the syndicate annual accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

OTHER INFORMATION – REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the syndicate annual accounts or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the syndicate annual accounts; and
- in our opinion the Report of the Directors of the Managing Agent has been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in these respects.

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 8, the Directors of the Managing Agent are responsible for: the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease operations, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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 our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the syndicate annual accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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.

Kushan Tikkoo

Kushan Tikkoo (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL
24 February 2023

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	£'000	2022 £'000	£'000	2021 £'000
Earned premiums, net of reinsurance					
Gross premiums written	5		**926,038**		711,224
Outward reinsurance premiums			**(113,098)**		(80,731)
Net premiums written			**812,940**		630,493
Change in the provision for unearned premiums:					
Gross amount		**(69,332)**		(41,578)	
Reinsurers' share		**7,363**		1,394	
Change in the net provision for unearned premiums			**(61,969)**		(40,184)
Earned premiums, net of reinsurance			**750,971**		590,309
Allocated investment return transferred from the non-technical account			**(32,860)**		(1,152)
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		**261,888**		230,840	
Reinsurers' share		**(16,236)**		(29,548)	
Net claims paid			**245,652**		201,292
Change in the provision for claims:					
Gross amount		**301,351**		54,404	
Reinsurers' share		**(151,623)**		12,365	
Change in the net provision for claims			**149,728**		66,769
Claims incurred, net of reinsurance			**(395,380)**		(268,061)
Net operating expenses	7		**(276,102)**		(251,516)
Balance on the technical account for general business			**46,629**		69,580

All operations relate to continuing activities.

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2022

	Notes	2022 £'000	2021 £'000
Balance on the technical account for general business		**46,629**	69,580
Investment income	10	**12,099**	9,601
Net unrealised losses on investments	10	**(43,703)**	(8,354)
Investment expenses and charges	10	**(1,256)**	(2,399)
Allocated investment return transferred to general business technical account		**32,860**	1,152
Foreign exchange gains/(losses)		**876**	(1,997)
Profit for the financial year		**47,505**	67,583
Other comprehensive income			
Currency translation differences		**(77)**	558
Total comprehensive income for the year		**47,428**	68,141

All operations relate to continuing activities.

BALANCE SHEET: ASSETS

AT 31 DECEMBER 2022

	Notes	£'000	2022 £'000	£'000	2021 £'000
Investments	11		**857,314**		648,633
Deposits with ceding undertakings			**2,863**		5,301
Reinsurers' share of technical provisions					
Provision for unearned premiums	15	**34,972**		23,121	
Claims outstanding	15	**254,964**		89,841	
			289,936		112,962
Debtors					
Debtors arising out of direct insurance operations	12	**310,876**		212,528	
Debtors arising out of reinsurance operations		**32,072**		21,124	
Other debtors		**545**		501	
			343,493		234,153
Other assets					
Cash at bank and in hand		**37,947**		27,539	
Overseas deposits		**104,685**		102,656	
			142,632		130,195
Prepayments and accrued interest		**2,785**		1,422	
Deferred acquisition costs	13	**108,759**		90,254	
			111,544		91,676
Total assets			**1,747,782**		1,222,920

BALANCE SHEET: LIABILITIES

AT 31 DECEMBER 2022

	Notes	£'000	2022 £'000	£'000	2021 £'000
Capital and reserves					
Members' balances			**64,885**		45,218
Technical provisions					
Provision for unearned premiums	15	**406,431**		306,523	
Claims outstanding	6, 15	**1,171,381**		789,783	
			1,577,812		1,096,306
Creditors					
Creditors arising out of direct insurance operations	16	**19,093**		17,173	
Creditors arising out of reinsurance operations		**59,723**		31,501	
Other creditors		**15,142**		19,297	
			93,958		67,971
Accruals and deferred income			**11,127**		13,425
Total liabilities			**1,747,782**		1,222,920

The Annual Report and Accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, on 24 February 2023 and were signed on its behalf by:

James Lee
Agency Managing Director
24 February 2023

Richard Harries
Chief Executive Officer
24 February 2023

STATEMENT OF CHANGES IN MEMBERS' BALANCES

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £'000	2021 £'000
Members' balances brought forward at 1 January	**45,218**	11,861
Profit for the financial year	**47,505**	67,583
Payments of profit to members' personal reserve funds	**(27,761)**	(34,784)
Other comprehensive (loss)/income for the year	**(77)**	558
Members' balances carried forward at 31 December	**64,885**	45,218

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2022

	2022 £'000	2021 £'000
Cash flows from operating activities		
Profit for the financial year	**47,505**	67,583
Increase in gross technical provisions	**381,709**	97,113
(Increase) / decrease in reinsurers' share of gross technical provisions	**(165,464)**	11,051
Increase in debtors	**(101,435)**	(43,520)
Increase in creditors	**16,596**	6,362
Investment return	**32,860**	1,152
Other	**(513)**	(64)
Net cash flows from operating activities	**211,258**	139,677
Cash flows from investing activities		
Purchase of debt instruments	**(344,294)**	(304,068)
Sale of debt instruments	**162,184**	196,050
Investment income received	**10,843**	7,202
Other	**(3,580)**	(3,657)
Net cash flows from investing activities	**(174,847)**	(104,473)
Cash flows from financing activities		
Transfer to members in respect of underwriting participations	**(25,668)**	(32,422)
Other	**(2,228)**	(1,640)
Net cash flows from financing activities	**(27,896)**	(34,062)
Net increase in cash and cash equivalents	**8,515**	1,142
Cash and cash equivalents at beginning of financial year	**27,768**	26,924
Effect of foreign exchange rates on cash and cash equivalents	**1,885**	(298)
Cash and cash equivalents at end of financial year	**38,168**	27,768
Reconciliation to cash at bank and in hand		
Cash at bank and in hand at end of financial year	**37,947**	27,539
Short term deposits with credit institutions	**221**	229
Cash and cash equivalents at end of financial year	**38,168**	27,768

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2022

1. BASIS OF PREPARATION

The syndicate is managed by AUL which is incorporated in the United Kingdom. The address of its registered office is Room 790, Lloyd's, 1 Lime Street, London, EC3M 7DQ and the company registration number of the managing agent is 1958863.

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting Standard 102 (FRS 102). FRS 102 requires the application of Financial Reporting Standard 103 (FRS 103) in relation to insurance contracts.

The financial statements have been prepared on the historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

The financial statements are presented in Pound Sterling. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The Directors of the Managing Agent have prepared these financial statements on the basis that the syndicate will continue to write future business. The ability of the syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are not able to meet their underwriting liabilities.

Going Concern

The Directors have performed an assessment of the syndicate's ability to continue as a going concern, including the impact of inflation as well as the direct and indirect impacts of the war in Ukraine, as detailed in note 2.

The syndicate has a documented Stress & Scenario Testing Framework which sets out the stress, scenario and reverse stress tests conducted during the year and the governance, reporting and escalation procedures around these. As per its role to oversee and coordinate the stress testing process, the ERC has reviewed this framework and the RC has also reviewed and challenged the Framework and tests.

The purpose of scenario testing is to assess the financial impact caused by a series of major detrimental events within one scenario. The total financial impact is then used as a check of the Internal Model's robustness and the syndicate's overall capital adequacy. The scenarios used by management are informed by the syndicate business plan, making them bespoke to the business. As part of the stress testing work, reverse stress tests were also completed. Reverse stress tests assess scenarios and circumstances that would render the syndicate's business model unviable, thereby identifying potential business vulnerabilities.

The Board's long-term strategy is to grow the syndicate into a hardening market, increasing stamp capacity in order to take advantage of rising rates and new business opportunities. This results in increased capital requirements for the capital providers. The syndicate continues to take advantage of the improved rating environment by writing increased levels of business at higher pricing levels in 2023. The syndicate was able to open the 2023 year of account with increased stamp capacity of £872.6m.

As at 31 December 2022, the Board considers that the syndicate has more than adequate liquidity to pay its obligations as they fall due. The syndicate held cash and cash equivalents of £37.9m and fixed maturity investments with maturity dates of less than one year of £258.2m.

Based on the going concern assessment performed as at 31 December 2022, the Directors have formed a judgment that there is a reasonable expectation that the syndicate has adequate resources to continue in operational existence in the foreseeable future, a period of at least 12 months from the date of signing these financial statements. The 2023 year of account has opened and that based on the Directors assessment that the syndicate has sufficient resources to do so, they have a reasonable expectation to be in a position to open a 2024 year of account. Accordingly, the Directors continue to adopt the going concern basis in preparing the annual report and financial statements..

2. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the directors of the managing agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

2. USE OF JUDGEMENTS AND ESTIMATES CONTINUED

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs.

For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

The syndicate has included the expected impact of inflationary pressures on the claims reserves within the best estimate reserves as at 31 December 2022. The impact of inflation has been assessed on a class by class basis with reference to available forward looking inflation forecasts and relevant indices as applicable to each class. The capital setting process for 2023 took account of the expectation of the higher inflationary environment that we are currently in as well as the volatility around when inflation will peak and what the new normal run rate of inflation may be in the future.

The syndicate has reserved for losses arising out of the war in Ukraine following the principals set out in FRS102. Direct losses reserved for amount to £21.1m gross and £8.7m net of reinsurance as at 31 December 2022. The reserves for the indirect losses amount to £138.3m gross and £39.2m net of reinsurance as at 31 December 2022.

The indirect impacts of the war relate to the fate of the western leased aircraft in Russia. This is an extremely complicated situation and one in which the evidential picture is still developing. The following factors: (i) whether there has been a loss at all, and (ii) if so, whether that loss is an all-risks (as multiple aviation war insurers are asserting) or war peril loss, (iii) when it occurred, (iv) whether it's a single loss event or multiple loss events and (v) how sanctions impact same, all result in considerably different reserving outcomes to the syndicate. In arriving at the reserving position for this loss, the financial implications of multiple scenarios have been modelled, taking account of the uncertainties listed above and utilising a probabilistic framework. In arriving at our reserving position, the likelihood of these scenarios occurring was established using expert judgement. The two classes potentially impacted are Aviation Reinsurance and Aviation War. The loss reserve is split 93% to the 2021 year of account and 7% to the 2022 year of account. Due to the nature of the circumstances mentioned above, the potential for variation to the booked reserves is considerably greater than the normal level of reserve sensitivity to downside risk and the actual outcome of the loss could be in a particularly wide range with greater than usual variability.

The Directors, in conjunction with the relevant subject matter experts, have been monitoring the situation closely, taking legal advice and meeting with market participants on a regular basis to ensure that the most up to date information is reflected within the syndicate reserves.

In arriving at the level of claims provisions, a margin is applied over and above the actuarial best estimate so no adverse run-off deviation is envisaged. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement, is included in note 4.

The calculation of estimated premium income is inherently subjective and attained through underwriters' best estimates at a policy level.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the syndicate financial statements are set out below. These policies have been consistently applied to all the years presented, unless otherwise stated.

The areas involving a higher degree or judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Insurance Classification

The syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to pay significant additional benefits above premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Gross Premiums Written

Gross written premiums comprise the total premiums receivable for the whole period of cover under contracts incepting during the financial year, together with adjustments arising in the financial year to premiums receivable in respect of business written in previous financial years.

All gross premiums are shown gross of commission payable to intermediaries and are exclusive of taxes and duties levied thereon.

Unearned Premiums

Written premiums are recognised as earned income over the period of the policy on a time apportionment basis, having regard, where appropriate, to the incidence of the risk. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date.

Reinsurance Premium Ceded

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

Claims Provisions and Related Recoveries

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

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of IBNR at the balance sheet date based on statistical methods.

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

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

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

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

Deferred Acquisition Costs

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Unexpired Risks Provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to the classes of business which are managed together, after taking into account relevant investment returns.

Investment Return

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

Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price.

Unrealised gains and losses on investments represents the difference between the valuation at the balance sheet date and the 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 support the underwriting business.

Foreign Currencies

The syndicate's functional currency is US dollars, being the primary economic environment in which it operates. The syndicate's presentational currency is Sterling.

Transactions in foreign currencies are translated at the average rates of exchange for the period. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Differences arising on translation of foreign currency amounts relating to the insurance operations of the syndicate are included in the non-technical account.

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

Financial Instruments

The syndicate has chosen to adopt Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance and reinsurance operations, cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at fair value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is then measured at the present value of the future receipts discounted at a market rate of interest.

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are off set and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability, simultaneously.

Fair Value Measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique. See note 11 for further information on the syndicate's valuation techniques.

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

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

Deposits with Ceding Undertakings

Deposits with ceding undertakings relate to the payment of advance funds by the syndicate under the reinsurance agreement with LIC into segregated Part VII settlement bank accounts managed by the managing agent on behalf of LIC to settle Part VII claims. Amounts are denominated in multiple currencies, primarily Sterling (GBP), US Dollar (USD) and Euros (Euro). Deposits with ceding undertakings are measured at cost less allowance for impairment.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to only an insignificant risk of change in value.

Taxation

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

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

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

Pension Costs

The Atrium Group operates a defined contribution pension scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit Commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged it is included within members' standard personal expenses within administrative expenses.

