Accounts disclaimer

The disclaimer on the following page is to be included at the front of each set of pdf accounts submitted to Lloyd's.

Important information about Syndicate Reports and Accounts
Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd's website, which have been filed with Lloyd's in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd's, and Lloyd's has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd's or membership on any syndicate of Lloyd's, and no offer to join Lloyd's or any syndicate is being made hereby. Members of Lloyd's are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate's performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

MUNICH RE SYNDICATE 457

ANNUAL ACCOUNTS
FOR THE YEAR ENDED 31 DECEMBER 2019

Managed by Munich Re Syndicate Limited

CONTENTS

MANAGING AGENT

Managing Agent
Munich Re Syndicate Limited ('MRSL') is the Managing Agent for Munich Re Syndicate 457 (the 'Syndicate') and is authorised by the Prudential Regulation Authority ('PRA') and regulated by the Financial Conduct Authority ('FCA') and the Society of Lloyd's ('Lloyd's').

Directors

L F Allen ACII	Non-Executive Director
E J Andrewartha LLB, MCIArb	Non-Executive Chair
T E Artmann	Chief Executive Officer
T J Carroll BA, MBA, FCII	Non-Executive Director
T Coskun MSc, ACA	Director of Risk and Compliance
G Guelfand BComm, FCPA (Aust)	Group Chief Financial Officer
S H Herrmann	Non-Executive Director
M C Hewett FCA	Non-Executive Director
D J R Hoare BA, ACII	Group Chief Underwriting Officer
A C Maxwell	Group Claims Director

Company Secretary
E M Hargreaves, ACII

Registered Office
St. Helens, 1 Undershaft, London EC3A 8EE
Telephone: 020 7886 3900 ◆ Facsimile: 020 7886 3901
E-mail: MRSL-central@munichre.com
Website: www.munichre.com/syndicate457

Registered Number
01328742

SYNDICATE

Chief Underwriting Officer
D J R Hoare

Bankers
Citibank N.A.
Royal Bank of Scotland plc
Royal Bank of Canada
DZ Bank AG

Investment Manager
Munich ERGO Asset Management GmbH ('MEAG')

Actuaries
KPMG LLP, London E14 5GL

Registered Auditor
KPMG LLP, London E14 5GL

The directors of the Managing Agent present their report for the year ended 31 December 2019.

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 ('the 2008 Regulations').

RESULTS

The profit for calendar year 2019 is £33m (2018: profit of £35m). Profits will continue to be distributed by reference to the results of individual underwriting years.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

During 2019 the Syndicate's principal activity remained the transaction of general insurance and reinsurance business, with a particular focus on the Marine, Energy and Specialty sectors.

The Syndicate's key financial indicators are as follows:

	2019	2018
Gross Written Premium	£569m	£523m
Profit for the financial year	£33m	£35m
Combined Ratio	97%	92%

During 2018, the Syndicate continued to embed the structural and strategic changes which were developed from Munich Re's (Münchener Rückversicherungs-Gesellschaft Aktiengesellschaft in München) long term strategy for the Syndicate, known as MRSG 25. This initiative is for the Syndicate to be Munich Re's primary operation for direct (including some Facultative Reinsurance) Marine, Energy and Specialty business. For the 2019 account, the Syndicate developed, as planned, writing Marine Reinsurance and Trade Credit business whilst embedding into the Syndicate those other classes of business that had been introduced over the previous three years. During 2019 the Syndicate expanded the new Property class of business with a focus on writing UK and Irish packaged insurance risks which mainly comprised of a private client book. During 2019 this book diversified into UK and overseas home and commercial property insurance as opportunities arose which were business complimentary to the existing Syndicate portfolio. Given the current indications of an improving market for property business we believe that the Syndicate is now in a strong position to write good, profitable business.

The Syndicate has a strategy of developing a more balanced portfolio, of which the network of the International Distribution Companies (IDCs) (being fellow subsidiaries owned by the Company's parent, Munich Re Specialty Group Limited ('MRSG')) is a vital part; the Syndicate has been closely involved in assisting several of the IDCs, notably Groves, John & Westrup Limited ("GJW") and the Asia based IDCs, in restructuring their underwriting strategy in order to achieve a stronger and more sustainable platform for profit. This approach reflects the desire to write business that would not ordinarily reach the London market. This philosophy avoids some of the more extreme competition that has been seen in recent years and the idea of being embedded as a part of regional market activities continues to provide access to a broad spread of less volatile business helping to balance the overall portfolio.

MRSL has also actively participated in establishing a new IDC in Dublin in response to Brexit. Munich Re Risk Solutions Ireland Limited ("MRRSI") will have a binding authority with Lloyd's Brussels in order to access European business post-Brexit.

In 2019, tropical cyclones dominated the natural catastrophes of the year. As in 2018, Japan was again struck by very severe typhoons, Hagibis and Faxai were two equally severe tropical cyclones which hit the Tokyo area. The cyclones were the two costliest natural catastrophes of the year in terms of both overall losses and insured losses.

Natural catastrophes caused overall losses of US$150bn, with insured losses of about US$52bn, in line with the long-term average. However, the effect of this was not material for the Syndicate.

Hurricane Dorian, the strongest hurricane of the Atlantic season, devastated the Bahamas. After the record losses of previous years, the wildfire season in California was less severe. However, the bushfire season in Australia has already been very severe. High temperatures and dry air, in combination with a great deal of flammable fuel due to a lack of precipitation during the cooler season, led to a very early start to the bushfire season in September in Queensland, and since affecting New South Wales, Victoria, South and Western Australia and Tasmania.

The Syndicate supports the first Future at Lloyd's blueprint which marks an exciting new chapter for Lloyd's by combining data, technology and new ways of working with Lloyd's existing strengths to transform Lloyd's culture in all areas from placing risks to paying claims and developing new products.

The IDC network remains important and has a strong influence on the overall portfolio accounting for approximately 28% (2018: 29%) of the estimated earned premium (gross of reinsurance) of the Syndicate.

The management of aggregate exposures remains fundamental to the creation and maintenance of a balanced and sustainable portfolio and therefore it continues to be a focus of the Syndicate's underwriting and the Syndicate invested in allocating more internal resources to this area. Management pays close attention to ensuring that such exposures, particularly in the Energy, Cyber, Cargo and Political Violence accounts, are tightly controlled.
The following table provides a breakdown of gross written premiums by regulatory class categories:

	2019 %	2018 %
Direct insurance		
Marine, Aviation and Transport	47	47
Fire and Other Damage to Property	15	10
Other	5	8
Reinsurance	33	35
Total	100	100

The Syndicate continues to buy an extensive reinsurance programme that is designed to protect the Syndicate's largest anticipated exposure from a single risk or a multiple loss events.

The structure of the Syndicate's reinsurance programme varies from year to year depending on the exposures that the Syndicate writes. The programme is subject to market forces with regard to market capacity, reinsurance terms and conditions; however, as always the reinsurance is placed with the best quality security that is available. The Syndicate continues to utilise a mixture of Lloyd's syndicates, UK authorised reinsurance companies and international reinsurance companies to ensure comprehensive reinsurance cover is in place. Some of the international companies are EU authorised insurers.

The following table provides an analysis of paid reinsurance premiums for 2019 and 2018:

	2019 %	2018 %
Lloyd's Syndicates	15	15
UK Authorised Companies	14	14
EU Companies (other than UK)	40	35
Other Insurance Companies	31	36
	100	100

PRINCIPAL RISKS AND UNCERTAINTIES

The Board of MRSL ('the Board') sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Adherence to risk appetite is reviewed by the Board on a periodic basis.

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities. The Board manages insurance risk by agreeing its appetite for those risks annually through the business plan which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board monitors performance against the business plan on a regular basis. The agency uses catastrophe modelling software to model maximum probable losses from catastrophe exposed business. The Group Actuary monitors reserve adequacy. Detailed independent reviews of underwriting areas are conducted on a quarterly basis.

Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its financial obligations or fails to perform them in a timely fashion. Key counter-parties include reinsurers, brokers, insureds, reinsureds, coverholders, IDCs and investment counter-parties. The Board's policy is that the Syndicate will only reinsure with businesses that have been approved for that purpose. An additional policy of the Board is that all brokers and coverholders have to be approved in advance of being permitted to produce business for the Syndicate. Certain Executive Directors of the Board assess and approve all new reinsurers before business is placed with them and are also responsible for approval and monitoring of the financial strength of brokers who remain on a risk transfer basis. Credit risk on Syndicate investments is managed by a policy of investing mainly in highly rated securities. At the year-end 76% of the Syndicate's "Financial Investments" was rated AA or higher or represented by Sovereign and Government Agency debt. The lowest rated security permitted, BBB- rated per S&P, accounted for just 5% of the Syndicate's "Financial Investments".

Group Risk

Group risk is the potential of risk events, of any nature, arising in or from membership of a corporate group. Munich Re is both the owner of the Managing Agent and the provider of underwriting capacity to the Syndicate. Munich Re provides reinsurance capacity for a number of classes. Close dialogue exists with the Integrated Risk Management ('IRM') division of Munich Re to discuss any necessary issues. MEAG is an asset management company, owned by Munich Re, which manages the Syndicate investments. There is a regular flow of information between the Syndicate and Munich Re.

Liquidity Risk

Liquidity risk is the risk that sufficient financial resources are not maintained to meet liabilities as they fall due. The Finance Sub-Committee monitors liquidity on a regular basis and has an agreed minimum limit of readily realisable assets. Liquidity risk is further controlled by permitting investment only in assets that are highly liquid and marketable.

Market Risk

Market risk is the risk that arises from fluctuations in values of or income from assets, in interest rates or in exchange rates. The Syndicate settles 82.6% of its insurance business in United States dollars, Euros and Canadian dollars, which gives rise to a potential exposure to currency risk while a substantial proportion of administrative and personal expenses are incurred in Sterling. The Syndicate mitigates this by adopting a policy of controlled matching of assets and liabilities in both currency and duration. The fixed interest investment portfolio and returns are regularly reviewed and reported to the Board.

Operational Risk

Operational risk is the risk of loss resulting from inadequate or failed internal processes, people and systems, or from external factors such as those arising from legal and regulatory requirements and generally accepted standards of corporate behaviour. The Syndicate's objective is to manage operational risks so as to balance the avoidance of financial losses and damage to the Syndicate's reputation with overall cost effectiveness and to avoid control procedures that restrict initiative and creativity. Risks are managed through the use of detailed procedures manuals and a structured programme of testing of processes and systems by internal audit.

Environmental Risk

On 31 January 2020, the UK officially left the European Union (EU) and entered into a transition period lasting until 31 December 2020. During the transition period, the UK and the EU will negotiate terms of their future relationship and EU law will continue to apply to the UK. In addition, the UK remains in the EU customs union and the freedom of movement continues to apply. In the event that a trade agreement cannot be reached, the UK will exit without a trade deal. Whilst there is a legal mechanism to extend the transition period by a further two years, a request to do so would need to be made by the UK by 30 June 2020, and this has already been ruled out by the current Government.

The Syndicate continues to work closely with the Corporation of Lloyd's to ensure that the impact to the market during the transition period continues to be managed. Lloyd's has issued guidance that during the transition period, passporting rights continue to apply, allowing the Syndicate to continue to service existing EEA policies and pay valid insurance claims.

Lloyd's Insurance Company S.A. (Lloyd's Brussels)

Lloyd's established Lloyd's Insurance Company S.A., a subsidiary in Brussels (Lloyd's Brussels) to enable syndicates, including Syndicate 457, to continue to conduct cross border business throughout the European Economic Area (EEA) and to allow policyholders within the EEA to access Lloyd's. Lloyd's Brussels is an insurance company authorised and regulated by the National Bank of Belgium and regulated by the Financial Services and Markets Authority. The subsidiary is fully capitalised and assigned the equivalent financial ratings as Lloyd's from A.M Best (A), Fitch (AA-) and Standard & Poors (A+).

Since 1 January 2019, all new non-life EEA direct insurance policies are written by Lloyd's Brussels and all renewing EEA non-life direct insurance policies are transferred to Lloyd's Brussels on their renewal.

Part VII transfer

Lloyd's are in progress with a Part VII transfer of all EEA business to Lloyd's Brussels before the end of 2020. Under the transition period, Lloyd's have advised underwriters to continue to honour their contractual commitments including the payment of valid claims. Lloyd's expects that this will have the support of all European regulators as it goes to the heart of treating customers fairly. In the event that it does not, Lloyd's has directed its underwriters, or will take such other steps, to ensure that contractual commitments are met in full whilst the transfer is being completed. Lloyd's approach has the full support of the UK's Financial Conduct Authority.

Whilst there is still some uncertainty as to the terms of final trade deal and the consequences that may subsequently arise, Syndicate 457 and its managing agent, Munich Re Syndicate Ltd, have sought to mitigate the volatility of the resultant uncertainties where known. The Board is confident that Syndicate 457's future performance should not be materially impacted by Brexit.

Climate change related Risk

In April 2019, the PRA issued and effected two statements with respect to the PRA's expectations for UK insurance firms (including Lloyd's of London and its managing agents) to identify and manage financial risks from climate change comprising physical, transitional and liability risks. Specifically, PRA Supervisory Statement 3/19 sets out expectations with respect to considerations of a strategic approach to managing financial risks from climate change, including governance, risk management, scenario analysis and disclosures. MRSL has risk management programme to monitor and manage some elements of climate change related risks including aggregate exposure management, and will be further enhancing this programme. The CUO as the senior management function holder is deemed responsible for this programme with the support from the risk function. The Board is appraised of developments.

DIRECTORS

The Directors of the Managing Agent who held office during the year ended 31 December 2019 were as follows:

L F Allen (Non-executive)

E J Andrewartha (Non-executive Chair)

T E Artmann

T J Carroll (Non-executive)

T Coskun

G Guelfand

S H Herrmann (Non-executive)

M C Hewett (Non-executive)

D J R Hoare

A C Maxwell

E N Noble (Non-executive resigned 31 March 2019)

INVESTMENTS

Investment Policy and Managers

The Syndicates assets are managed against a "liability driven" investment approach.

MEAG, the group asset manager of Munich Re, is mandated by the Managing Agent to manage all of the Syndicate funds. MEAG manages Syndicate funds against benchmarks, approved by the Board, which have been generated from examination of the underlying profile of the underwriting liabilities and applying an Asset-Liability Matching model.

The Lloyd's Dollar Trust Fund, which comprises the largest proportion of funds, is managed against a composite of Barclays indices for US Treasuries (62%), US Credit 1-5 years excluding financials (28%) and US Agencies (10%). The US situs funds and Singapore funds are managed jointly against a US Treasury 1-3 years benchmark.

The Canadian dollar trust funds were invested to replicate liabilities with no active benchmark.

The Euros trust fund was managed against a benchmark comprising 50% money market and 50% government index with maturities 1-3 years.

The Sterling trust fund was managed against a benchmark comprising 30% money market, 43% government index with maturities 1-3 years and 27% government index with maturities 3-5 years.

Overall the duration of the portfolio at the year-end was 1.70 years which is in line with the benchmark duration. The mandate permits flexibility in duration around the benchmark of +1/-1 year.

For each of the managed funds the Board has set certain restrictions in terms of sector limits and individual issuer limit. In addition each portfolio is subject to a minimum average credit rating.

Investment Performance

The 2019 calendar year investment performance is as follows:

Currency	Fund Return %	Benchmark Return %
US dollars	4.6	4.3
Canadian dollars	2.2	-
Sterling	1.4	0.9
Euros	0.7	(0.4)

The combined 2019 calendar year investment performance of the actively managed portfolio is 3.8% compared to a benchmark of 3.5%.

