

Arch Managing Agency Limited  
Registered number 06948515

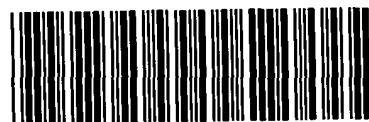
Annual Report and Financial Statements  
for the year ended 31 December 2022

# **Arch Managing Agency Limited**

(Registered number: 06948515)

Annual Report and Financial Statements  
for the year ended 31 December 2022

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Arch Managing Agency Limited  
Registered number 06948515

Annual Report and Financial Statements  
for the year ended 31 December 2022

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## Strategic Report

The Directors present their Strategic Report and Directors' Report as well as the Annual Report and audited Financial Statements of Arch Managing Agency Limited (the "Company") (Registered Number 06948515) for the year ended 31 December 2022.

### Principal Activities

The Company is a limited company incorporated and domiciled in England and Wales. The principal activity of the Company is and continues to be that of a Lloyd's Managing Agent. For the full financial year ended 31 December 2022 the Company continued to act in this capacity for Syndicate 1955, Syndicate 2012 and SPA 6132. The company will no longer manage SPA 6132 from 2024 and is only active on 2020 and 2021 years of account. The 2021 year of account in SPA 6132 is the final underwriting year for the Syndicate with the 2020 UW year being RITC'd into Syndicate 1955 at the close of 2022, and the Syndicate is now entering run off. When the 2021 year is closed this will be RITC'd into Syndicate 1955.

#### Syndicate 2022 YOA Capacity

Syndicate 1955	£500.0m
Syndicate 2012	£325.0m

### Review of Business

The result for the year-ending 31 December 2022 was a Profit of £0.0m (2021: £1.3m) mainly driven by an increase in Interest payable to group undertakings.

The Company's key performance indicators for the year are considered to be turnover, profit and equity and are presented below:

KPI	2022	2021
Turnover	£75.9m	£72.1m
Profit after taxation	£0.0m	£1.3m
Total Shareholder Funds	£8.1m	£8.1m

#### Turnover

Turnover in the year increased by £3.8m to £75.9m (2021: £72.1m) mainly as a result of an expense recharge of £67.6m flowing through the entity in the year. The Company began recharging expenses from the 1<sup>st</sup> September 2020. See Note 6.

#### Profit after taxation

Profit after taxation decreased by £1.3m to £0.0m (2021: £1.3m) due to an increase in the Interest payable to group undertakings.

### Corporate and Social Responsibility

Our success is anchored by our culture of ethics and compliance. The Board recognises the pivotal role it plays in promoting ethical standards and integrity in the conduct of our business and is committed to maintaining a reputation for high standards of business conduct.

As part of Arch Capital Group Ltd ("ACGL"), a publicly listed Bermuda exempted company listed on the NASDAQ Stock Exchange, we maintain a Code of Business Conduct (the "Code") which sets expectations and provides guidance to our employees in key areas, including honest and fair dealing, anti-bribery and corruption, potential conflicts of interest, gifts, safety, harassment and discrimination prevention, antitrust and competition and document retention. Our Code applies to everyone, including the Board, and is reviewed regularly to remain current with changing laws, regulations and industry best practices.

## Strategic Report *(continued)*

### Corporate and Social Responsibility *(continued)*

To reinforce our commitment to these standards, the Company provides training to all employees on the Code and makes other resources available, including a 24-hour ethics hotline.

The Company is committed to providing equal opportunities to potential and actual staff. Our policy states that all of our employment related decisions must be based on an individual's job qualifications and performance and not based on any characteristic protected by law, such as age, gender assignment, marital status, being pregnant or on maternity leave, disability, race, religions, sex or sexual orientation.

Our success also depends on developing our employees so they can grow with the Company. We provide high calibre learning and engagement programs to foster meaningful career development for all employees and encourage employees to execute a personal development plan with their managers.

### Directors' Duties

The Directors of the Company, as those of all UK companies, must act in accordance with a set of general duties detailed in section 172 of the UK Companies Act 2006, which is summarised as follows:

'A director of a company must act in the way he considers, in good faith, would be most likely to promote the success of the company for the benefit of its members as a whole, and in doing so have regard (amongst other matters) to:

- the likely consequences of any decision in the long term,
- the interests of the company's employees,
- the need to foster the company's business relationships with suppliers, customers and others,
- the impact of the company's operations on the community and the environment,
- the desirability of the company maintaining a reputation for high standards of business conduct, and
- the need to act fairly as between members of the company.

The following paragraphs summarise how the Directors have fulfilled their duties as detailed in section 172 of the UK Companies Act 2006:

#### *Decision Making*

The Company's ultimate mission is to generate a positive contribution to the growth in the Tangible Book Value of our ultimate parent company, ACGL. The Directors support the CEO in this mission by considering any growth opportunities, changes in the business written and changes in the Company's strategic direction carefully against the Company's risk appetite.

Long-term strategic decisions, such as the decision to become the Managing Agent of Syndicate 2012, are made in consultation with key internal stakeholders, such as the senior management team and ACGL and considered against applicable regulatory frameworks. Following the acquisition of Syndicate 1856 by ERS Insurance Group on the 1<sup>st</sup> of September 2021, the company will no longer continue to act as the Lloyd's Managing Agent of Syndicate 1856.

Any risks associated with the Company's strategic direction are mitigated through the risk management strategy set out in the "risk management strategy and risk appetite" section below. In addition, details on our principal risks and uncertainties, and how the Company's risk environment is managed are set out in Note 4 of the financial statements.

#### *Employees*

Our employees are at the centre of everything we do. From building relationships with clients to providing the expertise that allows us to create innovative solutions, our employees are the means by which we enable possibility. The Company does not directly employ any individuals but instead obtains services from Arch Europe Insurance Service Ltd ("AEIS"), a UK company that is an affiliate of the Company, under the Agreement for the Provision of Staff (the "Secondment Agreement").

## **Strategic Report** *(continued)*

### **Directors' Duties** *(continued)*

#### *Employees (continued)*

The Company is committed to building diverse teams, fostering an inclusive culture where everyone can thrive, and providing employees with the tools and opportunities to grow as individuals and as professionals.

Diversity in our population means we have a rich source of backgrounds, skills and experiences that allow us to draw out new ideas and encourage innovation. Diversity and inclusion ("D&I") is critical to our long-term success and therefore a top business priority. While our approach to D&I continues to evolve, we have made great strides in our work to support diversity across the insurance industry and at Arch, and to build awareness of inclusive practices and incorporate them into our regular course of business.

In addition to enhancing our D&I culture, we provide the tools and opportunities for our employees to continue to grow as professionals while working for the Company. We invest in the success of our people throughout their careers by, for example, providing extensive education opportunities (including coursework and certification classes) available on multiple platforms and on-the-job experiences and exposure, offering leadership development training for people managers to help them effectively lead diverse teams to achieve success, and optimising the systems and processes we use to support our employees' career growth.