4. RISK AND CAPITAL MANAGEMENT

This note presents information about the nature and extent of insurance and financial risks to which the syndicate is exposed.

Risk Management Framework

The Board of Directors of the managing agent has overall responsibility for the establishment and oversight of the syndicate's risk management framework. The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the Risk Management Framework is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the RC and ERC, which fulfils the role of Atrium's Risk Management Function, in conjunction with the Risk Management Team, and its three Risk Sub-Committees. These are the IRSC, the FRSC and the ORSC. The RC reports regularly to the Board of Directors on its activities.

Insurance Risk Management

The syndicate accepts insurance risk through its insurance contracts where it assumes the risk of loss from persons or organisations that are directly subject to the underlying loss. The syndicate is exposed to the uncertainty surrounding the timing, frequency and severity of claims under these contracts. The actual number and value of claims will vary from year to year and from the level estimated, possibly significantly.

The syndicate manages its risk via its underwriting and reinsurance strategy within an overall risk management framework. Pricing is based on assumptions which have regard to trends and past experience. Exposures are managed by having documented underwriting limits and criteria. Reinsurance is purchased to mitigate the effect of potential loss to the syndicate from individual large or catastrophic events and also to provide access to specialist risks and to assist in managing capital. Reinsurance policies are written with approved reinsurers on either a proportional or excess of loss treaty basis. Where an individual exposure is deemed surplus to the syndicate's risk appetite additional facultative reinsurance is also purchased.

The IRSC oversees the management of reserving risk. The use of proprietary and standardised modelling techniques, internal and external benchmarking, and the review of claims development are all instrumental in mitigating reserving risk.

The syndicate's in-house actuaries perform a reserving analysis on a quarterly basis liaising closely with underwriters, claims and reinsurance technicians. The aim of this exercise is to produce a probability-weighted average of the expected future cash outflows arising from the settlement of incurred claims. These projections include an analysis of claims development compared to the previous 'best estimate' projections. The output of the reserving analysis is reviewed by external consulting actuaries.

The IRSC performs a comprehensive review of the projections, both gross and net of reinsurance. Following this review the IRSC makes recommendations to the managing agent's board of directors of the claims provisions to be established. In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate.

Concentration of insurance risk:

A concentration of risk may also arise from a single insurance contract issued to a particular demographic type of policyholder, within a geographical location or to types of commercial business. The relative variability of the outcome is mitigated if there is a large portfolio of similar risks.

The concentration of insurance by the geographical location of the underlying risk is summarised below by reference to liabilities.

	Gross claims outstanding		Reinsurers' share of claims outstanding		Net claims outstanding	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
UK	**59,867**	49,186	**13,031**	5,595	**46,836**	43,591
Other EU Countries	**61,405**	53,273	**13,365**	6,060	**48,040**	47,213
US	**806,492**	508,544	**175,544**	57,849	**630,948**	450,695
Asia	**9,225**	5,536	**2,008**	630	**7,217**	4,906
Canada	**93,844**	73,268	**20,426**	8,334	**73,418**	64,934
Australia	**43,859**	30,967	**9,546**	3,523	**34,313**	27,444
Other	**96,689**	69,009	**21,044**	7,850	**75,645**	61,159
	1,171,381	789,783	**254,964**	89,841	**916,417**	699,942

The concentration of insurance by type of contract is summarised below by reference to liabilities.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

	Gross claims outstanding		Reinsurers' share of claims outstanding		Net claims outstanding	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Accident and health	**37,684**	41,058	**5,618**	5,868	**32,066**	35,190
Motor (third party liability)	**1,356**	734	**–**	5	**1,356**	729
Motor (other classes)	**6,226**	4,680	**–**	–	**6,226**	4,680
Marine, aviation and transport	**174,942**	76,304	**81,109**	11,288	**93,833**	65,016
Fire and other damage to property	**265,071**	175,632	**36,685**	11,436	**228,386**	164,196
Third party liability	**461,892**	348,131	**45,598**	33,274	**416,294**	314,857
Credit and suretyship	**23,996**	13,348	**589**	739	**23,407**	12,609
Legal expenses	**3,216**	1,357	**54**	(182)	**3,162**	1,539
	974,383	661,244	**169,653**	62,428	**804,730**	598,816
Reinsurance	**196,998**	128,539	**85,311**	27,413	**111,687**	101,126
Total	**1,171,381**	789,783	**254,964**	89,841	**916,417**	699,942

Assumptions and sensitivities:

The risks associated with the insurance contracts are complex and subject to a number of variables which complicate quantitative sensitivity analysis. The syndicate uses several statistical and actuarial techniques based on past claims development experience. This includes indications such as average claims cost, ultimate claims numbers and expected loss ratios.

The syndicate considers that the liability for insurance claims recognised in the balance sheet is adequate. However, actual experience will differ from the expected outcome.

A 5% increase or decrease in the loss ratios would have the following impact on total comprehensive income. For each sensitivity the impact of a change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact	
	2022 £'000	2021 £'000
5% increase in net loss ratios	**(19,769)**	(13,403)
5% decrease in net loss ratios	**19,769**	13,403

Financial Risk Management

The syndicate is exposed to financial risk through its financial assets, reinsurance assets and policyholder liabilities. In particular the key financial risk is that proceeds from, or the valuation of, financial assets are not sufficient to fund the obligations arising from policies as they fall due. The syndicate monitors and manages the financial risks relating to the operations of the syndicate through internal risk reports which analyse exposures by degree and magnitude of risks. These risks include market risk (currency risk, interest rate risk and price risk), credit risk and liquidity risk.

Market risk: Market risk is the risk of adverse financial impact as a consequence of market movements such as currency exchange rates, interest rates and other price changes. Market risk arises due to fluctuations in both the value of assets held and the value of liabilities. The objective of the syndicate in managing its market risk is to ensure that risk is managed in line with the syndicate's risk appetite.

The syndicate has established policies and procedures in order to manage market risk and methods to measure it.

There were no material changes in the syndicate's market risk exposure in the financial year nor to the objectives, policies or processes for managing market risk.

Foreign currency risk management

The syndicate undertakes certain transactions denominated in foreign currencies hence, exposures to exchange rate fluctuations arise.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2022

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The syndicate has minimal exposure to currency risk as the syndicate's financial assets are primarily matched to the same currencies as its insurance contract liabilities. As a result, foreign exchange risk arises from other recognised assets and liabilities denominated in other currencies.

The table below summarises the carrying value of the syndicate's assets and liabilities at the reporting date:

As at 31 December 2022	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	45,271	47,559	664,513	99,971	–	857,314
Deposits with ceding undertakings	792	759	1,251	61	–	2,863
Reinsurers' share of technical provisions	19,221	5,335	256,601	8,779	–	289,936
Debtors	51,366	14,691	256,019	21,417	–	343,493
Other assets	43,489	17,287	60,645	20,857	354	142,632
Prepayments and accrued interest	24,915	6,250	67,866	12,513	–	111,544
Total assets	185,054	91,881	1,306,895	163,598	354	1,747,782
Technical provisions	184,583	78,088	1,182,114	133,027	–	1,577,812
Creditors	10,751	3,260	78,946	999	2	93,958
Accruals and deferred income	475	368	9,694	590	–	11,127
Total liabilities	195,809	81,716	1,270,754	134,616	2	1,682,897
Net (liabilities)/assets	(10,755)	10,165	36,141	28,982	352	64,885

As at 31 December 2021	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	33,957	39,255	495,858	79,563	–	648,633
Deposits with ceding undertakings	767	2,189	2,287	58	–	5,301
Reinsurers' share of technical provisions	10,179	5,817	92,805	4,161	–	112,962
Debtors	38,984	14,975	162,366	17,828	–	234,153
Other assets	44,663	1,857	61,173	22,186	316	130,195
Prepayments and accrued interest	23,550	5,407	51,227	11,492	–	91,676
Total assets	152,100	69,500	865,716	135,288	316	1,222,920
Technical provisions	151,034	68,362	768,695	108,215	–	1,096,306
Creditors	16,687	6,064	44,131	1,087	2	67,971
Accruals and deferred income	475	349	12,134	467	–	13,425
Total liabilities	168,196	74,775	824,960	109,769	2	1,177,702
Net (liabilities)/assets	**(16,096)**	**(5,275)**	**40,756**	**25,519**	**314**	**45,218**

The following table details the syndicate's sensitivity to a 10% increase and decrease in GBP against USD, Euro and CAD. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact 2022 £'000	2021 £'000
10% increase in GBP/USD exchange rate	(3,614)	1,610
10% decrease in GBP/USD exchange rate	3,614	(1,610)
10% increase in GBP/Euro exchange rate	(1,016)	527
10% decrease in GBP/Euro exchange rate	1,016	(527)
10% increase in GBP/CAD exchange rate	(2,898)	(2,553)
10% decrease in GBP/CAD exchange rate	2,898	2,553

The syndicate's method for measuring sensitivity to currency rate fluctuations has not changed significantly over the financial year.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Interest rate risk management

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

Interest rate risk arises primarily from the syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The FRSC monitors the duration of these assets on a regular basis. The syndicate has no significant concentration of interest rate risk. The syndicate manages this risk by adopting close asset/liability matching criteria, to minimise the impact of mismatches between asset and liability values arising from interest rate movements.

The following table details the syndicate's sensitivity to a 50 basis point increase and decrease in the yield curves. For each sensitivity the impact of change in a single factor is shown, with other assumptions unchanged.

	Total Comprehensive Income Impact	
	2022 £'000	2021 £'000
50 basis point increase	**(8,885)**	(7,399)
50 basis point decrease	**9,034**	6,694

The syndicate's method for measuring sensitivity to interest rate fluctuations has not changed significantly over the financial year.

Credit risk: Credit risk refers to the risk that a counterparty will default on its contractual obligations resulting in financial loss to the syndicate. The key areas of exposure to credit risk for the syndicate are in relation to its investment portfolio, reinsurance programme and amounts due from policyholders and intermediaries.

The objective of the syndicate in managing its credit risk is to ensure risk is managed in line with the syndicate's risk appetite. The syndicate has established policies and procedures in order to manage credit risk and methods to measure it.

There were no material changes in the syndicate's credit risk exposure in the financial year nor to the objectives, policies and processes for managing credit risk.

The syndicate has adopted a policy of dealing with creditworthy counterparties and obtaining sufficient collateral where appropriate, as a means of mitigating the risk of financial loss from defaults. The syndicate seeks to transact with entities that are rated the equivalent to investment grade and above.

This information is supplied by independent rating agencies where available and if not available the syndicate uses other publicly available financial information and its own trading records to rate its major policyholders and reinsurers.

The syndicate's exposure and the credit ratings of its counterparties are continuously monitored and the aggregate value of transactions concluded is spread amongst approved counterparties. Credit exposure is controlled by counterparty limits that are reviewed and approved by the FRSC annually. Furthermore, in certain instances, the syndicate receives deposits from its reinsurers which it holds under the terms of the reinsurance agreements.

Receivables consist of a large number of policyholders, spread across diverse industries and geographical areas. Ongoing credit evaluation is performed on the financial condition of accounts receivable.

The syndicate does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 10% of gross monetary assets at any time during the financial year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

The carrying amount of financial assets and reinsurance assets recorded in the financial statements represents the syndicate's maximum exposure to credit risk without taking account of the value of any collateral obtained.

The syndicate monitors the credit risk in relation to its investment portfolio and reinsurance programme by monitoring external credit ratings for the investments and reinsurance assets held by the syndicate on a quarterly basis.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

The following table shows aggregated credit risk exposure for assets with external credit ratings. Reinsurance assets are reinsurers' share of outstanding claims and IBNR and reinsurance receivables. They are allocated in the table below on the basis of ratings for claims paying ability.

As at 31 December 2022	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Investments	**148,552**	**280,470**	**324,762**	**42,324**	**61,206**	**–**	**857,314**
Deposits with ceding undertakings	**–**	**–**	**2,863**	**–**	**–**	**–**	**2,863**
Reinsurers' share of technical provisions	**–**	**71,346**	**150,181**	**10**	**1**	**68,398**	**289,936**
Debtors	**–**	**1,531**	**341,962**	**–**	**–**	**–**	**343,493**
Other assets	**58,681**	**11,463**	**47,712**	**8,708**	**3,445**	**12,623**	**142,632**
Prepayments and accrued interest	**–**	**–**	**2,785**	**–**	**–**	**–**	**2,785**
Total	**207,233**	**346,810**	**870,265**	**51,042**	**64,652**	**81,021**	**1,639,023**

Not rated other assets represent cash awaiting investment within our Lloyd's overseas deposits.

As at 31 December 2021	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Investments	101,950	182,509	280,338	43,394	40,442	–	648,633
Deposits with ceding undertakings	–	–	5,301	–	–	–	5,301
Reinsurers' share of technical provisions	–	25,666	52,704	226	3	34,363	112,962
Debtors	–	561	233,592	–	–	–	234,153
Other assets	47,362	20,935	39,165	8,261	3,579	10,893	130,195
Prepayments and accrued interest	–	–	1,422	–	–	–	1,422
Total	149,312	229,671	612,522	51,881	44,024	45,256	1,132,666

The following table shows the carrying value of debtors that are neither past due nor impaired, the aging of assets that are past due but not impaired and assets that have been impaired. The factors considered in determining that the value of the assets have been impaired were: analysis of impairment, ageing of balances, past loss experience, current economic conditions and other relevant circumstances.