Most of the outperformance is coming from the EUR portfolio via the Euro Trust Fund (ETF) portfolio, driven by the decision on rates positioning and security selection.

FUTURE DEVELOPMENTS

The number of Lloyd's syndicates trading reduced by three from 1 January 2020 as a long-term trend of persistent weak underwriting results continued, leading to the withdrawal of capital. These closures reflect the direct and indirect impact of the Lloyd's need to close the performance gap, to ensure the market is capable of delivering sustainable profit. It is pleasing to report that for 2020, Syndicate 457 is categorised as Light Touch and as such its business plan for 2020 was approved without any major alterations to that submitted. Notwithstanding the Light Touch status, MRSL continues to work closely with Lloyd's to ensure alignment in meeting Lloyd's wider market objectives and to ensure it remains responsive to new initiatives stemming from the new Future at Lloyd's blueprint.

SYNDICATE ALLOCATED CAPACITY AND MEMBERSHIP OF THE SYNDICATE

The capacity of the Syndicate is based on Gross Net premiums and increased for the 2020 account to £525m (2019 account: £425m). All of the capacity of the Syndicate is provided by Munich Re Capital Limited ('MRCL'), an indirect subsidiary of Munich Re.

DISCLOSURE OF INFORMATION TO THE AUDITORS

The directors of the Managing Agent who held office at the date of approval of this Managing Agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

AUDITORS

KPMG LLP will be subject to mandatory rotation after the 2019 year end and therefore the Munich Re Group decided to conduct a tender for the audit services for the whole group, including its managed syndicates. Following a rigorous process, the managing agent is pleased to announce that it will appoint Ernst & Young LLP as its auditor for financial periods incepting on or after January 2020. KPMG LLP will resign as auditor following completion of the 31 December 2019 audit.

Approved by a resolution of the Board of Directors of Munich Re Syndicate Limited and signed on its behalf.

E J Andrewartha
Non-Executive Chair

4 March 2020

D J R Hoare, ACII
Chief Underwriting Officer

4 March 2020

STATEMENT OF MANAGING AGENT'S DIRECTORS' RESPONSIBILITIES

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

The Insurance Accounts Directive (Lloyds'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 (Lloyds'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; and
- 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 Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyds'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.

On behalf of the board
E J Andrewartha
Non-Executive Chair

4 March 2020

Opinion

We have audited the Syndicate annual accounts of Syndicate 457 for the year ended 31 December 2019 which comprise the Statement of Profit or Loss: Technical account, Statement of Profit or Loss: 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 2019 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 Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors of the Managing Agent 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").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Syndicate annual accounts. In our evaluation of the directors' conclusions, we considered the inherent risks to the syndicate's business model, including the impact of Brexit, and analysed how those risks might affect the syndicate's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

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 absence of reference to a material uncertainty in this auditor's report is not a guarantee that the syndicate will continue in operation.

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 that report.

In our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts.

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, or returns adequate for our audit have not been received from branches not visited by us; or
- the Syndicate annual accounts are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration 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 10, 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 trading, 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.

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
London
E14 5GL

4 March 2020

STATEMENT OF PROFIT OR LOSS: TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Earned premiums, net of reinsurance			
Gross premiums written	5	568,615	523,224
Outward reinsurance premiums		(117,502)	(113,354)
Net premiums written		451,113	409,870
Change in the provision for unearned premiums			
Gross amount	16	(22,484)	(38,277)
Reinsurers' share	16	(2,803)	2,640
Change in the net provision for unearned premiums	16	(25,287)	(35,637)
Earned premiums, net of reinsurance		**425,826**	**374,233**
Allocated investment return transferred from the non-technical account	9	**15,006**	**4,968**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(249,330)	(234,920)
Reinsurers' share		55,711	80,552
Net claims paid		(193,619)	(154,368)
Change in the provision for claims			
Gross amount	16	(28,926)	19,770
Reinsurers' share	16	8,622	(34,431)
Change in the net provision for claims	16	(20,304)	(14,661)
Claims incurred, net of reinsurance		**(213,923)**	**(169,029)**
Net operating expenses	6	**(197,501)**	**(173,711)**
Balance on the technical account – general business		**29,408**	**36,461**

All operations relate to continuing activities.

The notes on pages 19 to 46 form an integral part of these annual accounts.

STATEMENT OF PROFIT OR LOSS: NON-TECHNICAL ACCOUNT
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Balance on the technical account – general business		**29,408**	**36,461**
Investment income	9	9,959	8,643
Investment expenses and charges	9	(471)	(590)
Realised and unrealised gains on investments	9	6,747	1,595
Realised and unrealised losses on investments	9	(1,229)	(4,680)
Allocated investment return transferred to general business technical account	9	(15,006)	(4,968)
Non-technical account income	10	3,594	1,270
(Loss) on foreign exchange		(366)	(3,202)
Profit for the financial year		**32,636**	**34,529**

All operations relate to continuing activities.

There were no recognised gains and losses in the year other than those reported in the Statement of Profit and Loss and hence no Statement of Other Comprehensive Income has been presented.

The notes on pages 19 to 46 form an integral part of these annual accounts.

BALANCE SHEET – ASSETS AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Investments			
Other financial investments	11	591,489	527,497
Deposits with ceding undertakings		170	112
Other loans		1,645	0
		593,304	**527,609**
Reinsurers' share of technical provisions			
Provision for unearned premiums	16	30,375	32,805
Claims outstanding	16	229,346	227,938
		259,721	**260,743**
Debtors			
Debtors arising out of direct insurance operations	12	138,126	144,238
Debtors arising out of reinsurance operations		104,885	92,648
Other debtors	13	7,528	8,550
		250,539	**245,436**
Other assets			
Cash at bank and in hand		**39,896**	**23,514**
Prepayments and accrued income			
Deferred acquisition costs	14	**85,039**	**88,477**
Total assets		**1,228,499**	**1,145,779**

The notes on pages 19 to 46 form an integral part of these annual accounts.

BALANCE SHEET – LIABILITIES AT 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Capital and reserves			
Members' balances		**101,099**	**68,093**
Technical provisions			
Provision for unearned premiums	16	273,730	259,336
Claims outstanding	16	687,047	680,942
Provision for other risks and charges		872	871
		961,649	**941,149**
Creditors			
Creditors arising out of direct insurance operations	18,19	16,152	34,059
Creditors arising out of reinsurance operations	18,20	80,921	77,568
Other creditors	18,21	68,295	24,721
		165,368	**136,348**
Accruals and Deferred income		383	189
Total liabilities and equity		**1,228,499**	**1,145,779**

The notes on pages 19 to 46 form an integral part of these annual accounts.

The Syndicate annual accounts on pages 19 to 46 were approved by the Board of Munich Re Syndicate Limited on 4 March 2020 and were signed on its behalf by

E J Andrewartha
Non-Executive Chair

4 March 2020

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Members' balance brought forward at 1 January		68,093	88,896
Profit for the financial year		32,636	34,529
Net transfer to members' personal reserve funds	22	370	(55,332)
Members' balance carried forward at 31 December		**101,099**	**68,093**

Members participate on Syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The notes on pages 19 to 46 form an integral part of these annual accounts.

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £000	2018 £000
Cash Flow from operating activities			
Operating result		**32,636**	**34,529**
Adjustments:			
Increase/(Decrease) in gross technical provisions		51,366	59,184
(Increase)/Decrease in reinsurers' share of gross technical provisions		(5,819)	17,352
(Increase)/Decrease in debtors		(12,971)	(91,429)
Increase/(Decrease) in creditors		32,547	25,863
Investment return		(18,600)	(6,238)
Other		(2,454)	-
Net cash flow from operating activities		*76,705*	*39,261*
Cash flow from investing activities			
Purchase of equity and debt instruments		(564,138)	(554,196)
Sale of equity and debt instruments		487,967	595,358
Investment income received		13,219	8,019
Foreign exchange		-	(18,236)
Other		(2,289)	(3,056)
Net cash flow from investing activities		*(65,241)*	*27,889*
Cash flow from financing activities			
Distribution profit		(37,106)	(52,977)
Profits etc added to FIS		41,600	29,335
FIS released to member		-	(36,000)
Net cash flow from financing activities		*4,494*	*(59,642)*
Net increase/(decrease) in cash and cash equivalents		**15,958**	**7,508**
Cash and cash equivalents at beginning of the year		29,266	21,758
Foreign exchange on cash and cash equivalents		(792)	-
Cash and cash equivalents at end of year		**44,432**	**29,266**
Cash at bank and in hand		39,896	23,514
Short term deposits with credit institutions		4,536	5,752
Cash and cash equivalents at end of year	23	**44,432**	**29,266**

The notes on pages 19 to 46 form an integral part of these annual accounts.