At the same time, we ensure that our employees have access to comprehensive benefits to safeguard their mental, physical and financial health. To continue our efforts to attract and retain diverse talent, we regularly review our benefits offering to ensure they are inclusive and support their mental and physical health and well-being.

#### *Business Relationships*

Our strategy focuses on growth by maximising our return on equity through adherence to uniform underwriting standards, focusing on generating underwriting profit through prudent risk selection and proper pricing across the underwriting cycle. To do this, we aim to develop and maintain strong relationships with our brokers, assureds, coverholders, claims management service providers and reinsurers.

Fair outcomes for assureds are at the heart of our business relationships. The Company has a range of product and conduct policies and procedures in place to support the appropriate cultural behaviours and conduct arrangements, by which good outcomes for customers can be delivered. This includes governance through the Company's Product Oversight Group and Product Underwriting Group to oversee, manage and monitor conduct risks across the business, escalating matters to the appropriate governing body where they reach, or breach, the firms conduct risk appetite.

By delivering good outcomes for customers the Company has created a strong brand in the market, leading not only to a continuous stream of new business being generated but also to strengthening relationships with our reinsurance counterparties.

Relationships with coverholders and claims management service providers are governed by the Company's Outsourcing and Third-Party Management Policy and department procedures in place at the relevant time. Prior to entering into any third-party business relationships, a detailed due diligence process is undertaken to ensure that the services provided comply with the Company's existing business strategy and within the Company's defined risk appetite and tolerance levels. Ongoing management of these relationships is based on monitoring and reporting guidelines as set out in the Company's Outsourcing and Third-Party Management Policy and department procedures in place at the relevant time.

#### *Community and Environment*

Over the year, there has been continued focus on the impact of the company's operations on the community and the environment. Environmental, Social and Governance (ESG) has entered the mainstream in recent years as stakeholders evaluate organisations not only to gauge their money-making ability, but also to assess their commitment to making positive change in the world.

Arch has always put value in making a difference in the communities where we live and work, and there is an ever-growing importance of ESG initiatives. Marcy Rathman is the ACGL Chief ESG Officer with responsibility for coordinating and managing the oversight of our growing ESG programme, which has included the creation of an ESG Steering Committee.

## Strategic Report *(continued)*

### Directors' Duties *(continued)*

#### *Community and Environment (continued)*

The ESG programme will continue to develop in the future and will look at a number of areas including social issues and climate change. The Board of Directors will review the output and recommendations of the ESG Steering Committee and will oversee the implementation of any resulting action at the local level. In addition, Arch Insurance International's Chief Risk Officer is responsible for identification and management of financial risks arising from climate change. Please also refer to the Climate Change section on page 8.

To ensure the Company maintains a high standard of business conduct, the Directors of the Company have reviewed and adopted the Code of Business Conduct as set by ACGL. To ensure staff act in accordance with the Code of Business Conduct, Arch UK provides regular training courses to staff providing services to the Company under the secondment and service agreement.

In addition, the Company annually reviews and reissues internal whistleblowing and fit and proper policies, which ensure that all staff providing services to the Company under the secondment and service agreement are and continue to be competent, capable and of good repute.

The independent Non-Executive Chairman of the Board of the Company is responsible for overseeing the assessment of fitness and propriety of all Non-Executive Directors in conjunction with leading the development and monitoring effective implementation of policies and procedures for the induction, training and professional development of all members of the firm's governing body. The assessment of these matters is facilitated by the Company Secretarial, Human Resources and Compliance Functions and considered by the Nominations Committee of the Board in conjunction with Non-Executive Director performance and the appropriate balance of experience and skill sets in the Board as a whole.

The Company's Risk Management and Compliance Framework has been designed to meet its business management and regulatory obligations to comply with the Prudential Regulation Authority ("PRA"), UK Financial Conduct Authority ("FCA") and the European Insurance and Occupational Pensions Authority ("EIOPA") requirements. Management has formulated relevant risk policies for the Company's key risks and these support the risk philosophy and corresponding controls.

The Board has delegated the responsibility relating to controls to the Arch UK Risk Committee. This committee is responsible for assessing all risks facing the Company and for installing appropriate controls to manage and or mitigate each risk. The Risk Committee assesses the level of each risk classification and identifies where additional controls or changes to the systems, processes and or controls may be required. Qualitative and quantitative risk assessments are performed, both before and after allowance for existing controls

#### *Engaging with our Shareholder*

The Board is committed to regularly engaging in effective dialogue with our shareholder, Arch Financial Holdings (UK) Limited ("AFHUK"). We have quarterly meetings with AFHUK to discuss the Company's long-term strategy and review the Company's quarterly performance. These meetings are led by the Chief Financial Officer of the Company and attended by AFHUK's senior management.

Any of the Company's decisions that materially impact ACGL's financial results are discussed with our shareholder, AFHUK, and our ultimate parent, ACGL, prior to execution.

### **Risk management strategy and risk appetite**

The Company has a set of risk appetite statements that are appropriate for its individual business model and strategy. Risk appetite statements setting out clear descriptions detailing appropriate levels of risk are in place for each material area of risk. Each of these statements is supported by a set of key risk indicators for detailed monitoring which are regularly reviewed and escalated where appropriate through the governance structure to the Board. Key risk indicators are set at levels that ensure sufficient remedial actions are put in place to ensure the Company responds early to emerging threats. Risk appetites are reviewed, at a minimum, annually by the Board to ensure that the Company retains full coverage over its risks.

**Strategic Report (continued)****Risk management strategy and risk appetite (continued)**

The table below sets out our strategic risk objectives and shows, at a high level, examples of corresponding appetite statements:

<i>Strategic risk objective</i>	<i>Risk appetite statement</i>
Maintain capital adequacy	Maintain sufficient capital to a defined target
Deliver stable earnings	Return on capital over a defined period
Manage aggregations	Limit exposure to peak losses
Operational Resilience	Maintain robust and effective operations
Stable and efficient access to funding and liquidity	Cash outflows met under stress
Maintain stakeholder confidence	No appetite for material reputational, legal or regulatory risks, including conduct risks

The aim of the risk framework is to provide a robust, proportionate, proactive and forward-looking process for risk management across the Company. A central component of this framework is the Company's policies and minimum standards, which inform the business as to how it is required to conduct its activities and risk management processes to remain within risk appetite. The Company employs a number of risk tools to manage and monitor risk. The output of our risk management activities is thoroughly tested and reported upon both internally and externally.

The policies and minimum standards cover all key risks to which the Company is exposed. Each policy is supported by minimum standards which set out the minimum level of risk management and other corporate and personal behaviours.