As at 31 December 2022	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	**310,876**	**–**	**–**	**–**	**–**	**–**	**310,876**
Debtors arising out of direct reinsurance operations	**30,867**	**636**	**503**	**518**	**(452)**	**–**	**32,072**
Total	**341,743**	**636**	**503**	**518**	**(452)**	**–**	**342,948**

Reinsurance debtors greater than one year are a credit balance as they relate to a reinsurance refund of claims accrued not yet settled.

As at 31 December 2021	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	212,528	–	–	–	–	–	212,528
Debtors arising out of direct reinsurance operations	19,004	1,105	481	292	242	–	21,124
Total	231,532	1,105	481	292	242	–	233,652

Liquidity Risk Management

Liquidity risk is the risk that the syndicate cannot meet its obligations associated with financial liabilities as they fall due. The syndicate has adopted an appropriate liquidity risk management framework for the management of the syndicate's liquidity requirements. The syndicate manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities.

The syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the syndicate's assets are marketable securities which could be converted into cash when required.

4. RISK AND CAPITAL MANAGEMENT CONTINUED

There were no material changes in the syndicate's liquidity risk exposure in the financial year nor to the objectives, policies and processes for managing liquidity risk.

In relation to the financial assets, the tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the syndicate anticipates that the cash flow will occur in a different period.

The table also shows the expected maturity profile of the syndicate's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

As at 31 December 2022	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	**319,438**	**211,090**	**185,646**	**141,140**	**857,314**
Deposits with ceding undertakings	**–**	**2,863**	**–**	**–**	**2,863**
Reinsurers' share of technical provisions	**127,364**	**88,665**	**38,134**	**35,773**	**289,936**
Debtors	**343,216**	**277**	**–**	**–**	**343,493**
Other assets	**63,453**	**67,041**	**11,402**	**736**	**142,632**
Prepayments and accrued interest	**2,785**	**–**	**–**	**–**	**2,785**
Total	**856,256**	**369,936**	**235,182**	**177,649**	**1,639,023**
Technical provisions	**830,905**	**407,355**	**175,198**	**164,354**	**1,577,812**
Creditors	**93,939**	**19**	**–**	**–**	**93,958**
Accruals and deferred income	**1,551**	**9,576**	**–**	**–**	**11,127**
Total	**926,395**	**416,950**	**175,198**	**164,354**	**1,682,897**

As at 31 December 2021	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	177,007	200,481	149,076	122,069	648,633
Deposits with ceding undertakings	–	5,301	–	–	5,301
Reinsurers' share of technical provisions	36,504	48,492	15,444	12,522	112,962
Debtors	233,703	450	–	–	234,153
Other assets	90,657	34,757	3,540	1,241	130,195
Prepayments and accrued interest	1,422	–	–	–	1,422
Total	539,293	289,481	168,060	135,832	1,132,666
Technical provisions	610,587	304,529	111,495	69,695	1,096,306
Creditors	67,971	–	–	–	67,971
Accruals and deferred income	1,420	12,005	–	–	13,425
Total	679,978	316,534	111,495	69,695	1,177,702

Climate Change Risk

Climate risk can be broadly divided into 3 categories: physical, transition and liability. Physical risk relates to the change in climate and weather events which have the potential to directly affect the economy. Transition risk can occur when moving towards a lower carbon economy and how the speed of the transition may affect certain sectors and affect financial stability. Liability risk refers to potential increased litigation against policyholders from individuals or businesses who have experienced losses because of physical or transition risk.

In 2022 Atrium formalised its framework for managing physical climate change risk. This addresses potential, current and future climate impacts on the natural catastrophe exposed portfolio by region peril combinations and identifies potential risk mitigation strategies.

An assessment of transition risk is made as part of Atrium's ORSA process. The transition risk from our investment portfolio is limited due to the short duration of the portfolio and the lack of investment in equities. However, there is more material exposure from several sections of our underwriting portfolio such as Aviation and Marine.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2022

4. RISK AND CAPITAL MANAGEMENT CONTINUED

In terms of liability risk, the syndicate periodically assesses its exposures on high-risk classes via risk assessments looking at potential litigation risks. In addition, the risk team review current trends in climate risk litigation and their applicability to our underwriting portfolios.

ESG Strategy

Our ESG strategy encompasses climate change risk but also considers a wider range of effects that may cause uncertainty to the financial performance of the syndicate. Atrium has a dedicated employee led ESG Group, with representation from the Executive Directors, whose main focus is currently on environmental and climate issues. There are separate Diversity and Inclusion, Corporate Social Responsibility and Working Practices Groups. All report into the Culture Committee however Atrium's RC maintains oversight for climate change and ESG risk as both can have significant effects on other insurance risks.

Atrium produced their first ESG Framework in 2022 in accordance with Lloyd's requirements. The Framework was created in a bespoke manner but using the Task Force on Climate-related Financial Disclosures (TCFD) principles and those set out in the PRA's SS3/19. The framework is reviewed regularly and updated annually, with recognition that the risks posed may be long term and across different areas of the business.

In 2022, Atrium continued to identify and mitigate against climate change risk, as well as progress on other ESG-related aspects. During the year Atrium integrated ESG into its business planning process to help identify key areas of ESG risk in its portfolio and also improve awareness of areas of potential reputational risk within our portfolios. We are improving our data and metrics related to climate risk, conducting tests of existing models, systems and processes to ensure they are adequate and relevant, building on scenario analysis and stress testing, reviewing new opportunities (underwriting and technological) and increasing knowledge and education. We endeavour to incorporate climate risk and ESG concerns across all decision-making processes and act as a responsible business.

Capital Management

Capital framework at Lloyd's

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

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

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

Lloyd's capital setting process

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member's SCR is determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to arrive at the member's capital requirement, known as the ECA. The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to ensure capital is sufficient to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2022 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), assets held 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 balance sheet, represent resources available to meet members' and Lloyd's capital requirements.

5. ANALYSIS OF UNDERWRITING RESULT

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

2022	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	36,932	37,284	18,139	16,298	(1,999)	**848**	44,060
Motor (third party liability)	4,932	4,232	1,050	1,519	(5)	**1,658**	3,914
Motor (other classes)	18,110	17,842	7,843	6,410	2	**3,591**	14,002
Marine, aviation and transport	223,818	181,335	116,330	66,485	29,142	**27,662**	193,184
Fire and other damage to property	358,950	336,480	177,541	104,066	(4,290)	**50,583**	389,637
Third party liability	216,143	213,528	112,440	78,400	(3,866)	**18,822**	471,118
Credit and suretyship	9,201	9,500	3,732	3,661	(873)	**1,234**	26,337
Legal expenses	6,123	4,166	1,916	1,804	210	**656**	5,719
	874,209	804,367	438,991	278,643	18,321	**105,054**	1,147,971
Reinsurance	51,829	52,339	124,248	10,358	56,702	**(25,565)**	139,905
Total	**926,038**	**856,706**	**563,239**	**289,001**	**75,023**	**79,489**	**1,287,876**

2021	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	37,166	34,584	7,244	15,537	(2,399)	9,404	46,166
Motor (third party liability)	2,733	2,120	681	893	–	546	2,300
Motor (other classes)	15,657	14,291	7,136	5,986	3	1,172	11,607
Marine, aviation and transport	129,000	117,749	21,400	50,324	(15,266)	30,759	112,827
Fire and other damage to property	280,284	259,302	116,597	99,612	(21,833)	21,260	292,565
Third party liability	187,472	184,223	89,776	73,477	(8,774)	12,196	388,242
Credit and suretyship	9,742	8,831	5,605	3,812	(755)	(1,341)	16,070
Legal Expenses	1,371	1,414	644	633	(2)	135	2,068
	663,425	622,514	249,083	250,274	(49,026)	74,131	871,845
Reinsurance	47,799	47,132	36,161	10,368	(4,002)	(3,399)	111,499
Total	711,224	669,646	285,244	260,642	(53,028)	70,732	983,344

Commission on direct insurance gross premiums earned during 2022 was £229,142,000 (2021 – £151,740,500).

All premiums are concluded in the UK.

The geographical analysis of premiums by destination is as follows:

	2022 %	2021 %
UK	**6.3**	7.2
EU countries	**10.8**	9.5
US	**50.7**	48.8
Asia	**2.9**	3.5
Canada	**9.8**	10.3
Australia	**4.0**	4.3
Other	**15.5**	16.4
Total	**100.0**	100.0

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2022

6. CLAIMS OUTSTANDING

Reassessment of claims outstanding on underwriting years 2019 & prior (2021 – 2018 & prior) resulted in a strengthening of £7.5m (2021 - improvement of £18.2m).

7. NET OPERATING EXPENSES

	2022 £'000	2021 £'000
Acquisition costs:		
Brokerage & commission	**233,582**	193,066
Other acquisition costs	**22,039**	22,954
Change in deferred acquisition costs	**(13,161)**	(12,480)
Administrative expenses	**46,541**	57,102
	289,001	260,642
Reinsurance commissions receivable	**(12,899)**	(9,126)
	276,102	251,516

Members' standard personal expenses (Lloyd's subscriptions, central fund contributions, managing agent's fees and profit commission) are included within administrative expenses and amount to £16,519,000 (2021 – £25,218,000).

Auditors' remuneration

Auditors' remuneration is included as part of the administrative expenses within the financial statements as disclosed above.

	2022 £'000	2021 £'000
Auditors' remuneration:		
– Audit of the syndicate annual accounts	**24**	20
– Other services pursuant to Regulations and Lloyd's Byelaws	**293**	266
– Other non-audit services	**87**	72
Total	**404**	358

8. STAFF NUMBERS AND COSTS

All staff are employed by Atrium Group Services Limited (AGSL). The following amounts were recharged to the syndicate in respect of staff costs:

	2022 £'000	2021 £'000
Wages and salaries	**17,802**	16,968
Variable compensation	**7,316**	13,695
Social security costs	**3,486**	4,108
Other pension costs	**2,880**	2,622
	31,484	37,393

The average number of employees employed by AGSL, but working for the syndicate during the year, analysed by category, was as follows:

	2022 Number	2021 Number
Management	**4**	5
Underwriting	**82**	75
Claims	**14**	11
Administration	**74**	68
	174	159

9. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The nine (2021 – ten) directors of AUL who served during 2022 received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2022 £'000	2021 £'000
Directors' emoluments	**1,255**	1,234
Pensions	**6**	7
	1,261	1,241

The 2021 comparative figures in the table above have been amended to reflect consistent disclosure of the directors' emoluments with the current year.

No other compensation was payable to key management personnel and charged to the syndicate.

The Active Underwriter who served during the year received the following remuneration charged as a syndicate expense and included within directors' emoluments above:

	2022 £'000	2021 £'000
Emoluments	**288**	279

10. INVESTMENT RETURN

	2022 £'000	2021 £'000
Investment income:		
Income from investments	**12,093**	9,202
Gains on the realisation of investments	**6**	399
	12,099	9,601
Net unrealised (losses) on investments:		
Unrealised gains on investments	**1,060**	1,890
Unrealised losses on investments	**(44,763)**	(10,244)
	(43,703)	(8,354)
Investment expenses and charges:		
Investment management expenses, including interest	**(449)**	(411)
Losses on the realisation of investments	**(807)**	(1,988)
	(1,256)	(2,399)
Allocated investment return transferred to general business technical account	**(32,860)**	(1,152)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2022

10. INVESTMENT RETURN CONTINUED

Calendar Year Investment Return

The table below presents the average amount of funds in the year per currency and analyses by currency the average investment yields in the year.

	2022 £'000	2021 £'000
Average syndicate funds available for investment during the year:		
Sterling	**39,158**	25,164
US dollars	**571,888**	464,279
Canadian dollars	**89,768**	70,614
Euro	**43,407**	40,460
Combined	**744,221**	600,517
Aggregate gross investment return for the year	**(30,661)**	(676)
Gross calendar year investment return:	%	%
Sterling	**(2.2)**	0.6
US dollars	**(4.3)**	0.1
Canadian dollars	**(2.7)**	(1.0)
Euro	**(5.9)**	(0.6)
Combined	**(4.2)**	(0.1)

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments. The syndicate's portfolio consists of high quality investments which are held on a short duration basis.

11. INVESTMENTS

	Fair value		Cost	
	2022 £'000	2021 £'000	2022 £'000	2021 £'000
Shares and other variable yield securities and units in unit trusts	**64,807**	63,263	**64,807**	63,263
Debt securities and other fixed income securities	**783,763**	576,608	**824,500**	573,260
Loans and deposits with credit institutions	**8,744**	8,762	**8,744**	8,762
	857,314	648,633	**898,051**	645,285

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	2022 £'000	2022 %	2021 £'000	2021 %
Government/Government Agency	**270,899**	**34.7**	177,149	30.7
AAA/Aaa	**217,930**	**27.8**	28,685	5.0
AA/Aa	**161,631**	**20.6**	108,372	18.8
A	**29,774**	**3.7**	178,566	31.0
BBB	**42,324**	**5.4**	43,394	7.5
<BBB	**61,205**	**7.8**	40,442	7.0
	783,763	**100.0**	576,608	100.0

The syndicate's core fund manager throughout 2022 was New England Asset Management (NEAM) specifically for bonds. The US dollar and Canadian dollar investments are managed by NEAM Inc, based in Farmington, United States and the Euro portfolio is managed by NEAM Ltd, a sister company based in Dublin, Ireland. Conning Asset Management Ltd manage a fund of bank loans in US dollars.