1. BASIS OF PREPARATION

The Syndicate comprises a single corporate member of Lloyd's, Munich Re Capital Limited, that underwrites insurance business in the London Market.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Financial Reporting Standard 102 *The Financial Reporting Standard* applicable in the UK and Republic of Ireland ('FRS 102') as issued in August 2014, and Financial Reporting Standard 103 *Insurance Contracts* ('FRS 103') as issued in March 2014.

The financial statements have been prepared on the historical cost basis, except for financial assets categorised as fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling ('GBP'), which is the syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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 will differ from these estimates, and estimates along with the underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

(a) Claims Reserving

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have a very 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 ('IBNR') to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries and reviewed by external consulting actuaries. The techniques used generally involve projecting the development of claims over time from past experience, with adjustment 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.

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.

(b) Premium Estimates

The amount included in respect of premium is based on statistical techniques of estimation applied by the Syndicate Managing Agent's in house actuaries and reviewed by external consulting actuaries.

3. SIGNIFICANT ACCOUNTING POLICIES

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's annual accounts.

(a) Gross Premiums Written

Gross Premiums Written comprise premiums on contracts incepted during the 12 months to 31 December, together with any adjustments made in the year to premiums relating to prior accounting periods. Premiums are shown gross of commission payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

(b) Unearned Premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written in the year that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

(c) 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.

(d) 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 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 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 with regards to 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 of the Managing Agent 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.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(e) 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.

Unexpired risk surplus and deficits are offset where in the opinion of the directors the business classes concerned are managed together and in such cases a provision for unexpired risks is made only where there is an aggregate deficit.

(f) Acquisition Costs

Acquisition costs, which represent commission and other expenses related to the acquisition of new insurance contracts, are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. In addition to third party brokerage, acquisition costs include IDC costs and a proportion of Syndicate costs including all box rent, underwriters' employment costs and an allocation of accommodation and IT costs.

(g) Foreign Currencies

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the balance sheet date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

(h) Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Classification
The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the Statement of Profit and Loss. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate's investment strategy.

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

Recognition
Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate's contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets and liabilities (continued)

Purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

Measurement
A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Identification and measurement of impairment
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.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

Off-setting
Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

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

Realised gains and losses on investments carried at fair 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 to reflect the investment return on funds supporting underwriting business.

3. SIGNIFICANT ACCOUNTING POLICIES (continued)

(h) Financial assets and liabilities (continued)

Cash and cash equivalents
Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Cash and cash equivalents are carried at amortised cost in the Balance Sheet.

(i) Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax deducted from syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members 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 the member on underwriting results.

(j) Pension Costs

The Managing Agent operates in conjunction with other Group companies, a funded contributory defined benefit scheme. This scheme was closed for new members in 2000. The assets of the scheme are held separately from those of the Managing Agent, being invested with Barclays Stockbrokers. Contributions to the scheme are charged to the Statement of Profit and Loss so as to spread the cost of pensions over employees working lives with the Managing Agent and are included in net operating costs. The scheme was closed for future accruals on 31 December 2009. All active members transferred to the defined contribution scheme from 1 January 2010. During 2014 and as an alternative choice to the defined contribution scheme the Managing Agent offered a Group Self Invested Pension Scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and included within net operating expenses.

The most recent triennial valuation showed that there was a surplus of 12% in the scheme which was equivalent to £18.4m. Factors which have contributed to the improvement include the impact of deaths, retirements and transfers out; good investment returns; and updates to the mortality assumptions.

(k) Profit Commission

The Managing Agent does not charge any profit commission.

4. RISK AND CAPITAL MANAGEMENT

Framework

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing Agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

Munich Re Syndicate Limited's Board ("the Managing Agent") sets risk appetite annually as part of the Syndicate's business planning and Solvency Capital Requirement process. Risk appetite is subsequently reviewed by the Managing Agent on a periodic basis. The Managing Agent has a Risk Forum which meets monthly to review and update the risk register and to monitor performance against risk appetite. The Risk & Capital Committee, a sub-committee of the Managing Agent's Board, met throughout the year to review and challenge risk management and the use of the internal model for capital calculation purposes.

4. RISK AND CAPITAL MANAGEMENT (continued)

The Managing Agent is required to comply with the requirements of the PRA, the FCA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Compliance Officer monitors regulatory developments and assesses the impact on Managing Agent policy. The principal risks and uncertainties, in addition to the regulatory and compliance risk facing the Syndicate and consequently Munich Re Capital Limited are monitored in line with the six risk groups, of which Insurance Risk is by far the most significant to the Syndicate.

Insurance Risk

Insurance risk, comprising underwriting risk and reserving risk, is the risk of loss arising from the inherent uncertainties about the occurrence, amount and timing of insurance premiums and liabilities.

The risk exposure is mitigated by seeking to have a diverse but balanced portfolio of risks across a number of underwriting classes written on a global basis. A further key component of the management of portfolio volatility is via the IDC network operating in established broker based markets around the world. These companies are focused on writing local market business that would not necessarily be shown to the London market.

The annual business plan sets out the classes of business, the territories, average line size and type of assured. These plans are approved by the Board and monitored by the Underwriting and Claims Sub-Committee.

It is the policy of the Managing Agent to purchase appropriate reinsurance to support the business plan taking into consideration the MRSL board's risk appetite and risk retention as well as a review of risk accumulation. With security being of paramount importance, the Syndicate places as much of the programme as possible with reinsurers of the highest calibre, subject to availability and market conditions. The key aim of the non-proportional treaty programme is to maintain cover, both for a single catastrophe loss (vertical) or a sequence of major losses (horizontal). In addition to this the Syndicate purchased significant additional quota share reinsurance as part of its risk management strategy. The Syndicate also purchases facultative reinsurance within the retention to protect the volatility of certain accounts.

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its gross written premium.

2019	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	39,635	2,774	10,181	766	213,201	266,557
Fire and other damage to property	9,926	10,540	336	51	66,313	87,166
Third party liability	939	1,734	530	-	14,085	17,288
Accident & Health	-	31	-	-	11,471	11,502
Motor	119	-	-	-	-	119
	50,619	15,079	11,047	817	305,070	382,632
Reinsurance	18,922	432	104	39	166,486	185,983
Total	69,541	15,511	11,151	856	471,556	568,615

4. RISK AND CAPITAL MANAGEMENT (continued)

2018	USA £000	UK £000	Canada £000	Australia £000	Rest of World £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	31,039	1,986	8,940	878	201,001	243,844
Fire and other damage to property	5,316	5,541	295	23	41,375	52,550
Third party liability	971	6,800	431	-	20,736	28,938
Accident & Health	-	-	-	-	12,091	12,091
Motor	1,178	-	-	-	-	1,178
	38,504	14,327	9,666	901	275,203	338,601
Reinsurance	16,111	81	393	47	167,991	184,623
Total	54,615	14,408	10,059	948	443,194	523,224

Sensitivity to insurance risk
The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity:

	2019 £000		2018 £000	
	5 percent increase	5 percent decrease	5 percent increase	5 percent decrease
Gross claims outstanding	(34,352)	34,352	(34,047)	34,047
Net claims outstanding	(22,885)	22,885	(22,650)	22,650

The Syndicate uses both its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an unmodelled event are greater than those arising from a modelled event.