The Company incorporates the identification, assessment, management, control, reporting and mitigation of risk as part of our daily operations. We believe the strengths of our risk framework are:

- Strong culture and risk leadership underpinned by training of our people;
- Engagement with the business;
- Embedded risk management processes, linking risk and capital;
- Quantitative approach to risk analysis through use of a robust economic capital model for the Syndicates the Company manages;
- Qualitative risk assessment and management information; and
- Influencing decision-making and shaping behaviours, via the provision of accurate, timely and relevant risk advice and challenge.

The Company's risk management, internal audit, and compliance processes are coordinated to ensure that their respective activities are effective and complementary.

**Principal Risks and Uncertainties**

The Company has a defined strategy and system of governance to define its risk policies and to manage them. The Board of Directors holds ultimate responsibility for risk management. The authority to meet these goals is delegated to the executive management of the Company in the form of the Management Committee. The Board of Directors is responsible for ensuring the adequacy of the systems and controls including:

- Risk governance arrangements and an appropriate business plan
- Overseeing the development of appropriate systems for the management of potential risks
- Establishing adequate internal controls
- Ensuring that the firm maintains adequate financial resources.

The Company manages both risks arising to it as a stand-alone entity and risks arising on its managed Syndicates through a process of assigning responsibility for business controls to business process owners. This process is documented in a 'Risk Register'. Risk management, internal audit, and compliance processes are coordinated to ensure that their respective activities are effective and complementary.

**Strategic Report** *(continued)***Principal Risks and Uncertainties** *(continued)*

For risks relating to its managed Syndicates, Company has organised the taxonomy of the risks around the key risk areas adopted by the PRA, to which the Syndicate Own Risk and Solvency Assessment ("ORSA") process is applied.

Risks relating to the valuation of the Company's subsidiaries are managed through regular impairment reviews.

Details of the risks are described in the notes to these financial statements.

**Outlook and Future Developments**

The Company is expected to continue to act in the capacity of a Lloyd's Managing Agent on behalf of Syndicate 1955 and Syndicate 2012. Toa Re provide 17.5% capacity behind Syndicate 1955 from the 2022 year of account. The Syndicates will continue to underwrite the 2023 year of account with the following capacities:

Syndicate	2023 YOA Capacity
Syndicate 1955	£600.0m
Syndicate 2012	£474.0m

**Climate Change**

ACGL introduced its group-wide Environmental, Social, and Governance (ESG) strategic framework in 2019, detailing important goals for integrating ESG considerations into its businesses. The framework is a key component of Arch's ambition to take a lead role amongst peer insurers in achieving net zero targets, promoting new products and services, and reaching best practices.

The Managing agent developed an ESG framework and associated policies in 2022 to accomplish the following goals: 1) to incorporate the ESG framework into its existing management and committee structure; 2) to embed decision making, with consistent application and appropriate reporting mechanisms; and 3) to ensure alignment to the ACGL ESG programme.

Among other things, the ESG programme includes efforts to manage our impact on the environment. We support our clients with insurance products and investment solutions to help address climate change, and we provide a range of customer-oriented solutions. We seek to encompass Arch's collaborative ESG successes and sustainability progress across our operations and to engage with stakeholders and help them plan, build and grow into a sustainable future.

In 2022, the Managing agent established an ESG Committee, which is chaired by the CEO, who has responsibility for coordinating and managing the oversight of the Company's ESG programme. The Managing agent and the Board regularly review the output of the ESG Committee.

In addition, the directors have made an assessment of the specific risk of climate change to the Company and have identified potential risks relating to underwriting and investment risks, each of which has been set out in further detail below. The Company has embedded management of climate change risks into its standard approach for risk management. This is a fast-changing area and both the Company and the wider insurance market will continue to develop approaches to better understand and manage potential risks from climate change.

Risks related to climate change is not considered to have a direct impact on AMAL's financial statements.

The company manages the financial risks from climate change under the following categories, which are described further below:

1. Underwriting risks
2. Physical risks
3. Transition risks
4. Liability risks



## Strategic Report (*continued*)

### Outlook and Future Developments (*continued*)

#### *Underwriting risks*

The Company is looking at all aspects of the potential new underwriting environment that may emerge with the advent of various aspects of climate change. Both first and third party underwriters are working to continually assess the impact of various climate change scenarios on the existing and future portfolio, including but not limited to changing weather pattern and changing sea levels and their impact on risk selection and aggregation; to novel litigation against various companies or their directors and officers for their alleged fault in enabling such change, which may impact risk selection and policy structure; to the opportunities generated by a changing economy.

#### *Physical risks*

The Company has a well-established exposure management framework, used to measure and manage catastrophe loss probability. The exposed policies are modelled by country and peril to estimate loss probabilities from natural catastrophe events, such as cyclones, windstorms, earthquakes, floods, bushfires and other hazards.

The whole portfolio is reassessed on a quarterly basis and the assessment includes modelling of historic events and probabilistic extremes of events across relevant geographic regions. Climate change signals, such as warming of sea surface temperatures are incorporated into the parameterisation of the model used.

The Company's models are tested for sensitivity and stress tested against the Company's historic claims experience. The key metric used is the 1 in 250-year stress test performed on a gross and net basis, which are tracked quarterly.

The company uses Stress and Scenario tests to assess potential impacts from changing weather patterns. A number of scenarios have been considered, which show that there could be a long-term impact to modelled losses relating to US Windstorm exposures, although it is anticipated that we would remain within current risk appetites even in scenarios with increasing underlying hazard from windstorms.

#### *Transition Risks*


Arch recognises that the transition away from fossil fuels will require large social and economic shifts, which may have a material impact on the insurance market and our insureds. Arch has identified the most likely sectors to be negatively impacted and operates a referral process to ensure that exposure in these sectors is limited (e.g., Thermal Coal).

Arch further recognises the potential for future opportunities in supporting the energy transition, is a writer of renewable energy business, of companies developing and manufacturing electric vehicles and insurers of various projects and research which both enable and profit from a new economy; this develops as the opportunity itself develops and has in itself challenges around pricing and policy form, in which we invest our own intellectual property.

#### *Liability Risks*

Arch recognises the potential for new types of insurance loss to emerge as novel legal challenges are brought against companies, including our insureds (e.g., liability claims relating to the attribution of responsibility for climate change, or D&O claims relating to insured companies approach to energy transition and new disclosure requirements). The Company includes consideration of these risk factors in its underwriting approach for relevant individual risks and lines of business.

Approved by the Board of Directors at the meeting on 24 April 2023 and signed on its behalf by:



Jason Kittinger  
Chief Financial Officer  
Arch Managing Agency Limited  
3<sup>rd</sup> May 2023

## Directors' Report

### Ownership

The Company is a wholly owned subsidiary of Arch Financial Holdings (UK) Limited and the ultimate parent of the Company is ACGL, a Bermuda-based company with \$15.6 billion of shareholder capital at 31 December 2022 (2021: \$16.3 billion). ACGL provides insurance, reinsurance and mortgage insurance on a worldwide basis through its operations in Bermuda, the United States of America, Europe, Canada, and Australia. ACGL is listed on the Nasdaq Stock Market.