11. INVESTMENTS CONTINUED

Fair value methodology

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the syndicate applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data but in some cases management estimate other than observable market inputs within the valuation model. There is no standard model and different assumptions would generate different results.

To provide an indication about the reliability of the inputs used in determining fair value, the syndicate has classified its financial instruments into the three levels. Investments carried at fair value have been categorised using a fair value hierarchy. An explanation of each level and the value hierarchy is provided below.

Fair value hierarchy

Level 1 – Inputs to level 1 fair value are quoted prices (unadjusted) in active markets for identical assets. An active market is one in which transactions for the asset occurs with sufficient frequency and volume to provide pricing information on an on-going basis.

Level 2 – The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity- specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3 – Inputs to level 3 fair values are based on unobservable inputs for the assets at the last measurement date. If all significant inputs required to fair value an instrument are observable then the instrument is included in level 2, if not it is included in level 3.

The table below shows financial instruments carried at fair value through profit or loss grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

As at 31 December 2022	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	**–**	**64,807**	**–**	**64,807**
Debt securities and other fixed income securities	**89,497**	**694,267**	**–**	**783,764**
Loans and deposits with credit institutions	**16**	**–**	**8,727**	**8,743**
	89,513	**759,074**	**8,727**	**857,314**

As at 31 December 2021	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	–	63,263	–	63,263
Debt securities and other fixed income securities	31,795	544,813	–	576,608
Loans and deposits with credit institutions	34	–	8,728	8,762
	31,829	608,076	8,728	648,633

Lloyd's introduced syndicate loans to the Central Fund in relation to the 2019 year of account and 2020 year of account, with two tranches collected from the syndicate on the 2020 year of account. The proceeds from these loans are used to strengthen Lloyd's central resources and to inject capital into LIC. These loans will not be repaid before 5 years have elapsed. Interest thereon will be determined by reference to the risk-free yield plus a credit spread, and will normally be paid annually on an anniversary of the loan. Interest on these loans has been received. These investments have been classified as loans for which the fair value cannot be determined using direct or indirect observable inputs, with this, syndicate loans to the central fund have been categorised as level 3.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2022

12. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2022 £'000	2021 £'000
Due from intermediaries:		
Due within one year	**310,869**	212,528
Due after one year	**7**	–
	310,876	212,528

13. DEFERRED ACQUISITION COSTS

The table below shows changes in deferred acquisition costs from the beginning of the period to the end of the period.

	2022 £'000	2021 £'000
Balance at 1 January	**90,254**	77,407
Incurred costs deferred	**150,463**	135,347
Amortisation	**(139,162)**	(122,692)
Effect of movements in exchange rates	**7,204**	192
Balance at 31 December	**108,759**	90,254

14. CLAIMS DEVELOPMENT

The following tables show the development of claims over a period of time on both a gross and a net of reinsurance basis. FRS 103 requires that claims development shall go back to the period when the earliest material claim arose for which there is still uncertainty about the amount and timing of the claims payment, but need not go back more than ten years. The top half of the table shows how the estimates of total claims for each underwriting year develop over time. The lower half of the table reconciles the cumulative claims to the amount appearing in the balance sheet.

The cumulative claims estimates and payments for each underwriting year are translated into pounds sterling at the exchange rates prevailing at 31 December 2022 in all cases.

Analysis of claims development – gross	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**2017 £'000**	**2018 £'000**	**2019 £'000**	**2020 £'000**	**2021 £'000**	**2022 £'000**	**Total £'000**
Estimate of ultimate gross claims:											
at end of underwriting year	248,356	245,416	264,243	299,887	392,735	333,922	354,693	370,534	432,423	503,376	
one year later	242,661	217,770	278,252	276,219	373,841	326,971	354,897	319,204	522,281		
two years later	218,905	222,754	249,967	250,937	360,877	318,460	342,484	304,468			
three years later	227,334	196,879	236,208	238,560	356,699	314,360	339,312				
four years later	213,270	220,562	226,072	236,303	345,698	326,636					
five years later	209,856	212,329	223,111	233,398	357,274						
six years later	206,320	207,986	224,310	237,725							
seven years later	201,029	203,922	227,512								
eight years later	198,801	202,050									
nine years later	198,271										
Less gross claims paid	192,011	190,093	202,375	202,640	294,816	226,862	209,915	168,022	96,598	17,014	
Gross ultimate claims reserve	6,260	11,957	25,137	35,085	62,458	99,774	129,397	136,446	425,683	486,362	**1,418,559**
Gross ultimate claims reserve for 2012 & prior years											**56,499**
Gross unearned portion of ultimate claims											**(303,677)**
Gross claims reserve											**1,171,381**

Analysis of claims development – net	**2013 £'000**	**2014 £'000**	**2015 £'000**	**2016 £'000**	**2017 £'000**	**2018 £'000**	**2019 £'000**	**2020 £'000**	**2021 £'000**	**2022 £'000**	**Total £'000**
Estimate of ultimate net claims:											
at end of underwriting year	222,805	219,451	234,208	238,210	326,214	296,579	314,436	322,048	381,256	422,751	
one year later	221,602	203,393	253,603	245,133	321,995	300,358	322,153	295,883	389,265		
two years later	201,758	212,131	231,906	229,568	314,227	290,862	313,378	284,089			
three years later	209,514	188,702	220,211	220,197	309,010	288,421	307,376				
four years later	196,904	187,989	211,657	216,820	297,344	287,806					
five years later	193,022	181,991	207,490	213,864	304,169						
six years later	189,906	178,815	207,452	217,495							
seven years later	185,207	174,922	210,543								
eight years later	183,426	173,703									
nine years later	183,012										
Less net claims paid	176,730	162,899	186,936	185,190	252,310	212,787	192,523	158,324	94,400	16,889	
Net ultimate claims reserve	6,282	10,804	23,607	32,305	51,859	75,019	114,853	125,765	294,865	405,862	**1,141,221**
Net ultimate claims reserve for 2012 & prior years											**40,825**
Net unearned portion of ultimate claims											**(265,629)**
Net claims reserve											**916,417**

Amounts recognised in foreign currencies have been restated at the closing rates of exchange at the end of the reporting year.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2022

15. TECHNICAL PROVISIONS

The table below shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

Claims outstanding	2022 Gross provisions £'000	2022 Reinsurance assets £'000	2022 Net £'000	2021 Gross provisions £'000	2021 Reinsurance assets £'000	2021 Net £'000
Balance at 1 January	**789,783**	**89,841**	**699,942**	731,704	102,022	629,682
Claims and claims adjustment expenses for the year	**563,239**	**167,859**	**395,380**	285,244	17,183	268,061
Cash paid for claims settled in the year	**(261,888)**	**(16,236)**	**(245,652)**	(230,840)	(29,548)	(201,292)
Effect of movements in exchange rates	**80,247**	**13,500**	**66,747**	3,675	184	3,491
Balance at 31 December	**1,171,381**	**254,964**	**916,417**	789,783	89,841	699,942
Claims reported and claims adjustment expenses	**400,701**	**43,911**	**356,790**	302,262	34,595	267,667
Claims incurred but not reported	**770,680**	**211,053**	**559,627**	487,521	55,246	432,275
Balance at 31 December	**1,171,381**	**254,964**	**916,417**	789,783	89,841	699,942

Unearned premiums	2022 Gross provisions £'000	2022 Reinsurance assets £'000	2022 Net £'000	2021 Gross provisions £'000	2021 Reinsurance assets £'000	2021 Net £'000
Balance at 1 January	**306,523**	**23,121**	**283,402**	263,556	21,382	242,174
Premiums written during the year	**926,038**	**113,098**	**812,940**	711,224	80,731	630,493
Premiums earned during the year	**(856,706)**	**(105,735)**	**(750,971)**	(669,646)	(79,337)	(590,309)
Effect of movements in exchange rates	**30,576**	**4,488**	**26,088**	1,389	345	1,044
Balance at 31 December	**406,431**	**34,972**	**371,459**	306,523	23,121	283,402

16. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2022 £'000	2021 £'000
Due from intermediaries:		
Due within one year	**19,091**	17,173
Due after one year	**2**	–
	19,093	17,173

17. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Limited (a UK holding company) and Alopuc Limited is in turn a wholly owned subsidiary of Northshore Holdings Limited (Northshore), a Bermudan company. The ultimate beneficial owners of Northshore are affiliates of Stone Point Capital LLC (Stone Point) who hold approximately 77% economic interest and Cavello Bay Reinsurance Limited, a subsidiary of Enstar Group Limited, who hold approximately 14% economic interest. The balance of the shareholding was held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; AUL, Atrium Insurance Agency Limited (AIAL), AGSL, Atrium Risk Management Services (Washington) Ltd (ARMS), Atrium Corporate Capital Limited (ACCL) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited. AUL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is the managing agent of the syndicate.

Historically AUGL has participated on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited. With effect from the 2017 year of account until the 2020 year of account, this participation has been through another corporate member (SGL No. 1 Limited) under the terms of a lease agreement between SGL No. 1 Limited and Atrium 5 Limited. This arrangement ceased from the 2021 year of account with ACCL participating on the 2021 year of account onwards.

In the chart below the Atrium corporate underwriting capacity is provided by SGL No.1 Ltd on the 2020 year of account and by ACCL on the 2021 and post years of account.

	2020 Capacity £m	2021 Capacity £m	2022 Capacity £m	2023 Capacity £m
Syndicate 609	133.5	158.7	165.0	**221.6**

SGL No.1 Limited's and ACCL's (2021 onwards) participations on the managed syndicate as a % of syndicate capacity:

	Year of account			
	2020 %	2021 %	2022 %	2023 %
Syndicate 609	25.4	25.4	25.4	**25.4**

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. Syndicate 609 leads a binding authority granted to AIAL to underwrite space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$327,000 (2021 – US$278,000) is payable by the syndicate to AIAL in relation to premium earned in calendar year 2022. No profit commission has been incurred by the syndicate (2021 – £nil) during the calendar year 2022.

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides management services to all Atrium group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ARMS is incorporated in Washington State, United States, and was established to support the syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMS charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of US$2,538,000 were paid by Syndicate 609 in the calendar year 2022 (2021 – US$2,306,000).

17. DISCLOSURES OF INTEREST CONTINUED

The Directors' participations on Syndicate 609 via Nomina No. 207 LLP (the staff LLP) are as follows (this includes any director of AUL that served during 2022 and a partner in the LLP):

	2020 £	2021 £	2022 £	2023 £
James Cox	230,016	313,317	472,886	**473,168**
Toby Drysdale	42,689	94,382	120,693	**121,652**
Richard Harries	768,180	1,068,568	1,480,288	**1,479,620**
Peter Laidlaw	146,545	232,067	429,178	**432,146**
James Lee	153,444	194,879	259,220	**258,156**
Samit Shah	191,533	432,970	680,306	**688,180**
Kirsty Steward	79,407	77,680	105,362	**103,262**

AUL has made no loans to directors of the company during 2022 (2021 – £nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £4,496,000 (2021 – £4,235,000) were paid by the syndicate to AUL. Profit commission of £5,536,000 (2021 – £16,534,000) is payable by the syndicate to AUL in relation to the 2022 calendar year result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2022 (2021 – £nil). Included within creditors is £10,451,000 (2021 – £6,927,000) in respect of profit commission payable to AUL on the 2020 year of account. £7,806,000 (2021 – £12,005,000) is included in accruals and payable after 12 months.

The Stone Point managed Trident V Funds (acting in concert) became majority owners of Northshore from 1 January 2021. Stone Point has investments in a wide range of companies and sectors, including the global insurance industry and as such as part of ordinary business and operations AUL and the syndicate might enter into transactions with other Stone Point affiliates from time to time. This could include transactions relating to inwards and outwards reinsurance, insurance intermediation, provision of insurance services, or other non-insurance related services. Any such related party transactions are entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

Currently no Stone Point representatives sit on the AUL Board.

As part of Lloyd's Brexit arrangements, AUL has entered into an outsourcing agreement and a secondment agreement with LIC and reinsurance contracts between the syndicate and LIC. This structure covers business underwritten by AUL on behalf of LIC since 1 January 2019 as well as legacy EEA business transferred to LIC under the Lloyd's Part VII Transfer, which had a Scheme Effective Data of 30 December 2020. The outsourcing agreement covers the activities performed by AUL on behalf of LIC in writing and servicing the relevant business. The secondment agreement (effective 1 January 2022) covers provision of seconded AUL underwriters to LIC under the Lloyd's European Operating Model. The reinsurance contracts cede 100% of the business written by, or transferred to, LIC back to the syndicate.