4. RISK AND CAPITAL MANAGEMENT (continued)

Financial Risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The main components of Financial Risk are Credit, Liquidity and Market risks.

a) Credit Risk

Credit risk relates to the risk of loss if another party fails to perform its obligations or fails to perform them in a timely fashion.

The investment mandate sets out to minimise credit risk by requiring the individual investment portfolios to maintain an average portfolio quality equivalent to A+ per Standard & Poor's ('S&P'). There are also limits within the mandate to manage the exposure to individual issuers. The investment manager provides a qualitative analysis, on a quarterly basis, of the lowest rated security on the portfolio. No securities may be purchased that are rated below BBB-. No investments in financials are permitted to be purchased that have a rating below A+.

The investment guidelines do not permit use of derivatives or securities lending.

There are counterparty limits in place for each of the cash accounts held with Citbank NA, Bank of Scotland plc and Royal Bank of Canada. These are monitored daily and reported on a weekly basis. Reinsurance is placed with counterparties that have a good credit rating. There is a limited pool of approved reinsurers and any reinsurance that is placed with reinsurers not within this pool requires the approval of certain Executive Directors. All reinsurance is subject to regular internal review.

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and other debtors and accrued interest that are neither past due, nor impaired.

Credit rating relating to financials assets that are neither due nor impaired

2019	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Not rated £000	Total £000
Shares and other variable yield securities and unit trusts	-	-	-	-	-	-	-
Debt securities and other fixed income securities	355,010	106,944	40,256	71,369	-	-	573,579
Participation in investment pools	-	-	-	-	-	-	-
Loans with credit institutions						1,645	1,645
Deposits with credit institutions	8,326	1,652	1,308	1,172	628	4,824	17,910
Deposits with ceding undertakings	-	-	-	-	-	170	170
Reinsurer' share of claims outstanding	-	94,431	134,007	60	-	848	229,346
Insurance debtors	-	-	-	-	-	135,949	135,949
Reinsurance debtors	-	-	-	-	-	90,080	90,080
Other debtors	-	-	-	-	-	7,528	7,528
Cash at bank and in hand	-	2,663	37,216	-	-	17	39,896
Total credit risk	363,336	205,690	212,787	72,601	628	241,061	1,096, 103

4. RISK AND CAPITAL MANAGEMENT (continued)

a) Credit Risk (continued)

2018	Credit rating relating to financials assets that are neither due nor impaired						
	AAA £000	AA £000	A £000	BBB £000	<BBB £000	Not rated £000	Total £000
Shares and other variable yield securities and unit trusts	-	-	-	-	-	-	-
Debt securities and other fixed income securities	346,584	72,201	31,983	57,586	-	-	508,354
Participation in investment pools	-	-	-	-	-	-	-
Loans with credit institutions	-	-	-	-	-	-	-
Deposits with credit institutions	8,634	1,942	1,461	1,073	168	5,865	19,143
Deposits with ceding undertakings	-	-	-	-	-	112	112
Reinsurer' share of claims outstanding	-	68,034	156,281	86	-	3,537	227,938
Insurance debtors	-	-	-	-	-	142,436	142,436
Reinsurance debtors	-	-	-	-	-	67,068	67,068
Other debtors	-	-	-	-	-	8,550	8,550
Cash at bank and in hand	-	4,638	18,840	-	-	36	23,514
Total credit risk	355,218	146,815	208,565	58,745	168	227,604	997,115

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amounts owed to the Syndicate.

These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties.

An analysis of the carrying amounts of past due or impaired debtors is presented in the tables below.

2019		Financials assets that are past due but not impaired					
	Neither due nor impaired £000	Up to three months £000	Three to six months £000	Six months to one year £000	Greater than one year £000	Impaired £000	Total £000
Insurance debtors	135,949	1,600	370	160	47	-	138,126
Reinsurance debtors	90,080	6,608	5,248	1,625	1,333	(9)	104,885
Other debtors	7,528	-	-	-	-	-	7,528
Total credit risk	233,557	8,208	5,618	1,785	1,380	(9)	250,539

4. RISK AND CAPITAL MANAGEMENT (continued)

a) Credit Risk (continued)

2018		Financials assets that are past due but not impaired					
	Neither due nor impaired	Up to three months	Three to six months	Six months to one year	Greater than one year	Impaired	Total
	£000	£000	£000	£000	£000	£000	£000
Insurance debtors	142,436	1,213	433	103	53	-	144,238
Reinsurance debtors	67,068	23,084	150	908	1,447	(9)	92,648
Other debtors	8,550	-	-	-	-	-	8,550
Total credit risk	218,054	24,297	583	1,011	1,500	(9)	245,436

b) Liquidity Risk

Liquidity risk is the risk that the Syndicate will not have sufficient financial resources to meet liabilities as they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries and an associated risk of gross funding of US situs losses.

A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the Risk and Capital Committee.

The table below summarises the maturity profile of the Syndicate's financial assets and liabilities.

2019	No stated maturity £000	0-1 year £000	1-3 years £000	3-5 years £000	>5 years £000	Total £000
Financial assets						
Shares and other variable yield securities and unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	133,516	348,965	75,188	15,910	573,579
Participation in investment pools	-	-	-	-	-	-
Deposits with credit institutions	3,335	2,963	8,903	2,433	276	17,910
Insurance debtors	-	138,119	7	-	-	138,126
Reinsurance debtors	-	104,885	-	-	-	104,885
Other debtors	-	7,528	-	-	-	7,528
Cash at bank and in hand	-	39,896	-	-	-	39,896
Total	**3,335**	**426,907**	**357,875**	**77,621**	**16,186**	**881,924**
Financial liabilities						
Creditors	-	165,368	-	-	-	165,368
Provision	872	-	-	-	-	872
Total	**872**	**165,368**	-	-	-	**166,240**

4. RISK AND CAPITAL MANAGEMENT (continued)

b) Liquidity Risk (continued)

2018	No stated maturity £000	0-1 year £000	1-3 years £000	3-5 years £000	>5 years £000	Total £000
Financial assets						
Shares and other variable yield securities and unit trusts	-	-	-	-	-	-
Debt securities and other fixed income securities	-	114,800	306,898	83,568	3,088	508,354
Participation in investment pools	-	-	-	-	-	-
Deposits with credit institutions	5,865	2,033	8,651	2,076	518	19,143
Insurance debtors	-	144,238	-	-	-	144,238
Reinsurance debtors	-	92,648	-	-	-	92,648
Other debtors	-	8,550	-	-	-	8,550
Cash at bank and in hand	-	23,514	-	-	-	23,514
Total	**5,865**	**385,783**	**315,549**	**85,644**	**3,606**	**796,447**
Financial liabilities						
Creditors	-	136,348	-	-	-	136,348
Provision	871	-	-	-	-	871
Total	**871**	**136,348**	-	-	-	**137,219**

c) Market Risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprise of currency and interest risk.

For assets backing outstanding claims provisions, market risk is managed by matching the duration and profile of the assets to the technical provisions they are backing, referred to as Asset-Liability Matching. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

Currency risk
Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Syndicate's functional currency is Sterling and its exposure to foreign exchange risk arises primarily with respect to transactions in United States dollars, Euros and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

The table below summarises the exposure of the financial assets and liabilities to foreign currency exchange risk at the reporting date, as follows:

4. RISK AND CAPITAL MANAGEMENT (continued)

c) Market Risk (continued)

2019	GBP £000	USD £000	EUR £000	CAD £000	Other £000	Total £000
Total assets	147,816	947,401	80,470	42,375	10,437	1,228,499
Total liabilities	(272,027)	(729,512)	(81,645)	(44,216)	-	(1,127,400)
Net assets	**(124,211)**	**217,889**	**(1,175)**	**(1,841)**	**10,437**	**101,099**

2018	GBP £000	USD £000	EUR £000	CAD £000	Other £000	Total £000
Total assets	120,971	925,228	56,453	30,461	12,666	1,145,779
Total liabilities	(215,082)	(773,986)	(56,350)	(32,268)	-	(1,077,686)
Net assets	**(94,111)**	**151,242**	**103**	**(1,807)**	**12,666**	**68,093**

The table below shows the impact on the Syndicate's net assets of a 5% appreciation or depreciation in each currency relative to Sterling, as at the Balance Sheet date.