The Company operates from its head office in London and has 2 subsidiaries Arch Underwriting at Lloyd's (Australia) Pty Ltd ("AUALA"), and Arch Underwriting Agency (Australia) Pty Ltd ("AUAAPL"). Note 11.

### Directors

The Directors who held office during the year and up to the date of signing the financial statements are:

	Appointed	Resigned
S. Bashford		23 September 2022
N. Denniston		
K. Felisky		
M. Hammer-Dahinden		
J. Hine	01 October 2022	
J. Kittinger		
P. Leoni		09 November 2022
J. Mentz		21 March 2023
P. Storey		
H. Sturgess		
K. Valder	10 March 2023	

As permitted by S233 of the Companies Act 2006, the Directors have been provided with appropriate insurance cover.

### Outlook and Future Developments

Please refer to the "Outlook and Future Developments" section of the Strategic Report on page 8.

### Donations

The Company made no political or charitable contributions during the year (2021: nil).

### Principal risk and financial Risk Management

The Company's mission is to generate positive contribution to the growth in the Tangible Book Value of our ultimate parent company. We do this by maximising our return on equity within a defined 'risk appetite'. It is essential that we understand the risks the Company is exposed to, namely operational risk, credit risk, liquidity risk, interest rate risk, capital risk, regulatory risk as well as new emerging risks. Note 4 expands on these risks, including the Company's management of these risks.

### Dividend

The Directors do not propose a dividend for the year (2021: £nil).

### Statement of Directors' Responsibilities

The Directors are responsible for preparing the Company annual report and annual financial statements in accordance with applicable law and regulations, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102").

## Directors' Report (*continued*)

### Statement of Directors' Responsibilities (*continued*)

In preparing the Company annual financial statements, the Directors 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, including FRSs 102, subject to any material departures disclosed and explained in the annual financial statements;
- Prepare the annual financial statements on the basis that the Company will continue to write future business, unless it is inappropriate to presume that the Company will do so.

The Directors confirm they have complied with the above requirements in preparing the annual financial statements.

The Directors are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Company. They are also responsible for safeguarding the assets of the Company and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

### Statement of Disclosure of Information to Auditors

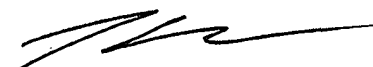
Each of the persons who are Directors of the Company at the date of approval of this report confirms that:

- So far as the Director is aware, there is no information relevant to the audit of the Company's annual financial statements for the year ended 31 December 2022 of which the auditors are unaware; and
- The Director has taken all the steps that they ought to have taken in their duty as a Director of the Company in order to make themselves aware of any relevant audit information and to establish that the Company's auditors are aware of that information.

### Independent Auditors

The independent auditors, PricewaterhouseCoopers LLP, have indicated their willingness to continue in office. A resolution to re-appoint PricewaterhouseCoopers LLP will be proposed to the Board for approval at a future Board meeting.

Approved by the Board of Directors at the meeting on 24 April 2023 and signed on its behalf by:



Jason Kittinger  
Chief Financial Officer  
Arch Managing Agency Limited  
3<sup>rd</sup> May 2023

# Independent auditors' report to the members of Arch Managing Agency Limited

## Report on the audit of the financial statements

### Opinion

In our opinion, Arch Managing Agency Limited's financial statements:

- give a true and fair view of the state of the company's affairs as at 31 December 2022 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of the Companies Act 2006.

We have audited the financial statements, included within the Annual Report and Financial Statements (the "Annual Report"), which comprise: the Balance sheet as at 31 December 2022; the Profit and Loss Account, the Statement of Comprehensive Income and the Statement of Changes in Equity for the year then ended; and the notes to the financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities under ISAs (UK) are further described in the Auditors' responsibilities for the audit of the financial statements section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, which includes the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Conclusions relating to going concern

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

In auditing the financial statements, we have concluded that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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

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

### Reporting on other information

The other information comprises all of the information in the Annual Report other than the financial statements and our auditors' report thereon. The directors are responsible for the other information. Our opinion on the financial statements does not cover the

## **Independent auditors' report to the members of Arch Managing Agency Limited *(continued)***

other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

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

With respect to the Strategic report and Directors' Report, we also considered whether the disclosures required by the UK Companies Act 2006 have been included.

Based on our work undertaken in the course of the audit, the Companies Act 2006 requires us also to report certain opinions and matters as described below.

### **Strategic report and Directors' Report**

In our opinion, based on the work undertaken in the course of the audit, the information given in the Strategic report and Directors' Report for the year ended 31 December 2022 is consistent with the financial statements and has been prepared in accordance with applicable legal requirements.

In light of the knowledge and understanding of the company and its environment obtained in the course of the audit, we did not identify any material misstatements in the Strategic report and Directors' Report.

## **Responsibilities for the financial statements and the audit**

### **Responsibilities of the directors for the financial statements**

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

In preparing the financial statements, the directors are responsible for assessing the company'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 the directors either intend to liquidate the company or to cease operations, or have no realistic alternative but to do so.

### **Auditors' responsibilities for the audit of the financial statements**

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

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

Based on our understanding of the company and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the financial statements. We also considered those laws and regulations that have a

## Independent auditors' report to the members of Arch Managing Agency Limited (*continued*)

direct impact on the financial statements such as the Companies Act 2006. We evaluated management's incentives and opportunities for fraudulent manipulation of the financial statements (including the risk of override of controls), and determined that the principal risks were related to the posting of inappropriate journals and the recognition of consortia income. Audit procedures performed by the engagement team included:

- discussions with the Audit Committee and management, including consideration of known or suspected instances of fraud or non-compliance with laws and regulation;
- evaluation and testing of the operating effectiveness of management's controls designed to prevent and detect irregularities;
- identifying and testing journal entries based on selected fraud risk criteria, in particular journal entries with unusual amounts or posted by unexpected users;
- evaluating the business rationale for any significant transactions identified outside the normal course of business; and
- designing audit procedures to incorporate unpredictability around the nature, timing or extent of our testing.

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

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

### Use of this report

This report, including the opinions, has been prepared for and only for the company's members as a body in accordance with Chapter 3 of Part 16 of the Companies Act 2006 and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

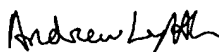
## Other required reporting

### Companies Act 2006 exception reporting

Under the Companies Act 2006 we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the company, or returns adequate for our audit have not been received from branches not visited by us; or
- certain disclosures of directors' remuneration specified by law are not made; or
- the financial statements are not in agreement with the accounting records and returns.

We have no exceptions to report arising from this responsibility.