18. FOREIGN EXCHANGE RATES

The effects of exchange rate movements are recorded in two elements. Transactions during the year, translated at each quarter's average rate, and the translation of closing balances into the functional currency of USD gave rise to foreign exchange gains which are identified within the non- technical account. Revaluation of all functional currency balances to the presentational currency GBP, at the closing rate of exchange on 31 December 2022, resulted in a foreign exchange gain and is included within Other Comprehensive Income.

The rates of exchange used in preparing the financial statements are as follows:

	2022 Average	Closing	2021 Average	Closing
US Dollar: £ Sterling	**1.25**	**1.21**	1.37	1.35
Euro: £ Sterling	**1.18**	**1.13**	1.16	1.19
Canadian Dollar: £ Sterling	**1.62**	**1.64**	1.72	1.71

ATRIUM

UNDERWRITING YEAR ACCOUNTS
THE 2020 YEAR OF ACCOUNT

SYNDICATE 609

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the managing agent present their report at 31 December 2022 for the 2020 closed year of account of Syndicate 609 (the syndicate).

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2006). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations (the 2008 Regulations) and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland (FRS102) and Financial Reporting Standard 103: Insurance Contracts (FRS103).

REVIEW OF THE 2020 CLOSED YEAR OF ACCOUNT

The 2020 year of account closed with a profit of £41.8m after standard personal expenses (8.0% of capacity). There was an underwriting deficit of £4.4m attributable to business reinsured into the 2020 year of account, net of profit commission and other associated expenses. Further details on the underwriting results are included within the Underwriter's Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Governance

The Board recognises the critical importance of having efficient and effective risk management systems in place but also recognises that it can only mitigate risks, and not eliminate them entirely. The Board has developed its Own Risk and Solvency Assessment (ORSA), comprising the entirety of the processes that it uses to identify, assess, monitor and report the risks faced by the syndicate and to evaluate the amount of funds necessary to cover these risks taking into consideration the business profile and risk appetite of the syndicate. Critical to the efficacy of the ORSA is the effective operation of the Risk Management Framework (RMF), the Governance Structure and Atrium's Internal Model. The RMF incorporates the so-called "Three Lines of Defence" approach to risk management and reporting.

The RMF is the mechanism through which Atrium ensures it is implementing effective and enterprise wide risk management practices across its business. Key to Atrium's business is the management of risk, return and capital, against which all significant strategic and operational business decisions are evaluated. Atrium has established systems of governance and risk management that enable it to manage its business prudently.

The RMF is the articulation of these systems of risk management and governance and how the various elements interact.

The RMF encompasses the broad range of activities undertaken across the organisational hierarchy to ensure that risks are managed appropriately, spanning from the high level strategy set by the Board to the day-to-day underwriting decisions being made by syndicate staff and the controls in place to govern these. The RMF can be illustrated as follows:

Strategy: This describes Atrium's strategy setting process and explains how this filters down through the organisation; incorporating the syndicate's Business Strategy, Risk Strategy, Business Plan, Risk Policy Statement and Risk Policies.

Business Activities: The individual syndicate and agency business units are responsible for implementing the strategy and business plans in accordance with the framework set out in the risk policies.

The people, controls, management information, processes and senior management oversight in place across the business units serve as the "First Line of Defence" in the RMF.

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed.

The Risk Governance Structure is comprised of the Risk Committee (RC), which fulfils the role of Atrium's Risk Management Function, the Executive Risk Committee (ERC) and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the RC, the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital.

There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee, which is a Committee of the Board with membership comprised of Non-Executive Directors. Together these three groups provide the "Third Line of Defence". The Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

Risk Committee (RC)

The RC fulfils the Risk Management Function, in conjunction with the ERC and the Risk Management Team, and coordinates the risk management activities conducted for the syndicate. The RC has its membership comprised of Non-Executive Directors though is attended by various Executives to ensure that the RC is provided with the information it requires to perform its role. It is responsible for ensuring that the RMF and Internal Model operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

Due to overarching considerations of climate change and Environmental, Corporate and Social Governance (ESG) in strategy setting and risk profile changes, this Committee is also responsible for oversight of the climate change and ESG frameworks.

To support delivery of the RC's responsibilities, there is the ERC and its three Risk Sub-Committees, each being responsible for oversight, review and challenge of the activities of the syndicate and in particular, ensuring activities are within risk policies, that risks are suitably identified monitored and reported, and that appropriate contingency plans are in place.

The principal risks to which the syndicate is exposed are discussed below together with the mitigation techniques adopted. For clarity, the risks are analysed by reference to the Risk Sub-Committees that have responsibility for the relevant risk area.

The ERC exists to support the RC and ensure that it can focus on key issues and also to ensure that there is the scope for executive discussion on risk issues and aggregation across the Risk Sub-Committees prior to the RC.

Insurance Risk Sub-Committee (IRSC)

The IRSC is responsible for oversight of insurance risk which includes underwriting, claims, reserving, and reinsurance.

Underwriting risk is the risk that future losses are greater than allowed for within premiums. This could be due to natural fluctuations in claims frequencies and severities, changes in economic and judicial environments, anti- selection, inappropriate premium estimation or catastrophic loss activity.

Underwriting risk is mitigated through numerous controls including underwriter peer review, authority limits, independent review of risks written, and purchase of an appropriate reinsurance programme. The Syndicate Business Forecast is completed annually and stipulates those classes of business and concentration by class that will be written during the forthcoming year. It is reviewed by the IRSC and approved by the Board prior to being submitted to Lloyd's for approval. Actual performance during the year is monitored by reference to the Syndicate Business Forecast.

The risk of catastrophic claims is mitigated by the syndicate having a defined risk appetite which determines the net loss that it intends to retain for major catastrophe events and where deemed appropriate reinsurance is purchased to limit the impact of losses. Although the likelihood of occurrence is considered to be remote, there may be circumstances where the loss from a particular catastrophe event exceeds the net risk appetite perhaps due to the occurrence of a loss that has not been considered or where the reinsurance purchased proves to be insufficient. In addition climate change can affect the occurrence and severity of weather related events. Whilst we do research the impact of these there is significant uncertainty to the impact climate change has on events in the tail of distributions which increases uncertainty in this area.

Reserving risk is that there is insufficient provision for losses that have already occurred.

Reserving risk is mitigated by the robust reserve adequacy exercise that is performed on a quarterly basis by the Actuarial Function and approved by the Board. The quarterly exercise involves a review of the paid and outstanding claims and an assessment of the appropriate provision for incurred but not reported (IBNR) claims. The reserves are considered by the IRSC and approved by the Board. The reserving is carried out based on historical development data, the claims environment and information provided by lawyers and third party claims adjusters.

Although a thorough review is carried out the reserves carried may be more or less than adequate to meet the final cost of claims.

The IRSC also reviews the proposed reinsurance programme that is used to protect capital from frequency and severity of losses that may be sustained through underwriting the varied lines of business written. The review includes analysis of the reinsurance cover being purchased and assessment of the proposed counterparties.

Financial Risk Sub-Committee (FRSC)

The FRSC is responsible for oversight of financial risks and the steps taken to mitigate them as they arise from investments, asset/liability management, credit, liquidity and concentration risks. These risks are discussed further below.

Investment risk is the risk that the syndicate's earnings are affected by changes in the value of the investment portfolio; such changes in value may be driven by changes in the economic and political environment and by movements in interest and foreign exchange rates. Atrium manages the syndicate's investments in accordance with investment guidelines established by the Board that are reviewed on a regular basis. The FRSC monitors the performance of the external investment managers and the custodians responsible for the safekeeping of the investments, and reports regularly to the Board.

Asset/liability mismatch is the risk that the syndicate could incur a loss through inadequate matching of its investments with its insurance liabilities. Due to the short tail nature of the majority of these liabilities, the syndicate does not seek to achieve a precise matching with the investment portfolio, instead developing an investment duration guideline that is broadly in line with the average payment profile of the liabilities. However, the syndicate substantially mitigates exposures to currency mismatch by investing premiums in the currency in which subsequent claims are most likely to be incurred and periodic rebalancing to ensure that these remain appropriate for the liabilities. The majority of the syndicate's business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

The key aspect of credit risk is the risk of default by one or more of the syndicate's reinsurers, their investment counterparties, or insurance intermediaries. Reinsurance is placed with security that adheres to the Atrium reinsurance policy. The exposure to credit risk in the investment portfolio is mitigated through adherence to the investment guidelines which require the syndicate's core investment portfolios to be held in government and corporate debt with a high credit quality rating and with a relatively short duration, thus substantially mitigating the risk of sustaining losses from default.

Exposure to intermediaries is mitigated by rigorous review of new intermediaries, contractual terms of business, regulated or segregated client accounts, monitoring of balances and credit control procedures.

Liquidity risk is the risk that the syndicate will not be able to meet its short term liabilities as they fall due, owing to a shortfall in cash. This risk is mitigated through holding invested funds in high credit quality and short duration investments, and cash flow projections are also reviewed on a regular basis.

Concentration risk is the exposure to loss that could arise if the bulk of the amounts recoverable by the syndicate were dependent on a limited number of reinsurers, or if investments were restricted to limited numbers of counterparties or sectors. The risk is mitigated by restricting the permitted cessions to individual reinsurers for any one underwriting year and through the investment guidelines which limit exposure to individual investment counterparties and sectors.

Operational Risk Sub-Committee (ORSC)

The ORSC is responsible for oversight of the syndicate's exposures to operational, group, conduct and regulatory risks.

Operational risk is the risk of loss due to inadequate or failed processes and procedures, people and systems, or external events. The agency seeks to manage these risks by operating a control based environment which consists of documented procedures, segregation of duties and appropriate levels of review.

Conduct risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products. In October 2022 the Board approved its plan for implementing the Financial Conduct Authority's (FCA) new Consumer Duty. As part of this implementation Stephen Riley (Independent Non-Executive Director) was appointed by the Board as its Consumer Duty Champion.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy and maintain an ongoing open dialogue with both regulators and Lloyd's. They also carry out a compliance monitoring programme.

Regular reviews are performed by the Internal Audit department to ensure that deviations from the agency's policies, and control weaknesses, are identified and reported to the appropriate level of management and the Audit Committee when considered necessary.

Culture Committee

The Culture Committee is a formal committee of the Board which has been set up to review all areas relating to Atrium's people, longer term organisational development and culture.

It met for the first time in March 2021 in response to the increase in strategic emphasis in culture and also to help co-ordinate across the various employee led groups working on areas such as working practices, ESG, Corporate Social Responsibility, Diversity & Inclusion.

BREXIT

The UK left the European Union (EU) on 31 January 2020 and the associated transitional arrangements ended on 31 December 2020, with Lloyd's Underwriters officially ceasing to have trading rights in the European Economic Area (EEA) for Direct Insurance and cross border German Reinsurance business. Lloyd's members are able to provide reinsurance to cedants in the EEA (with the exception of Germany) on a cross-border basis, provided relevant local requirements are complied with.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

In order to provide this continued access to Lloyd's for policyholders within the EEA, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (LIC). Atrium worked closely with Lloyd's on this contingency arrangement. LIC is authorised in Belgium by the National Bank of Belgium (NBB) and regulated by the NBB and the Financial Services and Markets Authority (FSMA) of Belgium. LIC has 18 branches across the EEA and a branch in the United Kingdom (UK).

From 1 January 2019 onwards, with a few minor exceptions, all new EEA non-life direct insurance policies have been written by Atrium on behalf of LIC (under the terms of an Outsourcing Agreement) and 100% reinsured back to the syndicate. All renewing EEA non-life direct insurance policies have transferred to LIC on their renewal under the same structure. It continues to be Lloyd's policy that all non-life EEA insurance risks are written by LIC and not Lloyd's syndicates.

To achieve contract continuity, Lloyd's have transferred all affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to LIC via a Part VII transfer, with a scheme effective date of 30 December 2020.

Part VII

On 30 December 2020, the Members and former Members of the syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to LIC, in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the syndicate entered into a 100% Quota Share Reinsurance Agreement whereby LIC reinsured all risks on the same policies back to the relevant open years of account of the syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the syndicate transferred the impacted EEA policies and related liabilities to LIC, together with cash of $32.0m. On the same date, under the Reinsurance Agreement, LIC reinsured the same risks back, together with an equal amount of cash of $32.0m.

The combined effect of the two transactions had no economic impact for the syndicate, and accordingly there was no net impact on the syndicate's statement of comprehensive income or balance sheet.

Lloyd's Europe Operating Model

Lloyd's Insurance Company S.A. (LIC) held discussions during 2020 with the Financial Services and Markets Authority (FSMA) of Belgium and the National Bank of Belgium (NBB) about the LIC operating model and the activities performed for it by managing agents

through the Outsourcing Agreement. When LIC was set up in 2018, they took extensive legal advice to ensure that the activities performed by LIC and managing agents under the outsourcing model were structured to ensure that they would not be carrying on activities in the European Economic Area (EEA). This required authorisation under the Insurance Distribution Directive (IDD) or other regulatory framework.

The definition of insurance distribution contained in the IDD is broad and has been interpreted in differing ways by legislators implementing it in EU member states. LIC started its activities around the same time that the IDD was implemented and, in addition to guidance issued by the European Insurance and Occupational Pensions Authority (EIOPA), national supervisors are now more certain of the applicability of IDD provisions.