2019	GBP £000	USD £000	EUR £000	CAD £000	Other £000	Total £000
5 percent appreciation	-	10,894	(59)	(92)	522	11,265
5 percent depreciation	-	(10,894)	59	92	(522)	(11,265)

2018	GBP £000	USD £000	EUR £000	CAD £000	Other £000	Total £000
5 percent appreciation	-	7,562	5	(90)	633	8,110
5 percent depreciation	-	(7,562)	(5)	90	(633)	(8,110)

Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. The sensitivity analysis below shows the impact of a 50 basis point movements in interest rates with all other variables held constant, showing the impact on net assets.

	2019 £000	2018 £000
Impact of 50 basis point increase on net assets	(5,500)	(5,154)
Impact of 50 basis point decrease on net assets	5,500	5,154

The impact of the reasonably possible changes in the interest rate on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in profit or loss.

4. RISK AND CAPITAL MANAGEMENT (continued)

Capital Management

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

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

Although, as described below, the Lloyd's capital setting processes use a capital requirement set at the syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at the overall and member level, 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 Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 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 ('FAL')), held within and managed within a syndicate (Funds in Syndicate ('FIS')) 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 with the exception of FIS balance held, as represented in the members' balances reported on the Balance Sheet on page 15, 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:

2019	Gross Written Premiums £000	Gross Premiums Earned £000	Gross Claims Incurred £000	Gross* Operating Expenses £000	Re-insurance Balance £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	266,557	267,320	(139,558)	(93,538)	(26,704)	7,520
Fire and other damage to property	87,166	75,886	(38,501)	(29,329)	(5,379)	2,677
Third party liability	17,288	21,221	(16,708)	(8,445)	(3,316)	(7,248)
Accident & Health	11,502	9,908	(10,651)	(3,682)	(756)	(5,181)
Motor (other classes)	119	334	(1,661)	(44)	0	(1,371)
	382,632	374,669	(207,079)	(135,038)	(36,155)	(3,603)
Reinsurance	185,983	171,462	(71,177)	(62,463)	(19,817)	18,005
Total	**568,615**	**546,131**	**(278,256)**	**(197,501)**	**(55,972)**	**14,402**

2018	Gross Written Premiums £000	Gross Premium Earned £000	Gross Claims Incurred £000	Gross* Operatin Expenses £000	Re-insurance Balance £000	Total £000
Direct insurance						
Marine, Energy, Aviation and Transport	243,844	237,480	(73,812)	(88,590)	(49,985)	25,093
Fire and other damage to property	52,550	49,012	(23,562)	(16,542)	(10,293)	(1,385)
Third party liability	28,938	19,901	(16,794)	(9,480)	270	(6,103)
Accident & Health	12,091	12,325	(15,971)	(4,620)	(22)	(8,288)
Motor (other classes)	1,178	1,285	(1,199)	(445)	(108)	(467)
	338,601	320,003	(131,338)	(119,677)	(60,138)	8,850
Reinsurance	184,623	164,944	(83,812)	(54,034)	(4,455)	22,643
Total	**523,224**	**484,947**	**(215,150)**	**(173,711)**	**(64,593)**	**31,493**

All premiums are written through Lloyd's platform.

Brokerage and commission on direct business written was £93.9m (2018: £88.8m).

*Gross operating expenses are the same as net operating expenses shown in the profit and loss account, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2019 or 2018.

5. ANALYSIS OF UNDERWRITING RESULT (continued)

The geographical analysis of premiums by destination is as follows:

	2019 £000	2018 £000
United Kingdom	568,615	523,224
Total	**568,615**	**523,224**

6. NET OPERATING EXPENSES

	2019 £000	2018 £000
Acquisition costs	168,454	166,513
Change in deferred acquisition costs	1,202	(17,828)
Administrative expenses	27,845	25,026
Total	**197,501**	**173,711**

Administrative expenses include:

	2019 £000	2018 £000
Fees payable to the Syndicate auditor for the audit of the Syndicate annual accounts	98	112
Fees payable to the Syndicate auditor and its associates for other services		
Audit-related assurance services	22	22
Tax advisory services	-	-
Other assurance services	70	69
Total	**190**	**203**

Members' standard personal expenses are included within administrative expenses.

7. STAFF NUMBERS AND COSTS

All staff are employed by the managing agency. The following amounts were recharged to the Syndicate in respect of salary costs:

	2019 £000	2018 £000
Wages and salaries	16,922	16,167
Social security costs	2,297	2,071
Other pension costs	1,425	1,310
Total	**20,644**	**19,548**

The average number of employees employed by the managing agency but working for the Syndicate during the year was as follows:

	2019	2018
Underwriting	80	79
Claims	11	10
Other	73	66
Total	**164**	**155**

8. KEY MANAGEMENT PERSONNEL COMPENSATION

Five (2018: Five) directors of Munich Re Syndicate Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2019 £000	2018 £000
Directors' Emoluments	2,169	1,533
Contributions to pension scheme	44	36
Total	**2,213**	**1,569**

No other compensation was payable to key management personnel. For the purposes of this disclosure, key management personnel are taken to be the Directors of the Managing Agency.

The highest paid director received the following remuneration charged as a Syndicate expense and included within the directors' emoluments above:

	2019 £000	2018 £000
Emoluments	572	470
Contributions to pension scheme	-	-
Total	**572**	**470**

The chief underwriting officer received the following remuneration charged as a Syndicate expense and included within the directors' emoluments above:

	2019 £000	2018 £000
Emoluments	572	470
Contributions to pension scheme	-	-
Total	**572**	**470**

9. INVESTMENT RETURN

	2019 £000	2018 £000
Investment income		
Income from investments	9,959	8,643
Gains on the realisation of investments	353	597
Unrealised gains on investments	6,394	998
	16,706	10,238
Investment expenses and charges		
Investment management expenses	(471)	(590)
Losses on the realisation of investments	(216)	(1,902)
Unrealised losses on investments	(1,013)	(2,778)
	(1,700)	(5,270)
Total investment return	**15,006**	**4,968**

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

	2019 £000	2018 £000
Average amount of syndicate funds available for investment during the year		
Sterling	109,372	87,865
Euro	22,467	25,256
US dollar	424,726	435,370
Canadian dollar	26,030	20,618
Average funds available for investment, in Sterling	**582,595**	**569,109**
Total investment return	**15,006**	**4,968**
Annual investment yield	%	%
Sterling	0.7	0.4
Euro	(1.2)	(2.7)
US dollar	3.0	1.2
Canadian dollar	2.0	1.4
Total annual investmen return, in %	**2.6**	**0.9**

10. NON-TECHNICAL ACCOUNT INCOME/CHARGES

The non-technical account income of £3,594k (2018: £1,270k) reflects investment income earned on Funds in Syndicate deposited by MRCL into the Syndicate's Premium Trust Fund.

11. OTHER FINANCIAL INVESTMENTS

	Fair value		Cost	
	2019 £000	**2018 £000**	**2019 £000**	**2018 £000**
Debt securities and other fixed income securities	573,579	508,354	582,269	509,211
Deposits with credit institutions	17,910	19,143	17,910	19,143
Total	**591,489**	**527,497**	**600,179**	**528,354**

All Debt securities and other fixed income securities are highly liquid and marketable. These comprise 97.0% (2018: 96.4%) of the total market value of investments.

Included within the fair value of financial investments is accrued income of £3.6m (2018: £3.0m).

Included within Deposits with credit institutions are Overseas deposits of £17.9m (2018: £19.2m) held at fair value (see note 15).