Andrew Lyttle (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
3 May 2023

**Profit and Loss Account**

For the year ended 31 December 2022

	Notes	2022 £000	2021 £000
Turnover	6	75,977	72,059
Administrative expenses	7	(75,564)	(70,537)
Operating profit	8	413	1,522
Investment income		18	1
Interest receivable from group undertakings		57	28
Interest payable to group undertakings		(506)	(46)
Gain on foreign exchange		17	61
Impairment		-	(75)
(Loss) / Profit before taxation		(1)	1,491
Tax on Profit	10	52	(241)
Profit after taxation		51	1,250

**Statement of Comprehensive Income**

For the year ended 31 December 2022

	2022 £000	2021 £000
Profit for the financial year	51	1,250
Other comprehensive income	-	-
Total comprehensive income/expense for the year	51	1,250

*The notes on pages 18 to 30 are an integral part of the financial statements.*

All amounts reflect continuing operations.

Arch Managing Agency Limited

Registered number 06948515

Annual Report and Financial Statements

for the year ended 31 December 2022

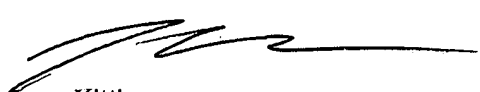
**Balance Sheet**

As at 31 December 2022

	Notes	2022 £000	2021 (Restated) £000
<b>Fixed Assets</b>			
Investments	11	1,975	1,975
<b>Current assets</b>			
Amounts owed by Group undertakings and managed syndicates	12	23,725	22,243
Other debtors	13	3,571	1,592
Deferred tax	14	215	-
Cash at bank and in hand		1,312	4,877
		<u>28,823</u>	<u>28,712</u>
<b>Creditors: amounts falling due within one year</b>			
Amounts owed to Group undertakings and managed syndicates	15	22,692	22,409
Other creditors	15	-	90
Corporate tax		-	133
		<u>22,692</u>	<u>22,632</u>
<b>Net current assets</b>		6,131	6,080
<b>Net assets</b>		<u>8,106</u>	<u>8,055</u>
<b>Capital and reserves</b>			
Called up share capital	16	750	750
Capital contribution		2,050	2,050
Profit and loss account		5,306	5,255
<b>Total Shareholders' Funds</b>		<u>8,106</u>	<u>8,055</u>

*The notes on pages 18 to 30 are an integral part of the financial statements.*

The financial statements were approved by the Board of Directors at the meeting on 24 April 2023 and were signed on its behalf by:

  
Jason Kittinger  
Chief Financial Officer  
Arch Managing Agency Limited  
3<sup>rd</sup> May 2023



**Statement of Changes in Equity**  
For the year ended 31 December 2022

	Called Up Share Capital £000	Other reserves £000	Profit and loss account £000	Total Shareholders' funds £000
At 1 January 2021	750	2,050	4,005	6,805
Total comprehensive income for the year	-	-	1,250	1,250
At 31 December 2021	750	2,050	5,255	8,055
Total comprehensive income for the year	-	-	51	51
At 31 December 2022	750	2,050	5,306	8,106

*The notes on pages 18 to 30 are an integral part of the financial statements.*

## Notes to the Financial Statements

### 1 General Information

Arch Managing Agency Limited is a registered Lloyd's Managing Agent for Syndicate 1955, Syndicate 2012 and SPA 6132.

The company is a private company limited by shares and is incorporated and registered in the United Kingdom. The address of the Company's registered office is 60 Great Tower Street, London, EC3R 5AZ.

### 2 Statement of Compliance

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the UK and Republic of Ireland" ("FRS 102") and the Companies Act 2006.

The Company is a wholly owned subsidiary of Arch Financial Holdings (UK) Limited and its ultimate parent, Arch Capital Group Ltd is included in the consolidated financial statements of Arch Capital Group Ltd, which are publicly available. Consequently, the Company has taken advantage of the exemption from preparing consolidated financial statements under the terms of section 401 of the Companies Act 2006.

These financial statements present information about the Company as an individual undertaking and not about its group.

### 3 Significant Accounting Policies

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

#### (a) Basis of Preparation

These financial statements are prepared on a going concern basis, under the historical cost convention, as modified by the revaluation of certain financial assets and liabilities measured at fair value through profit and loss.

The preparation of financial statements in conformity with FRS 102 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Company's accounting policies. 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 5.

#### (b) Going Concern

The Directors have assessed the Company's ability to continue as a going concern by considering, amongst other things, the Company's reserve strength, available capital, future business plan and any expected material changes to its operations. Based on the assessment, they continue to adopt the going concern basis in preparing the financial statements.

#### (c) Exemptions for qualifying entities under FRS 102

The Company's financial results are included in the consolidated financial statements of Arch Capital Group Ltd. As permitted by FRS 102, the Company has taken advantage of some of the disclosure exemptions available under the FRS 102 section 1.12.

The Company has taken advantage of the following exemptions:

- i. The requirements of Section 7 'Statement of Cash Flows' and Section 3 'Financial Statement Presentation' paragraph 3.17(d), on the basis that the Company is a qualifying entity and the consolidated statement of cash flows included in the consolidated financial statements of its ultimate parent company includes the Company's cash flows;
- ii. The requirement of Section 33 'Related Party Disclosures' paragraph 33.7 (key management compensation), on the basis that the key management personnel and directors are the same.

## Notes to the Financial Statements *(continued)*

### 3 Significant Accounting Policies *(continued)*

#### (d) Foreign Currency

##### i. *Functional and presentation currency*

The Company's functional and reporting currency is pounds sterling.

These financial statements are presented in pounds sterling ("pounds" or "GBP"), which is the functional currency of the Company, and are rounded to the nearest thousand unless otherwise stated.

##### ii. *Foreign currency*

The results and financial positions of the non-functional currencies are retranslated into the functional currency as follows:

- monetary assets and liabilities are retranslated at the closing rate at the balance sheet date;
- income and expenses are retranslated at the average rate of exchange during the year; and
- all resulting exchange differences are recognised through the P&L.

Non-monetary items measured at historical cost are translated using the exchange rate at the balance sheet date.

#### (e) Turnover

Turnover consists of recharged expenses, managing agency fees, management fees, profit commissions and consortia income. Recharged expenses are expenses earned by the Company on behalf of its Syndicates and SPAs, which are subsequently recharged at cost. Managing agency fees are accrued based on the allocated capacity for the current year of account. Management fees are accrued based on the period they relate to.

Profit commission is charged on a Year of Account basis to all managed Syndicates as earned but does not become payable until after the appropriate year of account closes, normally at 36 months. Profit commission on the 2022 Year of Account for Syndicate 1955 and the SPAs is charged at the rate of 17.5% (2021 Year of Account and Prior: 17.23%). In the event that a Year of Account is loss making, a deficit clause permits the relevant Syndicates to carry forward losses against the next two Years of Account profits reducing future Years of Account profit commission payments.