During the latter part of 2020, FSMA initiated discussions regarding the nature of some activities performed by managing agents on behalf of LIC and the question of whether it was possible that they could be construed as constituting insurance distribution under the IDD, which would therefore require them to be authorised within the EEA.

LIC committed to the regulators that it would take steps to make any relevant changes to aspects of its business model to avoid the possibility that managing agents might be construed as performing IDD activities for LIC. Atrium, along with other managing agents, has worked with LIC during 2021 in order to design and implement an updated LIC operating model, proposing 3 plausible solutions to the regulators to address any concerns, who had no objection in principle to them, namely: (1) Underwriters employed by or seconded to LIC through its UK branch; (2) Underwriters seconded or employed by LIC; (3) A service company/mandated underwriter(s) model. Atrium elected for a slightly amended version of solution 1 (1.2), which involves five Atrium underwriters being seconded to LICs UK branch (LIC UK) to perform the IDD activities as secondees of LIC UK. Each seconded underwriter has entered into a tripartite secondment agreement between LIC UK, Atrium and the secondee which provides control, supervision and oversight over the secondee's work via a Performance Management Framework. Neither the secondment nor this Secondee Performance Management Framework gives rise to any relationship of employment between LIC UK and any secondee; all secondees will remain employed by Atrium throughout their secondments.

Atrium successfully implemented the new Lloyd's Europe Operating Model for business incepting after 1 January 2022 for all impacted business. This operates under a model which involves Atrium underwriters being seconded to LIC UK to perform the IDD activities as secondees of LIC UK.

DIRECTORS AND OFFICERS

The Directors & Officers of the managing agent who served during the year ended 31 December 2022 and to the date of signing these financial statements were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
James Cox
Toby Drysdale (Active Underwriter 609) (Resigned 1 January 2023)
Gordon Hamilton
Richard Harries
Peter Laidlaw (Active Underwriter 609) (Appointed 1 January 2023)
James Lee
Stephen Riley
Samit Shah
Kirsty Steward
Christopher Stooke

DIRECTORS' INTERESTS

Details of Directors' interests may be found in note 16 to the accounts.

RE-APPOINTMENT OF AUDITORS

The Board of Directors have re-appointed KPMG LLP as the syndicate auditors for the year ending 31 December 2023. KPMG LLP have indicated their willingness to continue in office as the syndicate auditor.

By order of the Board

James Lee
Managing Director
24 February 2023

STATEMENT OF THE MANAGING AGENT'S RESPONSIBILITIES

The Directors of the managing agent are responsible for preparing the syndicate underwriting year accounts in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw. They have elected to prepare the accounts in accordance with FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the underwriting year accounts unless they are satisfied that they give a true and fair view of the result of the underwriting year at closure. In preparing these accounts, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used;
- 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 accounts;
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the Directors of the managing agent have not prepared the underwriting year accounts on a going concern basis.

The Directors of the managing agent are responsible for keeping adequate and proper accounting records that are sufficient to show and explain the syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the syndicate and enable them to ensure that the underwriting year accounts comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

The Directors are responsible for the maintenance and integrity of the corporate and financial information included on the syndicate's website. Legislation in the UK governing the preparation and dissemination of underwriting year accounts may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE 2020 CLOSED YEAR OF ACCOUNT OF SYNDICATE 609

OPINION

We have audited the syndicate underwriting year accounts for the 2020 year of account of syndicate 609 for the three year period ended 31 December 2022 which comprise the Statement of Comprehensive Income: Technical Account – General Business; Statement of Comprehensive Income – Non Technical Account; Balance Sheet; Statement of Cash Flows and related notes, including the accounting policies in Note 3.

In our opinion the syndicate underwriting year accounts:

- give a true and fair view of the syndicate's profit for the 2020 closed year;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been properly prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

EMPHASIS OF MATTER – NON-GOING CONCERN BASIS OF PREPARATION

We draw attention to the disclosure made in Note 1 to the syndicate underwriting year accounts which explains that the syndicate underwriting year accounts have not been prepared on the going concern basis for the reasons set out in that note. Our opinion is not modified in respect of this matter.

FRAUD AND BREACHES OF LAWS AND REGULATIONS – ABILITY TO DETECT

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud. Our risk assessment procedures included:

- Enquiring of directors, the audit committee, internal audit and inspection of policy documentation as to the syndicate and Managing Agent's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the syndicate and Managing Agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any unusual or unexpected relationships.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular the risk that management may be in a position to make inappropriate accounting entries and the risk of bias in accounting estimates and judgements related to the valuation of claims reserves.

Valuation of these liabilities, especially in respect of the incurred but not reported (IBNR) component, is highly judgmental as it requires a number of assumptions to be made such as initial expected loss ratios and claim development patterns all of which carry high estimation uncertainty and are difficult to corroborate creating opportunity for management to commit fraud.

On this audit we do not believe there is a fraud risk related to revenue recognition because of the limited estimation involved in accruing premium income. We did not identify any additional fraud risks.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the fraud risk management controls.

We performed procedures including:

- Identifying journal entries to test based on risk criteria and comparing these entries to supporting documentation. These included those posted to cash accounts or journals posted by individuals who typically do not make journal entries.
- We assessed the appropriateness and consistency of the methods and assumptions used for reserving. For a selection of classes of business we considered to be high risk, we performed alternative reprojections to the actuarial best estimate using our own gross loss ratios and compared these to the syndicate's results, assessing the results for evidence of bias.

Identifying and responding to risks of material misstatement related to compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the syndicate underwriting

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF THE 2020 CLOSED YEAR OF ACCOUNT OF SYNDICATE 609 CONTINUED

year accounts from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the Managing Agent's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the syndicate underwriting year accounts varies considerably.

Firstly, the syndicate is subject to laws and regulations that directly affect the syndicate underwriting year accounts including financial reporting legislation (including related Lloyd's legislation), and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related syndicate underwriting year accounts items.

Secondly, the syndicate is subject to many other laws and regulations where the consequences of non- compliance could have a material effect on amounts or disclosures in the syndicate underwriting year accounts, for instance through the imposition of fines or litigation or the loss of the syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: corruption and bribery, compliance with regulations relating to sanctions due to the nature of the business written by the syndicate, financial products and services regulation and the Solvency II regime including capital requirements, recognising the financial and regulated nature of the syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the syndicate underwriting year accounts, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the syndicate underwriting year accounts, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of the Managing Agent are responsible for the Report of the Directors of the Managing Agent. Our opinion on the syndicate underwriting year accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our syndicate underwriting year accounts audit work, the information therein is materially misstated or inconsistent with the syndicate underwriting year accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in the Report of the Directors of the Managing Agent.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005), we are required to report to you if, in our opinion:

- adequate accounting records have not been kept on behalf of the syndicate; or
- the syndicate underwriting year accounts are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 46, the directors of the Managing Agent are responsible for: the preparation of the syndicate underwriting year accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error; assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease operations, or have no realistic alternative but to do so.

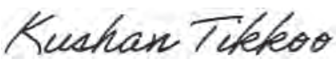
AUDITOR'S RESPONSIBILITIES

Our objectives are to obtain reasonable assurance about whether the syndicate underwriting year accounts as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the syndicate underwriting year accounts.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

This report is made solely to the members of the 2020 closed year of account of the syndicate ("the syndicate's Members"), as a body, in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Lloyd's Syndicate Accounting Byelaw. 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.



Kushan Tikkoo
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London, E14 5GL
24 February 2023

UNDERWRITER'S REPORT SYNDICATE 609

When I was told that I would be fortunate enough to be appointed Active Underwriter of Syndicate 609 for the 2023 year of account, it was highlighted that I was only the fifth person to have been given this great privilege. One of my colleagues said to me *'it is a bit like following Alex Ferguson into the Manchester United job'*, to which my response was *'no, it is more like following four Alex Fergusons into the job!'*.

I should be daunted by the prospect, but I am not. This is because of the exceptional underwriting team that we have assembled at Atrium that I have the honour to lead into 2023. It is as good as at any time in its history and, with the prevailing market conditions ahead, I approach the year with excitement and enthusiasm.

2020 YEAR OF ACCOUNT

I am pleased to report that Syndicate 609 is declaring a profit of £41.8m after all personal expenses but before members agent's fees.

This equates to an 8.0% return on stamp capacity. This time last year we hoped for, and were predicting, a much better result than this, but various economic factors intervened. The prior years reserve release is often a large contributing factor to the closing year profit but, unusually, the contribution from the prior years was a deficit due largely to the deterioration on General Liability, specifically Florida contractors, noted below. The 2020 and prior years were also severely impacted by the unrealised investment losses caused by the rapid rise in interest rates. I won't dwell on this as this topic is well covered elsewhere in this set of accounts, but it is important to note the rapid rise in interest rates was a reaction to the next topic which impacted the reserves. Inflation.

With the global inflation rate rising by 87% during the twelve months of 2022 (from 4.7% to 8.8%) this rapid rise in inflation meant we had to assess whether the existing reserves were sufficient across all years to pay future claims. Whilst the inflation factor for most of the countries in which we underwrite was less severe than the average, we did need to make explicit adjustments to the reserves to allow for the inflation change and the potential impact on reserving. The Board has always maintained a reserve uplift for this sort of reserving issue, and the level of reserve margin held remains within risk appetite.

The most significant movement in claims during the last 12 months impacting the 2020 and prior years was an influx of lawsuits related to Florida construction defects. This has had a severe effect on a book of contractors' general liability business written between 2014 and 2019. This is an industry wide issue in the state of Florida and one which continues to be an issue which has prompted us to reduce our exposure to this business. The total of additional reserves added to the prior years for claims notified or IBNR related to this issue amounts to \$27.0m net in the calendar year.

There was also a significant deterioration on the Boeing loss during 2022 which impacts the Aviation Reinsurance account for the 2019 year of account. This has meant the loss to Atrium, net of reinsurance recoveries, has increased from \$5.8m to \$7.9m.

The Naga 7 loss we mentioned in last year's accounts under the Marine and Energy Liability account has deteriorated and is now reserved at \$10.0m net to Atrium. It is worth noting it largely falls into the 2020 year of account but with the Marine XL account also being impacted for an additional \$1.0m of the loss which falls into the 2021 year.

Whilst this is the first report for several years not to start with a reference to COVID-19, the effects of the pandemic and the devastation it caused during 2020 will live with us all for a long time. Whilst the total of the ultimate claims reduced very slightly as a result of favourable judgements in the UK and Australia, the loss overall is now expected to be \$71.0m, with the majority falling to the 2019 and prior years. There is still a large amount of IBNR as the lawsuits to which any disputes relate could still take some time to reach a resolution. The monetary impact on the underwriting portfolio of the 2020 year was a modest part of the overall at \$9.4m of ultimate claims net of reinsurance recoveries.

When Hurricane Laura hit in August 2020, it was the largest storm to hit the state of Louisiana since 1856 and the impact to those directly affected was devastating. This has been covered off in prior years' accounts, but I am pleased to say the loss, which totalled \$35.4m gross and \$19.5m net of reinsurance recoveries and which was split between the 2019 and 2020 years, has not deteriorated materially during the year. The 2020 year was also impacted by Hurricane Ida which occurred in 2021, with \$7.3m of the \$29.5m total losses falling back into the 2020 year.

Finally, the final Gross Written Premium for the 2020 year (net of acquisition costs) was £465.4m which is 89% of capacity.

2021 YEAR OF ACCOUNT

After a year of good rate increases and income growth seen across the overall book, many classes are predicting they will exceed the Syndicate Business Forecast number both in terms of income and profitability. The 2021 year of account is looking like it could produce a good result. However, the 2021 year of account could be materially impacted by a certain set of circumstances related to the western leased aircraft not being returned from Russia. Please refer to page 1 of this set of report and accounts for the detail.

It was another year which had a frequency of weather-related events including Storm Uri, Hurricane Ida and Kentucky Tornados. The total of these natural catastrophes was \$54.2m gross of reinsurance and \$43.4m net of reinsurance. These losses all had an impact on all the property classes but especially the Property Binder Portfolio and the Property Reinsurance book.

The largest loss event to occur in 2022 was the Russian invasion of Ukraine in February. We have incurred direct claims on our Marine War, Marine Reinsurance, Aviation War and Terrorism accounts mostly due to trapped ships and destroyed buildings. We also have indirect claims on our Aviation Reinsurance and Aviation War accounts which relate to the fate of the western leased aircraft in Russia. Total reserves for both the direct and indirect losses are £159.4m gross and £47.9m net of reinsurance. Please refer to page 1 of the Annual Accounts for more detailed information.

Some of the unrealised investment losses which so severely impacted the 2020 year of account result should slowly unwind over the coming year, and the 2021 year of account should be a partial beneficiary of some gains as investments reach maturity. That, coupled with the general increase in interest rates, should mean 2021 is less likely to suffer the fate of 2020 in terms of investment returns.

The final Gross Written Premium for the 2021 year of account is expected to be £536m which equates to 86% of capacity. As a result of the good market conditions, we are able to increase our forecast range for the 2021 year of account to a +5.0% to +15.0% return on capacity.