Valuation hierarchy

The Syndicate classifies its financial instruments held at fair value in its Statement of Financial Position using a fair value hierarchy, as follows:

- Level 1 – Quoted prices (unadjusted) in active markets for identical assets and liabilities.
- Level 2 – Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).
- Level 3 – Inputs for the assets or liability that are not based on observable market data (unobservable inputs).

The table below analyses financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

2019	Fair value hierarchy			
	Level 1 £000	**Level 2 £000**	**Level 3 £000**	**Total £000**
Debt securities and other fixed income securities	-	573,579	-	573,579
Loans and deposits with credit institutions	11,035	6,875	1,645	19,555
Total	**11,035**	**580,454**	**1,645**	**593,134**

11. OTHER FINANCIAL INVESTMENTS (continued)

2018 — **Fair value hierarchy**

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Debt securities and other fixed income securities	-	508,354	-	508,354
Loans and deposits with credit institutions	7,184	11,959	-	19,143
Total	**7,184**	**520,313**	**-**	**527,497**

12. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2019 £000	2018 £000
Due from intermediaries		
Due within one year	138,119	144,238
Due after one year	7	-
Total	**138,126**	**144,238**

13. OTHER DEBTORS

	2019 £000	2018 £000
Due within one year		
Due from IDCs	6,119	6,801
Due from others	1,409	1,749
Total	**7,528**	**8,550**

14. DEFERRED ACQUISITION COSTS

	2019 £000	2018 £000
Balance at 1 January	88,477	68,033
Movement in deferred acquisition costs	(1,202)	17,828
Effect of movements in exchange rates	(2,236)	2,616
Balance at 31 December	**85,039**	**88,477**

15. OVERSEAS DEPOSITS

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and for local regulatory requirements. Of the total balance below, £17k (2018: £36k) is recognised as cash and £17,910k (2018: £19,143k) is recognised as Other Financial Investments.

	2019 £000	2018 £000
Illinois Deposit	804	707
Joint Asset Trust Funds	823	1,015
Additional Securities Limited	5,079	6,084
South African Trust Deed	721	244
Australian Trust Fund	6,164	6,666
Other Funds	4,336	4,463
Overseas Deposits	**17,927**	**19,179**

The Illinois Deposit is determined by reference to the Syndicate's premium income and estimated exposure to outstanding liabilities arising from business written in the State of Illinois, USA and is required to enable the Syndicate to underwrite business arising in that State.

The Joint Asset Trust Funds are determined by reference to the Syndicate's US dollar reinsurance and surplus lines premium income and are required to enable the Syndicate to write certain reinsurance and surplus lines business in the USA.

The Additional Securities Limited deposits are lodged as a condition of conducting underwriting business in Switzerland and other countries.

The South African Trust Deed is required to enable the Syndicate to underwrite business arising in South Africa. The Syndicate's contribution to the fund is calculated by reference to the amount of outstanding liabilities under South African policies.

The Australian Trust Fund is required to enable the Syndicate to underwrite business arising in Australia. The Syndicate's contribution to the fund is calculated by reference to the premium income and estimated exposure to outstanding liabilities arising from business written in Australia.

Other Funds is predomantly consists of the Syndicates Canadian Margin Fund.

16. TECHNICAL PROVISIONS

	2019			2018		
	Gross Provisions £000	**Reinsurance assets £000**	**Net £000**	**Gross Provisions £000**	**Reinsurance assets £000**	**Net £000**
Claims outstanding						
Balance at 1 January	680,942	(227,938)	453,004	670,419	(251,540)	418,879
Change in claims outstanding	28,926	(8,622)	20,304	(19,770)	34,431	14,661
Effect of movements in exchange rates	(22,821)	7,214	(15,607)	30,293	(10,829)	19,464
Balance at 31 December	**687,047**	**(229,346)**	**457,701**	**680,942**	**(227,938)**	**453,004**
Claims notified	260,498	(75,758)	184,740	257,629	(66,060)	191,569
Claims incurred but not reported	426,549	(153,588)	272,961	423,313	(161,878)	261,435
Balance at 31 December	**687,047**	**(229,346)**	**457,701**	**680,942**	**(227,938)**	**453,004**
Unearned premiums						
Balance at 1 January	259,336	(32,805)	226,531	210,675	(26,555)	184,120
Change in unearned premiums	22,484	2,803	25,287	38,277	(2,640)	35,637
Effect of movements in exchange rates	(8,090)	(373)	(8,463)	10,384	(3,610)	6,774
Balance at 31 December	**273,730**	**(30,375)**	**243,355**	**259,336**	**(32,805)**	**226,531**

Claims outstanding

The 2019 net technical result of £29.4m (2018: £36.5m) includes £5.5m (2018: £27.0m) of releases from reserves in respect of prior accident years.

17. CLAIMS DEVELOPMENT

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2019 in all cases.

Claims development table gross of reinsurance

	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
Estimate of cumulative claims										
At end of underwriting year	(131,416)	(138,116)	(156,299)	(150,320)	(155,979)	(126,751)	(167,664)	(160,049)	(154,302)	
One year later	(249,970)	(283,091)	(316,033)	(287,639)	(291,316)	(267,503)	(294,705)	(348,769)		
Two years later	(261,887)	(302,254)	(315,715)	(280,727)	(255,928)	(242,796)	(267,277)			
Three years later	(256,920)	(295,745)	(295,820)	(255,356)	(231,137)	(224,556)				
Four years later	(273,341)	(297,414)	(300,724)	(258,404)	(227,635)					
Five years later	(269,487)	(279,489)	(299,403)	(254,022)						
Six years later	(270,837)	(274,855)	(291,021)							
Seven years later	(265,426)	(273,654)								
Eight years later	(262,980)									
Less gross claims paid	252,211	253,709	265,078	215,716	187,540	167,808	156,545	133,198	25,554	
Gross claims reserve	(10,769)	(19,945)	(25,943)	(38,306)	(40,095)	(56,748)	(110,732)	(215,571)	(128,748)	(646,857)
Gross claims reserve for 2010 and prior years										(40,190)
Total gross claims reserve										**(687,047)**

17. CLAIMS DEVELOPMENT (continued)

Claims development table net of reinsurance

	2011 £000	2012 £000	2013 £000	2014 £000	2015 £000	2016 £000	2017 £000	2018 £000	2019 £000	Total £000
Estimate of cumulative claims										
At end of underwriting year	(112,394)	(119,205)	(140,408)	(108,250)	(94,991)	(80,919)	(80,758)	(96,168)	(107,972)	
One year later	(211,642)	(247,896)	(272,702)	(221,729)	(194,464)	(171,148)	(187,272)	(230,989)		
Two years later	(217,460)	(268,612)	(270,481)	(215,310)	(188,777)	(172,359)	(188,657)			
Three years later	(209,436)	(255,558)	(251,471)	(198,061)	(172,187)	(165,592)				
Four years later	(215,129)	(257,422)	(254,113)	(201,030)	(171,254)					
Five years later	(214,940)	(248,115)	(251,491)	(196,335)						
Six years later	(212,089)	(243,771)	(243,205)							
Seven years later	(210,864)	(242,530)								
Eight years later	(209,039)									
Less net claims paid	197,573	222,567	220,617	169,563	138,848	132,929	108,753	102,052	21,416	
Net claims reserve	(11,466)	(19,963)	(22,588)	(26,772)	(32,406)	(32,663)	(79,904)	(128,937)	(86,556)	(441,255)
Net claims reserve for 2010 and prior years										(16,446)
Total net claims reserve										**(457,701)**

18. FINANCIAL LIABILITIES AT AMORTISED COST

	2019 £000	2018 £000
Creditors arising out of direct insurance operations	16,152	34,059
Creditors arising out of reinsurance operations	80,921	77,568
Other creditors	68,295	24,721
Total	**165,368**	**136,348**

19. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2019 £000	2018 £000
Arising out of direct insurance operations intermediaries		
Due within one year	16,152	34,059
Due after one year	-	-
Total	**16,152**	**34,059**

20. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2019 £000	2018 £000
Arising out of reinsurance insurance operations intermediaries		
Due within one year	80,921	77,568
Due after one year	-	-
Total	**80,921**	**77,568**

21. OTHER CREDITORS

	2019 £000	2018 £000
Due within one year		
Amount due to Managing Agent	55,281	21,004
Amount due to IDCs	3,034	3,717
Other Creditors	9,980	-
Total	**68,295**	**24,721**

22. GROSS DISTRIBUTION PAYABLE

The gross distribution payable to the member was £37.1m (2018: £52.9m). To come into line with Lloyd's solvency requirements, £37.5m of the Funds in Syndicate were added during this year (2018 reduction of £2.4m). Income relating to these funds retained has been included within the profit and loss account and foreign exchange gains in the statement of total recognised gains and losses.