Consortia income is charged by the Company at various commission percentages varying by agreement and Year of Account. This is charged as incurred and becomes payable quarterly based on the premium written that quarter.

#### (f) Investment Income

Investment income is interest accrued and received on the Company's cash balances during the period.

#### (g) Taxation

The tax expense for the period comprises current and deferred tax recognised in the reporting period. Tax is recognised in the profit and loss account, except to the extent that it relates to items recognised in other comprehensive income or directly in equity, in which case tax is also recognised in other comprehensive income or directly in equity, as the case may be.

Current or deferred tax assets and liabilities are not discounted.

## Notes to the Financial Statements (*continued*)

### 3 Significant Accounting Policies (*continued*)

#### (g) Taxation (*continued*)

##### *Current tax*

Current tax is the amount of income tax payable or receivable in respect of the taxable profit for the year or prior years. Current tax liabilities (assets) are measured at the amount of tax expected to be paid (recovered) using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date.

Management periodically evaluates the positions taken in tax returns with regard to situations in which applicable tax regulation is subject to interpretation and, where appropriate, establishes provisions on the basis of the amounts expected to be paid to the relevant tax authorities.

##### *Deferred tax*

Deferred tax arises from timing differences that are differences between an entity's taxable profits and its total comprehensive income as stated in the financial statements. Timing differences arise from the inclusion of income and expenses in tax assessments in periods different from those in which they are recognised in financial statements.

Deferred tax is recognised in respect of all timing differences at the balance sheet date, with certain exceptions. For instance, unrelieved tax losses and other deferred tax assets are recognised only to the extent that it is probable that they will be recovered against the reversal of deferred tax liabilities or other future taxable profits.

Deferred tax is measured using the tax rates and laws that have been enacted or substantively enacted by the balance sheet date that are expected to apply to the reversal of each timing difference.

Deferred tax assets and liabilities are offset if, and only if, there is a legally enforceable right to set off current tax assets against current tax liabilities and they relate to income taxes levied by the same tax authority on the same taxable entity.

#### (h) Ordinary shares

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new ordinary shares or options are shown in equity as a deduction, net of tax, from the proceeds.

#### (i) Investment in Subsidiaries

In the balance sheet of the Company, investments in subsidiaries are stated at cost, unless their value has been impaired in which case they are valued at their net realisable value or value in use as appropriate. Investments in subsidiaries are assessed for impairment annually or where an indication of impairment exists. If any such indication exists, the asset's recoverable amount is estimated, and an impairment loss is recognised in the profit and loss account for the difference between the carrying amount and the recoverable amount.

#### (j) Pension Costs

The Arch Insurance Group of companies, of which the Company is a member, operates a defined contribution pension scheme.

#### (k) Dividends

Final dividends on ordinary shares are recognised as a liability and deducted from equity when they are approved by the shareholders. Interim dividends are deducted from equity when they are paid.

#### (l) Related Party Transactions

The company discloses transactions with related parties which are not wholly owned with the same group. It does not disclose transactions with its parent or with members of the same group that are wholly owned. As permitted by FRS 102, the Company has taken advantage of some of the disclosure exemptions available under the FRS 102 section 1.12.

## Notes to the Financial Statements (continued)

### 4 Management of Risk

As described in the Strategic Report, the Company operates as a Lloyd's Managing Agent and as a result has a number of risks and uncertainties relating to the management of the Syndicate's activities. These have been addressed in turn below.

#### (a) Operational Risk

Management continually reviews potential operational risk factors and has enacted controls to meet these. They have been classified as follows:

Operational Risk Classification	Description
People	Loss of staff (underwriting and key non-underwriting) or inability to recruit; issues concerning integrity and competence of staff, including training; succession; manual inputting error; lack of management supervision; inadequate performance and or failure of escalation to management; data protection breach or loss.
Processes	Inappropriate underwriting; inappropriate claims and reserve handling; inappropriate reinsurance purchasing; inadequate performance or failure of a third-party supplier; inadequate segregation of duties; inadequate management information; weak processing controls; failure of corporate governance.
Systems (including Cyber Attack)	Hardware/software failure; network telecommunications software; IT third party provider inadequate performance or failure; inadequate virus protection; inadequate system or security information; insufficient or untested business continuity processes; insufficient processing capacity; system breach defects and or systems error.
External events, including physical security and business continuity	Natural or man-made disasters leading to business continuity threat; external financial crime, including theft or fraud; changes to the regulatory environment; external security breach; power outage.
Outsourcing, including delegated underwriting	Inadequate performance or failure of an outsourced service provider, including breach of agreement.
Financial crime, including Anti-Money Laundering	Internal or external fraud; electronic crime; money laundering; terrorist financing; bribery and corruption; market abuse; and insider dealing.
Legal	Risk of loss resulting from failure to comply with laws as well as prudent ethical standards and contractual obligations. It also includes the exposure to litigation from all aspects of the Company's activities.

The operational risk profile is reviewed by the Risk Committee and the controls to mitigate the risks are included in the Risk Register. Risk owners report to the Risk Committee to review the relevant risks and are responsible for identifying new, emerging or changing risks and any subsequent control changes required to realign the risks with the risk appetite. When measuring operational risk both quantitative factors, in the form of the probable loss, and qualitative factors, in the form of an assessment of the likely reputational impact or the ability of the Company to deliver its service, are taken into account and contribute to determining the risk tolerance.

In respect of one of our largest operational risks, failure of an outsourced service provider, we have formal Service Level Agreements and monitoring processes in place for all key outsourced providers including IT service providers and coverholders.

## Notes to the Financial Statements *(continued)*

### 4 Management of Risk *(continued)*

#### (a) Operational Risk *(continued)*

We also have a formal disaster recovery plan in place that deals with both workspace recovery and the retrieval of communications, IT systems and data if a major problem occurred. These procedures would enable us to move the affected operations to alternative facilities very quickly. The disaster recovery plan is tested annually.

#### (b) Emerging Risk

Identifying, planning for and controlling emerging risks are an important part of our risk management activity across all aspects of our business, including underwriting, operations and strategy. We make a significant effort to try to identify material emerging threats to the Company. It is a core responsibility of each of our committees and we believe we take all reasonable steps to minimise the likelihood and impact of emerging risks and to prepare for them in case they occur.

#### (c) Credit Risk

Credit risk arises primarily from service agreements with related parties. The Company's main credit exposure lies with the Syndicates which manages its subsidiaries, AUALA and AUAAPL. This risk is mitigated by internal financial and capital commitments to those companies from companies forming part of the ACGL group of companies. ACGL has an S&P credit rating A+.

#### (d) Liquidity Risk

Liquidity risk arises where cash may not be available to pay obligations when due. Regular cash flow monitoring ensures that sufficient deposits are available to meet payments.