2022 YEAR OF ACCOUNT

The early indications are that 2022 will be a good year, having got off to as good a start as we have seen for many years. Many classes where rate increases were expected to start to ease held up well, and other classes saw increases in excess of their original Syndicate Business Forecast expectations. The impacts of the acceleration of inflation and investment losses being felt throughout the market, rates look like they will hold up into 2023.

The largest weather-related event was Hurricane Ian which hit the west coast of Florida causing huge destruction and many deaths. It is reported as being the third most costly hurricane in history with an estimated cost in excess of $100bn. The estimated ultimate loss to Atrium is $35.8m gross and $32.3m net of reinsurance recoveries. This loss, which affected all the property classes writing in North America, has had a material impact on the market, driving many markets into the decision to either withdraw or reduce their catastrophe exposed writings.

Atrium was in a great position to capitalise on these good market conditions, and as a result we are expecting our Gross Written Premium to be in line with our capacity of £651.7m.

2023 AND THE FUTURE

Atrium has grown considerably over recent years both in terms of premium income and headcount. When Toby Drysdale took the decision to step down as Active Underwriter, we used the change in leadership to restructure how the syndicate operates, splitting the various classes into three segments, being Property, Casualty and Specialty. This should help give me the necessary support I require to fulfil my role in creating new opportunities for our talented people and ensure we retain the exceptional culture that Atrium holds so dearly, in the new world of hybrid working.

Before the start of the year, we took the tough decision to exit the Marine Reinsurance class with effect from the 2023 year of account. The account has struggled in its performance over the years and the cost and lack of availability of retrocession cover meant having to reduce the line structure and overall risk appetite to a level that was no longer viable.

We increased the capacity for the syndicate from £651.1m in 2022 to £872.6m for 2023. On the face of it, a capacity increase of 34% seems a very large increase. However, once we considered how close our written premium was to the stamp capacity for 2022 coupled with the continuing rate increases and the strengthening of the US Dollar rate of exchange, the actual amount of growth related to increased risk count and exposure is a much more modest amount. The plan was to write £776.0m but early indications are that this number is likely to be exceeded, again as a result of rate increases being greater than anticipated in the Syndicate Business Forecast. As we grow in income and headcount we need to ensure our systems of governance and oversight remain fit for purpose for the larger business, whilst retaining our culture of trust and empowerment.

The Atrium team continues to amaze me in that they work tirelessly to ensure we can continue to produce a good result for our capital providers. We continue to learn and develop and having been 30 years with the company, I am immensely proud of the evolution that has occurred. I want to take the opportunity to thank all the staff at Atrium for their contribution over the last year.

Finally, I would like to make special mention of Toby Drysdale who was a fabulous Active Underwriter for Syndicate 609 during his seven years at the helm and was, and continues to be, a great mentor to me personally.

The outstanding team here at Atrium starts 2023 full of passion and enthusiasm and I cannot envisage having a better team to take advantage of the great underwriting conditions that 2023 should provide.

Peter Laidlaw
Active Underwriter, Syndicate 609
24 February 2023

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2020 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2022

	Notes	£'000
Syndicate allocated capacity		523,824
Earned premiums, net of reinsurance		
Gross premiums written	4	665,638
Outward reinsurance premiums		(74,939)
Earned premiums, net of reinsurance		590,699
Reinsurance to close premium received, net of reinsurance		
At transaction rates of exchange		397,476
Revaluation to closing rates of exchange		37,346
Reinsurance to close premium received, net of reinsurance at closing rates of exchange	5	434,822
		1,025,521
Allocated investment return transferred from the non-technical account		(26,616)
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		256,345
Reinsurers' share		(20,978)
		235,367
Reinsurance to close premium payable, net of reinsurance	6	481,333
		716,700
Net operating expenses	7	240,205
Balance on the technical account for general business	11	42,000

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2020 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2022

	Notes	£'000
Balance on the technical account for general business		42,000
Investment income	10	11,527
Net unrealised losses on investments	10	(36,676)
Investment expenses and charges	10	(1,467)
Allocated investment return transferred to general business technical account		26,616
Foreign exchange losses		(5,052)
Profit for the 2020 closed year of account		36,948
Other comprehensive expense		4,821
Total comprehensive income for the 2020 closed year of account	14	41,769

BALANCE SHEET

FOR THE 2020 CLOSED YEAR OF ACCOUNT AT 31 DECEMBER 2022

	Notes	£'000
Assets		
Investments	12	618,465
Deposits with ceding undertakings		2,863
Debtors	13	26,212
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	6	81,694
Other assets		
Cash at bank and in hand		24,765
Overseas deposits		69,766
Prepayments and accrued income		513
Total assets		**824,278**
Liabilities		
Amounts due to members	14	39,441
Reinsurance to close premium payable to close the account - gross amount	6	563,027
Creditors	15	220,770
Accruals and deferred income		1,040
Total liabilities		**824,278**

The 2020 closed year underwriting accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, and by the Active Underwriter, on 24 February 2023 and were signed on its behalf by:

James Lee
Agency Managing Director
24 February 2023

Peter Laidlaw
Active Underwriter
24 February 2023

STATEMENT OF CASH FLOWS

FOR THE 2020 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2022

	Notes	£'000
Cash flows from operating activities		
Profit for the year of account		36,948
Non-cash consideration for net RITC receivable		(377,223)
Net reinsurance to close premium payable		481,333
Increase in debtors		(15,582)
Increase in creditors		61,961
Increase in other assets		(15,088)
Investment return		26,616
Net cash flows from operating activities		198,965
Cash flows from investing activities		
Purchase of debt securities and other fixed income securities		(417,719)
Sale of debt securities and other fixed income securities		277,028
Investment income received		10,060
Foreign exchange		(41,241)
Net cash flows from investing activities		(171,872)
Cash flows from financing activities		
Members' agents' fees paid on behalf of members		(2,328)
Net cash flows from financing activities		(2,328)
Net increase in cash and cash equivalents		24,765
Cash and cash equivalents at 1 January 2020		–
Effect of foreign exchange rate changes		–
Cash and cash equivalents at end of financial year		24,765

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 2020 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2022

1. BASIS OF PREPARATION

The syndicate is managed by Atrium Underwriters Limited which is incorporated in the United Kingdom. The address of its registered office is Room 790 Lloyd's, 1 Lime Street, London, EC3M 7DQ and the company registration number of the managing agent is 1958863.

The syndicate's principal activity during the year continued to be the transaction of general insurance and reinsurance business at Lloyd's.

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2006), and applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting Standard 102 (FRS 102). FRS 102 requires the application of Financial Reporting Standard 103 (FRS 103) in relation to insurance contracts.

The financial statements have been prepared on this historical cost basis with the exception of financial assets which are measured at fair value through profit or loss.

The financial statements are presented in Pound Sterling. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Whilst the Directors of the managing agent have a reasonable expectation that the syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2020 year of account, which closed on 31 December 2022. The accumulated profits of the 2020 year of account will be distributed shortly after publication of these accounts. Therefore the 2020 year of account is not continuing to trade and, accordingly the directors have not adopted the going concern basis in the preparation of these accounts. This has no effect on the amounts reported in the accounts as the 2020 year of account will be closed by payment of a reinsurance to close premium, as outlined in note 6 below, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years.

2. USE OF JUDGMENTS AND ESTIMATES

In preparing these financial statements, the Directors of the managing agent have made judgements, estimates and assumptions that affect the application of the syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses. Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

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

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

The syndicate has included the expected impact of inflationary pressures on the claims reserves within the best estimate reserves as at 31 December 2022. The impact of inflation has been assessed on a class by class basis with reference to available forward looking inflation forecasts and relevant indices as applicable to each class. The capital setting process for 2023 took account of the expectation of the higher inflationary environment that we are currently in as well as the volatility around when inflation will peak and what the new normal run rate of inflation may be in the future.

In arriving at the level of claims provisions a margin is applied over and above the actuarial best estimate.

3. SIGNIFICANT ACCOUNTING POLICIES

The principal accounting policies applied in the preparation of the syndicate financial statements are set out below.

The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed in note 2.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2020 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Insurance classification

The syndicate's contracts are classified at inception, for accounting purposes, as insurance contracts. A contract that is classified as an insurance contract remains an insurance contract until all rights and obligations are extinguished or expire. Insurance contracts are those contracts that transfer significant insurance risk, if and only if, an insured event could cause an insurer to pay significant additional benefits above premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts may also transfer financial risk.

Gross Premiums Written

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Gross premiums in respect of insurance contracts underwritten under a binding authority, line slip or consortium arrangement are allocated to the year of account corresponding to the calendar year of inception of the arrangement. Gross premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Gross premiums written are treated as fully earned.

Reinsurance Premium Ceded

Initial reinsurance premiums paid to purchase policies which give excess of loss protection are charged to the year of account in which the protection commences. Premiums for other reinsurances are charged to the same year of account as the risks being protected.

Claims Paid and Related Recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy.

Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to Close Premium Payable

The net reinsurance to close premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims IBNR), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein. The estimate of claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. It also includes the estimated cost of claims IBNR at the balance sheet date based on statistical methods.

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Foreign Currencies

The syndicate's functional currency is US dollars (USD), being the primary economic environment in which it operates. The syndicate's presentational currency is Sterling (GBP).

Transactions, other than reinsurance to close, in US Dollars (USD), Canadian Dollars (CAD) and Euros (Euro) are translated at the average rates of exchange for the period. Reinsurance to close premiums receivable and payable, and underwriting transactions denominated in other foreign currencies, are included at the rate of exchange ruling at the transaction date. Assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date. Exchange differences are included in the non-technical account.

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

Where CAD or Euro are sold or bought relating to the profit or loss of the closed underwriting account after 31 December, any exchange profit or loss arising is reflected in the underwriting account into which the liabilities of that year have been reinsured. Where USD relating to the profit or loss of a closed underwriting account are bought or sold by members on that year, any exchange profit or loss accrues to those members.

Investment Return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. The returns on the Joint Asset Trust Funds and Illinois Deposit are allocated to the year of account as notified by Lloyd's. The returns on other assets arising in a calendar year are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the 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 support the underwriting business.

Operating Expenses

Where expenses are incurred by or on behalf of the managing agent on the administration of the managed syndicate, these expenses are apportioned using varying methods depending on the type of expense. Expenses which are incurred jointly for the agency company and managed syndicate are apportioned between the agency company and the syndicate on bases depending on the amount of work performed, resources used and the volume of business transacted. Syndicate operating expenses are allocated to the year of account for which they are incurred.

Financial Instruments

The syndicate has chosen to adopt the Sections 11 and 12 of FRS 102 in respect of financial instruments.

Basic financial assets, including deposits with credit institutions, debtors arising out of direct insurance and reinsurance operations, cash and cash equivalents and other debtors, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the transaction is measured at the present value of the future receipts discounted at a market rate of interest. Such assets are subsequently carried at fair value.

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at fair value and deposits with credit institutions are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date. Any surplus or deficit on any revaluation is recognised in the non-technical account.

Financial assets are derecognised when (a) the contractual rights to the cash flows from the asset expire or are settled, or (b) substantially all the risks and rewards of the ownership of the asset are transferred to another party or (c) control of the asset has been transferred to another party who has the practical ability to unilaterally sell the asset to an unrelated third party without imposing additional restrictions.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2020 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2022

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Basic financial liabilities, including creditors arising from insurance operations that are classified as debt, are initially recognised at transaction price, unless the arrangement constitutes a financing transaction, where the debt instrument is measured at the present value of the future receipts discounted at a market rate of interest.

Financial liabilities are derecognised when the liability is extinguished, that is, when the contractual obligation is discharged, cancelled or expires.

Financial assets and liabilities are offset and the net amounts presented in the financial statements when there is a legally enforceable right to set off the recognised amounts and there is an intention to settle on a net basis or to realise the asset and settle the liability, simultaneously.

Fair Value Measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse of time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate estimates the fair value by using a valuation technique.

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

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

Deposits with Ceding Undertakings

Deposits with ceding undertakings relate to the payment of advance funds by the syndicate under the reinsurance agreement with LIC into segregated Part VII settlement bank accounts managed by the managing agent on behalf of LIC to settle Part VII claims. Amounts are denominated in multiple currencies, primarily GBP, USD and Euros. Deposits with ceding undertakings are measured at cost less allowance for impairment.

Cash and Cash Equivalents

Cash and cash equivalents comprise cash on hand and demand deposits, and other short-term highly liquid investments that are readily convertible to a known amount of cash and are subject to an insignificant risk of changes in value.

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the syndicate during the year are included in the balance sheet under the heading 'other debtors'.

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

Pension Costs

The Atrium Group operates a defined contribution scheme. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses.

Profit Commission

Profit commission is charged by the managing agent at a rate of 20% of profit subject to the operation of a deficit clause. Where profit commission is charged, it is included within members' standard personal expenses within administrative expenses.