#### (e) Interest Rate Cash Flow Risk

The Company has interest bearing assets. Interest bearing assets include cash balances on a short-term deposit, which earn interest at a fixed rate. Due to the nature of the assets exposed to interest rate risk, the risk is considered minimal and managed through selection and monitoring of banking counterparties.

#### (f) Capital Risk

The Company maintains a capital level required to meet its obligations to continue on a going concern basis. There is minimal pressure on the capital of the Company due to the nature of the operations of the Company and the Company manages its capital through monitoring of cash flows and net asset positions.

#### (g) Regulatory Risk

This risk is affected by changes in law and regulations which are not identified, understood, or are inappropriately and incorrectly interpreted, or adopted, or business practices are not efficiently modified. Further, there is a risk that current legal or regulatory requirements are not complied with. We have a constructive and open relationship with our regulators.

## Notes to the Financial Statements (*continued*)

### 5 Use of estimates and judgements

The preparation of the financial statements requires management to make significant judgements and estimates. The items in the financial statements where judgements and estimates have been made included the valuation of the investment in subsidiaries. The valuation and impairment review of these subsidiaries were a key area of estimation uncertainty for the majority of the year.

#### *i. Valuation of investments in subsidiary*

At each reporting date, the Directors assess whether there is any indication that its subsidiary investment is impaired. The Company's subsidiary, AUALA and AUAAPL are licensed to trade as Underwriting Managing Agents with delegated authority to bind risks on behalf of Syndicate 2012

Key considerations made to assess whether the subsidiary investment is impaired are:

- Indicators that the net asset value of the subsidiary has declined during the year;
- The future outlook of the entity's operations

The subsidiaries were recognised on 23 December 2020 at their net asset value. As at 31 December 2022, management has reviewed the carrying value of the investments subsidiaries against their current net asset value. There are no indicators that the market value of AUALA and AUAAPL has declined between initial recognition and the year-end.

AUALA and AUAAPL are expected to continue to bind business on behalf of Syndicate 2012 during the 2022 underwriting year and the level of turnover is therefore expected to remain consistent.

Based on the considerations above, the carrying value of the AUALA and AUAAPL is not considered impaired.

**Notes to the Financial Statements (continued)****6 Turnover**

	2022 £000	2021 £000
Managing agency fees	4,345	6,309
Management fees	-	2,000
Recharged expenses	67,564	60,883
Consortia income	4,068	2,867
	<u>75,977</u>	<u>72,059</u>

Managing agency fees are amounts charged to SPA 6132, as well as Syndicates 1955, and 2012.

Management fees relate to the administration of underwriting services carried out for a 3<sup>rd</sup> party insurer.

Profit commission from syndicate underwriting results is accrued in relation to Syndicate 1955 and SPA 6132. There is no accrual for profit commission in 2022 and 2021 financial years due to current Syndicate earned losses.

Recharged expenses are expenses incurred by the Company on behalf of its Syndicates and SPAs, which are subsequently recharged at cost.

Consortia income relates to contracts in place between Syndicate 2012 and Syndicate 1955 and other Lloyd's Syndicates on the Financial & Professional Lines, Cyber Liability, Warranty and Indemnity, Terrorism and Accident & Health classes. Syndicate 2012 and Syndicate 1955 are the lead on these consortia and the Company receives fee income for providing various underwriting and administration services to the consortium members. In 2022, the Company charged £4.1m (2021: £2.9m) of this income to the consortium members. Profit commission on consortium business is accrued in relation to the Financial & Professional Lines class.

**7 Administrative Expenses**

Administrative expenses were as follows:

	2022 £000	2021 £000
Staff costs	4,750	5,223
Other staff costs	706	379
IT	56	131
Legal and professional	535	132
Service fees	69,267	64,554
Office costs	110	77
Other expenses	140	41
	<u>75,564</u>	<u>70,537</u>



## Notes to the Financial Statements *(continued)*

### 7 Administrative Expenses *(continued)*

The administrative expenses saw an increase of £5.0m between 2022 and 2021. This increase is in line with the expected increase per the syndicate business forecast "SBF".

### 8 Operating Profit

Operating profit is stated after charging:

	2022 £000	2021 £000
Fees payable to the Company's auditors for the audit of the Company	44.7	46.0

The above includes £5.9k (2021: ££5.0k) in relation to audit-related assurance services.

Fees payable of £47.6k (2021: £38.0k) for the audit of the Company's subsidiaries are payable to PwC Australia.

### 9 Staff Costs and Directors' Remuneration

The Company has no employees and instead entered into a secondment and service agreement with AEIS and Arch Underwriters Europe Ltd ("AUUEL"), whereby services in the form of staff and facilities are provided to the Company. For the 2022-year, the average number of staff employed by AEIS and AUUEL, but working for AMAL is 16 (2021: 14) and recharged staff cost is £4.7m (2021: £5.2m).

#### (i) Directors' Remuneration

	2022 £000	2021 £000
Aggregate remuneration in respect of qualifying services	<u>2,586</u>	<u>2,160</u>

The total remuneration paid to the Directors of the Company include the aggregate value of Company contributions to a pension scheme in respect of qualifying services of £8k (2021: £8k).

The amounts of directors' remuneration allocated to the Company as disclosed above is the proportion borne by the Company, based on the assessed proportion of time spent on management of the Company.

The highest paid director received aggregate remuneration of £1.1m (2021: £0.9m) in respect of qualifying services.

**Notes to the Financial Statements (continued)****10 Tax on (Loss)/Profit****(i) Analysis of Tax Charge for the Year**

The charge based on the (loss)/profit for the year comprises:

	2022 £000	2021 £000
Current tax:		
Tax adjustments in respect of prior years	163	107
UK corporation tax	-	134
Deferred tax recognised	(215)	
Total tax charge	<u>(52)</u>	<u>241</u>

**(ii) Factors Affecting Tax Charge for the Year**

	2022 £000	2021 £000
(Loss)/Profit before taxation	(1)	1,491
(Loss)/Profit before taxation at 19% (2021: 19%)	<u>-</u>	<u>283</u>
Tax adjustments in respect of prior years	163	107
Disallowable expenditure	-	14
Movement in unrecognised deferred tax asset	-	(163)
Movement in recognised deferred tax asset	(215)	-
Total tax (credit)/charge	<u>(52)</u>	<u>241</u>

**(iii) Factors affecting future tax charges**

The UK corporation tax rate applicable for the year is 19% (2021: 19%).

In the March the budget of 2021 the Government announced that the corporation tax rate will rise from 19% to 25% with effect from 01/04/2023. This change was enacted on 10 June 2021.

## Notes to the Financial Statements (continued)

### 11 Investments

The investments in subsidiaries were reviewed by management. It was concluded that there have been no movement in the market rates during 2022 that will cause material changes to the rates of the return and/or the discount rates used to calculate the value of AMAL subsidiaries. Thus, no indicator of impairment as at 31 December 2022.

Investments	2022 £000	2021 £000
AUALA Australia	1,650	1,650
AUAAPL Australia	325	325
	<u>1,975</u>	<u>1,975</u>

Subsidiaries	Address of the registered office	Country of Incorporation	Class of share held	Percentage of nominal value and voting rights held by the Company
AUALA Australia	Level 10 155 Clarence Street Sydney NSW 2000	Australia	Ordinary	100%
AUAAPL Australia	Level 11 360 Collins Street Melbourne VIC 3000	Australia	Ordinary	100%

### 12 Amounts Owed by Group Undertakings and Managed Syndicates

	2022 £000	2021 (Restated) £000
Amounts owed by group undertakings	1,597	1,505
Amounts owed by managed syndicates	22,128	20,738
	<u>23,725</u>	<u>22,243</u>

Amounts owed by group undertakings attract interest at base rate + 2% and are repayable on demand (2021: base rate + 2%). The total interest received from amounts owed by group undertakings during 2022 was £57k (2021: £28k).

Amounts owed by managed syndicates are unsecured, interest free, have no fixed date of repayment and are repayable on demand.

**Notes to the Financial Statements (continued)****13 Other Debtors**

Amounts falling due within one year are:

	2022	2021 (Restated)
	£000	£000
Consortia income receivable	3,500	1,592
Other debtors	71	-
	<u>3,571</u>	<u>1,592</u>

**14 Deferred tax**

	As at 01/01/22	Recognised in income Statement	Tax rate Change	As at 31/12/22
	£000	£000	£000	£000
<b>Deferred tax movement in current year</b>				
Tax losses (NOL)	-	215	-	215
Net deferred tax asset	-	<u>215</u>	-	<u>215</u>
	As at 31/12/20	Recognised in income Statement	Tax rate Change	As at 31/12/21
	£000	£000	£000	£000
<b>Deferred tax movement in prior year</b>				
Tax losses (NOL)	-	-	-	-
Net deferred tax asset	-	-	-	-

The company has recognised a deferred tax asset in respect of net operating losses to the extent that it is probable there will be future taxable profits against which the losses can be utilised. The deferred tax asset has been recognised in the current period due to the view of future profitability to utilise the tax asset. Due to the uncertain nature of the business we cannot precisely forecast the results and therefore there is a risk that the Company makes losses resulting in derecognition of the deferred tax asset. Future profits of the Company are assessed within the planning process and ultimately signed off by the Board. The deferred tax asset has been recognised at the rate of 25% which is the rate at which we expect the deferred tax asset to unwind.

The UK corporation tax rate applicable for the year is 19% (2021: 19%).

On 3 March 2021, the UK government announced that it intended to increase the main rate of corporation tax to 25% for the financial years beginning 1 April 2023. This new rate was substantively enacted by Finance Act 2021 on 10 June 2021.

**Notes to the Financial Statements (continued)****15 Creditors: amounts falling due within one year**

	2022 £000	2021 £000
Amounts owed to Group undertakings	22,692	22,409
Other creditors	-	90
Corporate tax creditor	-	133
	<u>22,692</u>	<u>22,632</u>

Amounts owed to group undertakings attract interest at base rate + 2% and are repayable on demand (2021: base rate + 2%). The total interest paid under amounts owed to group undertakings during 2022 was £506k (2021: £46k).

**16 Called Up Share Capital**

	2022 £000	2021 £000
Allotted, issued and fully paid of £1 each	<u>750</u>	<u>750</u>

**17 Dividends**

No interim dividend was paid by the Company during 2022 (2021: £nil). No final dividend is proposed for the year (2021: £nil).

**18 Controlling Parties**

The immediate parent undertaking is Arch Financial Holdings (UK) Limited, a company incorporated in the United Kingdom.

The ultimate parent undertaking and controlling party is Arch Capital Group Ltd, a company incorporated in Bermuda.

Arch Capital Group Ltd is also the parent undertaking of the largest group of undertakings for which group financial statements are drawn up and of which the Company is a member.

Copies of the consolidated financial statements of Arch Capital Group Ltd can be obtained from The Secretary, Arch Capital Group Ltd, Waterloo House, Ground Floor, 100 Pitts Bay Road, Pembroke HM 08, Bermuda.

The smallest group of undertakings for which group financial statements are drawn up, and of which the Company is a member, is Arch Reinsurance Ltd, a Bermuda-based company.

**Notes to the Financial Statements** *(continued)***19 Related Parties**

Syndicate 1955, 2012 and 6132 are managed by AMAL. The Directors of AMAL regard ACGL, a company incorporated in Bermuda, as the ultimate holding company and controlling party. This is the largest company into which the Syndicates' results are consolidated. Copies of the consolidated financial statements of ACGL can be obtained from The Secretary, Arch Capital Group Ltd, Waterloo House, Ground Floor, 100 Pitts Bay Road, Pembroke HM 08, Bermuda. Arch Reinsurance Ltd. is the smallest company into which the Syndicates' results are consolidated.

Sommers Re is not wholly owned and provides a proportion of the capital to support the 2022 year of account and therefore paid managing agency fees of £390k (2021: £344k) to the Company.

**20 Restatements**

A restatement of the Balance Sheet as at 31 December 2021 has been included to appropriately reclassify balances between Other Debtors and Amounts owed by Group undertakings and managed syndicates in respect of £4,507k.

The net assets and the Total Shareholders' Funds were not impacted by this reclassification and remain unchanged for the period reported. This impacts the following notes:

- Note 12 - Amounts Owed by Group Undertakings and Managed Syndicates
- Note 13 - Other Debtors

**21 Post Balance Sheet Event**

The one year anniversary of the Ukraine War occurred on 24 February 2023, as the duration of war is now greater than a year this could potentially lead to additional claims being recorded in the Syndicates for the 2023 financial year due to policy terms and conditions. The Syndicates managed by AMAL have exposure, in particular from policies covering marine war. This exposure is protected by reinsurance where gross losses are expected to be covered by the reinsurance in place. The current estimate of potential losses are not expected to be significant.

Arch Managing Agency Limited

Registered number 06948515

Annual Report and Financial Statements

for the year ended 31 December 2022

## **Directors and Administration**

**Directors of the Managing Agent as at 24<sup>th</sup> April 2023:**

N. Denniston  
K. Felisky  
M. Hammer-Dahinden  
J. Hine  
J. Kittinger  
P. Storey  
H. Sturgess  
K. Valder

**Company Secretary:** To be determined

**Registered Office:** 60 Great Tower Street  
London  
EC3R 5AZ

**Registered Number:** 06948515

**Principal Bankers:** Bank of America, London

**Independent Auditors:** PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory  
Auditors  
7 More London Riverside  
London  
SE1 2RT