4. ANALYSIS OF UNDERWRITING RESULT

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

	Gross premiums written (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance (note 3) £'000	Total £'000
Direct insurance:					
Accident and health	37,555	18,355	16,490	(1,601)	1,109
Motor (third party liability)	2,867	625	961	(12)	1,269
Motor (other classes)	13,494	6,196	5,149	(33)	2,116
Marine, aviation and transport	117,053	13,763	44,906	(23,331)	35,053
Fire and other damage to property	254,421	103,829	96,482	(15,526)	38,584
Third party liability	187,584	94,692	71,962	(5,953)	14,977
Credit and suretyship	8,117	5,852	3,760	(185)	(1,680)
Legal Expenses	1,321	976	2,511	205	(1,961)
	622,412	244,288	242,221	(46,436)	89,467
Reinsurance	43,226	71,122	8,238	22,642	(13,492)
	665,638	315,410	250,459	(23,794)	75,975
RITC received	434,822	503,962	–	61,781	(7,359)
Total	1,100,460	819,372	250,459	37,987	68,616

1. Gross premiums written are treated as fully earned.
2. Gross claims incurred comprises gross claims paid and gross reinsurance to close premium payable.
3. The reinsurance balance comprises reinsurance premiums ceded less reinsurance recoveries on claims paid and reinsurance recoveries anticipated on reinsurance to close payable.
4. All premiums are concluded in the UK.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2020 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2022

5. REINSURANCE TO CLOSE PREMIUM RECEIVABLE

	£'000
Gross notified outstanding claims	216,869
Reinsurance recoveries anticipated	(32,624)
Net notified outstanding claims	184,245
Provision for gross claims incurred but not reported	236,864
Reinsurance recoveries anticipated	(23,633)
Provision for net claims incurred but not reported	213,231
Reinsurance to close premium receivable, net of reinsurance at transaction rates of exchange	397,476
Revaluation to closing rates of exchange	37,346
Reinsurance to close premium receivable, net of reinsurance at closing rates of exchange	434,822

6. REINSURANCE TO CLOSE PREMIUM PAYABLE

	£'000
Gross notified outstanding claims	256,413
Reinsurance recoveries anticipated	(33,561)
Net notified outstanding claims	222,852
Provision for gross claims incurred but not reported	306,614
Reinsurance recoveries anticipated	(48,133)
Provision for net claims incurred but not reported	258,481
Reinsurance to close premium payable, net of reinsurance	481,333

The reinsurance to close is effected to the 2021 year of account of Syndicate 609.

7. NET OPERATING EXPENSES

	£'000
Acquisition costs:	
Brokerage & commission	181,228
Other acquisition costs	19,039
	200,267
Administrative expenses	50,192
	250,459
Reinsurance commissions receivable	(10,254)
	240,205

Administrative expenses include:

	£'000
Auditors' remuneration	
Audit services	346
Other services	62
Managing agent's profit commission	9,373

Members' standard personal expenses (Lloyds's Subscriptions, Central Fund Contributions, Managing Agents's Fees and Profit Commission) are included within administrative expenses and amount to £17,429,000.

8. STAFF NUMBERS AND COSTS

All staff are employed by Atrium Group Services Limited (AGSL). The following amounts were recharged to the syndicate in respect of staff costs:

	£'000
Wages and salaries	18,300
Social security costs	2,208
Other pension costs	2,400
	22,908

The average number of employees employed by AGSL, but working for the syndicate during the three years, was as follows:

	Number
Management	5
Underwriting	76
Claims	12
Administration	70
	163

9. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The ten Directors of Atrium Underwriters Limited, who served during the three years ending 31 December 2022, received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Remuneration	1,222

No other compensation was payable to key management personnel and charged to the syndicate.

The Active Underwriter received the following remuneration charged as a syndicate expense and included within net operating expenses:

	£'000
Remuneration	269

10. INVESTMENT RETURN

	£'000
Investment income:	
Income from investments	11,445
Gains on the realisation of investments	82
	11,527
Net unrealised gains on investments:	
Unrealised gains on investments	1,171
Unrealised losses on investments	(37,847)
	(36,676)
Investment expenses and charges:	
Investment management expenses, including interest	(429)
Losses on the realisation of investments	(1,038)
	(1,467)
Allocated investment return transferred to the technical account	(26,616)

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2020 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2022

11. BALANCE ON TECHNICAL ACCOUNT

	£'000
Balance excluding investment return and operating expenses	
Profit attributable to business allocated to the 2020 pure year of account	315,465
Profit attributable to business reinsured into the 2020 year of account	(6,644)
	308,821
Allocated investment return transferred from the non-technical account	(26,616)
Net operating expenses	(240,205)
	42,000

12. INVESTMENTS

	Fair value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	47,907	47,907
Debt securities and other fixed income securities	561,819	591,020
Other Loans	8,727	8,727
Deposits with credit institutions	12	12
	618,465	647,666

Shares and other variable yield securities and units in unit trusts represents the syndicate's holdings in collective investment schemes.

Using Standard & Poor's and Moody's as rating sources, the credit ratings of the debt and other fixed income securities are set out below:

	Fair value £'000	%
Government/Government Agency	194,185	34.6
AAA/Aaa	21,343	3.8
AA/Aa	115,861	20.6
A	156,217	27.8
BBB	30,339	5.4
<BBB	43,874	7.8
	561,819	100.0

13. DEBTORS

	£'000
Arising out of direct insurance operations	
Due from policyholders	10
Due from intermediaries	22,562
Arising out of reinsurance operations	3,151
Other	489
	26,212

14. AMOUNTS DUE TO MEMBERS

	£'000
Profit for the 2020 closed year of account	41,769
Members' agents' fee advances	(2,328)
Amounts due to members at 31 December 2022	39,441

15. CREDITORS

	£'000
Arising out of direct insurance operations	
Due to intermediaries	2,136
Arising out of reinsurance operations	7,565
Managing agent's profit commission	10,451
Other	200,618
	220,770

Other creditors include inter year loans of £199,963,000.

16. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Limited (a UK holding company) and Alopuc Limited is in turn a wholly owned subsidiary of Northshore Holdings Limited (Northshore), a Bermudan company. The ultimate beneficial owners of Northshore are affiliates of Stone Point Capital LLC (Stone Point) who hold approximately 77% economic interest and Cavello Bay Reinsurance Limited, a subsidiary of Enstar Group Limited, who hold approximately 14% economic interest. The balance of the shareholding was held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; AUL, Atrium Insurance Agency Limited (AIAL), AGSL, Atrium Risk Management Services (Washington) Ltd (ARMS), Atrium Corporate Capital Limited (ACCL) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited. AUL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is the managing agent of the syndicate.

Historically AUGL has participated on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited. With effect from the 2017 year of account until the 2020 year of account, this participation has been through another corporate member (SGL No. 1 Limited) under the terms of a lease agreement between SGL No. 1 Limited and Atrium 5 Limited. This arrangement ceased from the 2021 year of account with ACCL participating on the 2021 year of account onwards.

In the chart below the Atrium corporate underwriting capacity is provided by SGL No. 1 Ltd on the 2020 year of account and by ACCL on the 2021 and post years of account.

	2020 Capacity £m	2021 Capacity £m	2022 Capacity £m	2023 Capacity £m
Syndicate 609	133.5	158.7	165.0	**221.6**

Atrium 5 Limited/SGL No.1 Limited's participations on the managed syndicate as % of syndicate capacity:

		Year of account		
	2020 %	2021 %	2022 %	2023 %
Syndicate 609	25.4	25.4	25.4	**25.4**

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. Syndicate 609 leads a binding authority granted to AIAL to underwrite Space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$267,000 was paid by the syndicate to AIAL in relation to premium earned on the 2020 year of account. No profit commission is payable by the syndicate in relation to the 2020 year of account..

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2020 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2022

16. DISCLOSURES OF INTEREST CONTINUED

AGSL is a group service company. All UK employee contracts and, where possible, all material service provider contracts are held by AGSL. A service agreement is in place whereby AGSL provides management services to all Atrium Group companies. Under the service agreement AGSL will charge the costs to each Atrium group company, including AUL, for the respective services provided.

ARMS was incorporated in Washington State, United States, and was established to support the syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMS charges fees to the Syndicates equal to its operating costs plus a small margin for transfer pricing reasons. Fees of U$2,118,000 were paid by Syndicate 609 to ARMS in respect of the 2020 year of account.

The directors' participations on the syndicate via Nomina No. 207 LLP (the staff LLP) are as follows (this includes any director of AUL that served during 2022 and was a partner in the staff LLP):

	2020 £	2021 £	2022 £	2023 £
James Cox	230,016	313,317	472,886	**473,168**
Toby Drysdale	42,689	94,382	120,693	**121,652**
Richard Harries	768,180	1,068,568	1,480,288	**1,479,620**
Peter Laidlaw	146,545	232,067	429,178	**432,146**
James Lee	153,444	194,879	259,220	**258,156**
Samit Shah	191,533	432,970	680,306	**688,180**
Kirsty Steward	79,407	77,680	105,362	**103,262**

AUL has made no loans to directors of the company during 2022 (2021 - £nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £3,638,000 were paid by the syndicate to AUL. Profit commission of £10,451,000 is payable by the syndicate to AUL in relation to the 2020 year of account result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2022. Included within creditors is £10,451,000 in respect of profit commission payable to AUL in relation to the 2020 year of account.

The Stone Point managed Trident V Funds (acting in concert) became majority owners of Northshore from 1 January 2021. Stone Point has investments in a wide range of companies and sectors, including the global insurance industry and as such as part of ordinary business and operations AUL and the syndicate might enter into transactions with other Stone Point affiliates from time to time. This could include transactions relating to inwards and outwards reinsurance, insurance intermediation, provision of insurance services, or other non-insurance related services. Any such related party transactions are entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

Currently no Stone Point representatives sit on the AUL Board.

As part of Lloyd's Brexit arrangements, AUL has entered into an outsourcing agreement and a secondment agreement with LIC and reinsurance contracts between the syndicate and LIC. This structure covers business underwritten by AUL on behalf of LIC since 1 January 2019 as well as legacy EEA business transferred to LIC under the Lloyd's Part VII Transfer, which had a Scheme Effective Data of 30 December 2020. The outsourcing agreement covers the activities performed by AUL on behalf of LIC in writing and servicing the relevant business. The secondment agreement (effective 1 January 2022) covers provision of seconded AUL underwriters to LIC under the Lloyd's European Operating Model. The reinsurance contracts cede 100% of the business written by, or transferred to, LIC back to the syndicate.

SEVEN YEAR SUMMARY OF RESULTS

SYNDICATE 609 AT 31 DECEMBER 2022

	Notes	2020 £m	2019 £m	Year of Account 2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Syndicate allocated capacity		**524**	450	449	419	419	420	420
Aggregate net premiums		**591**	533	460	442	401	346	332
Number of underwriting members		**2,819**	2,882	2,970	3,040	3,056	3,059	3,116
Results for an illustrative share of £10,000		**£**	**£**	**£**	**£**	**£**	**£**	**£**
Gross premiums		**12,707**	13,188	11,408	11,868	10,713	9,154	8,802
Gross premiums %	1	**127.1%**	131.9%	114.1%	118.7%	107.1%	91.5%	88.0%
Net premiums		**11,277**	11,844	10,246	10,544	9,568	8,232	7,913
Net premiums %	2	**112.8%**	118.4%	102.5%	105.4%	95.7%	82.3%	79.1%
Premium for the reinsurance to close an earlier year of account	3	**8,301**	7,714	7,109	7,506	7,452	7,211	7,323
Net claims	4	**4,493**	4,959	5,084	5,929	3,784	3,999	3,102
Premium for the reinsurance to close the year of account		**9,189**	8,837	7,687	7,757	7,779	7,097	7,733
Underwriting profit		**5,896**	5,762	4,584	4,364	5,437	4,347	4,401
Syndicate operating expenses		**4,073**	4,466	3,910	4,054	3,636	3,525	3,185
Balance on technical account		**1,823**	1,296	674	310	1,821	822	1,216
Balance on technical account %	5	**14.3%**	9.8%	5.9%	2.6%	17.0%	9.0%	18.2%
Investment return		**(508)**	97	492	450	152	188	194
Other foreign exchange (losses)/gains		**(4)**	(307)	162	(140)	77	831	881
Profit for closed year of account		**1,311**	1,086	1,328	620	2,050	1,841	2,291
Illustrative managing agent's profit commission		**179**	155	204	80	309	354	384
Illustrative personal expenses		**332**	316	358	234	465	136	137
Profit after illustrative profit commission and illustrative personal expenses	6	**800**	615	766	306	1,276	1,351	1,770

Notes
1. Gross premiums as a percentage of illustrative share.
2. Net premiums as a percentage of illustrative share.
3. The reinsurance to close premium that has been received by the 2020 year of account has been retranslated to the rates of exchange that were applicable as at 31 December 2022. Reinsurance to close premiums receivable in respect of the 2020 and prior years of account have not been restated.
4. Net claims include internal claims settlement expenses.
5. Balance on technical account as a percentage of gross premiums.
6. Illustrative personal expenses, including illustrative profit commission, are based on a calculation of amounts incurred by a member writing an illustrative share. For this purpose minimum fee charges are ignored.

Memorandum Item

For an illustrative share of £10,000	Notes	2020 £m	2019 £m	Year of Account 2018 £m	2017 £m	2016 £m	2015 £m	2014 £m
Aggregation of annual fee, profit commission and syndicate expenses	6	**873**	832	826	600	908	985	900

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