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

23. CASH AND CASH EQUIVALENTS

	2019 £000	2018 £000
Cash at bank and in hand	39,896	23,514
Other Financial Investments	4,536	5,752
Total	**44,432**	**29,266**

Cash at bank and in hand includes £7.2m (2018: £5.7m) of Singapore funds. The Singapore funds relate to SIF and OIF assets held in trust in accordance with the Lloyd's Asia (Singapore policies) Instruments 2002 and Lloyd's Asia (Offshore policies) Instrument 2002. Under the terms of the standard mandate agreement all powers, authorities and discretions of the Managing Agent's trustees and of the Managing Agent are delegated to individuals who are officers of Munich Re Syndicate Singapore Pte Limited, an IDC of the Syndicate.

Only Other Financial Investments comprising of call deposits with maturities of three months or less that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

24. RELATED PARTIES

Münchener Rückversicherungs–Gesellschaft Aktiengesellschaft in München ('Munich Re')

Munich Re Syndicate Limited is wholly owned by Munich Re Specialty Group Ltd (MRSGL), which is wholly owned by Munich Re. The Syndicate placed a total of £18.0m (2018: £20.0m) outwards reinsurance premium with its ultimate parent undertaking under 25 (2018: 12) different contracts for the 2019 year of account. These contracts provided the Syndicate with cover within the normal course of business and the transactions were carried out at arm's length.

During 2019 the Syndicate wrote reinsurance contracts with other Munich Re group companies including American Alternative Insurance Corporation, Great Lakes Insurance SE, HSB Engineering Insurance Ltd and ERGO, the primary insurer of Munich Re. The total inwards premium on these policies was £45.3m (2018: £55.5m).

The Managing Agent paid £1,263k (2018: 793k) for Global IT Products and additional licence fees of £77k (2018: £82k) to Munich Re for its general ledger accounting system.

Munich Re Capital Limited ('MRCL')

MRCL is the corporate member of the Syndicate. MRCL's immediate parent company is MRSGL.

T E Artmann, T Coskun, G Guelfand and D J R Hoare are directors of MRCL.

Munich Re Syndicate Limited ('MRSL')

During the year, the Syndicate has paid fees to MRSL, the Managing Agent of the Syndicate, amounting to £850k (2018: £850k). MRSL's immediate parent company is MRSGL.

Munich Ergo Asset Management GmbH ('MEAG')

MEAG is Munich Re's asset management company. The Syndicate paid a total of £431k (2018: £563k) for investment management and accounting services in 2019.

Munich Re UK Services Limited ('MRUKS')

The Managing Agent paid £508k (2018: £363k) for Internal Audit, IT Governance, HR support and Procurement to MRUKS.

NMU (Specialty) Limited ('NMU')

NMU is a non-profit making IDC, wholly owned by MRSGL and produces predominantly UK provincial Marine business for the Syndicate under a binding authority. Business produced by NMU amounts to approximately 13.3% (2018: 13.1%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2019.

On 31 December 2011 the Syndicate provided a subordinated loan of £200k to NMU. This was necessary to ensure the continued regulatory compliance of NMU. This loan bears interest at LIBOR plus 1%.

T E Artmann, T Coskun and G Guelfand are directors of NMU.

Groves, John & Westrup Limited ('GJW')

GJW is a non-profit making IDC, wholly owned by MRSGL and produces predominantly UK Yacht and related business exclusively for the Syndicate under a binding authority. Business produced by GJW amounts to approximately 1.6% (2018: 1.9%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2019.

On 31 December 2007 the Syndicate provided a subordinated loan of £700k to GJW. This was necessary to ensure the continued regulatory compliance of GJW. This loan bears interest at LIBOR plus 1%.

T Coskun and D J R Hoare are directors of GJW.

24. RELATED PARTIES (continued)

Munich Re Syndicate Singapore Pte Limited ('MRSS')

MRSS is a non-profit making IDC owned by MRSGL and produces Marine business from S.E. Asia exclusively for the Syndicate under a binding authority. Business produced by MRSS amounts to approximately 3.6% (2018: 2.5%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2019.

T E Artmann and G Guelfand are directors of MRSS.

Munich Re Syndicate Middle East Limited ('MRSMEL')

MRSMEL is an IDC owned by MRSGL and produces Marine business from the Middle East exclusively for the Syndicate under a binding authority. Business produced by MRSMEL amounts to approximately 1.4% (2018: 1.4%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2019.

D J R Hoare is a director of MRSMEL.

Munich Re Syndicate Labuan Limited ('MRSLAB')

MRSLAB is a non-profit making IDC owned by MRSGL and produces Marine business from Malaysia exclusively for the Syndicate under a binding authority. MRSLAB commenced trading 1 January 2014. Business produced by MRSLAB amounts to approximately 0.3% (2018: 0.2%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2019.

There were no directors in common between the Syndicate and MRSLAB for 2019.

Roanoke Insurance Group Inc. ('Roanoke US')

Roanoke US is an indirectly wholly owned company by MRSGL and produces Marine business from the USA for the Syndicate under a binding authority. Business produced by Roanoke US amounts to approximately 7.5% (2018: 9.2%) of the estimated earned premium (gross of reinsurance) of the Syndicate in 2019.

T E Artmann, G Guelfand and D J R Hoare are directors of Munich Re Specialty Group N.A, Inc (formerly Roanoke Group Inc.), the parent company of Roanoke Insurance Group Inc.

Roanoke International Brokers Limited ('RIBL')

RIBL is an insurance broker wholly owned by MRSGL. RIBL conducts business both with the Syndicate and third parties. The gross brokerage income generated by RIBL in the year ending to 31 December 2019 was £4.3m (2018: £3.8m). A high percentage of this brokerage is from the placement of business through the above mentioned IDCs.

There were no directors in common between the Syndicate and RIBL for 2019.

Munich Re Risk Solutions Ireland Limited ('MRRSI')

MRRSI is a wholly owned subsidiary of MRSGL which was set up in order for the Syndicate to be able to continue to access EEA business via the Lloyd's Brussels platform following Brexit. As of 31.12.2019, MRRSI has not written any business.

T Coskun and G Guelfand are directors of MRRSI.

MRSG UK Services Limited ('MRSGUKS')

MRSGUKS is a wholly owned subsidiary of MRSGL which was set up to become the sole employer within the sub group. The company was dormant as at 31.12.2019 but as of 01.01.2020 all staff formerly employed by MRSG or its subsidiaries will be transferred over to MRSGUKS.
T E Artmann, T Coskun and G Guelfand are directors of MRSGUKS.

25. FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's, which is held in trust and known as Funds at Lloyd's ('FAL'). These assets are in the form of letters of credit from Munich Re. These funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's, based on PRA requirements and resource criteria. FAL is determined by a number of factors including the nature and amount of risk in respect of business that has been underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

26. FUNDS IN SYNDICATE

MRCL holds investments in the Syndicate used to support the Syndicate's capital requirements of FAL. This gives the Syndicate the ability to manage these funds under the same investment mandate as the other funds of the Syndicate that are held within the premium trust funds.

27. FOREIGN EXCHANGE RATES

The following foreign currency exchange rates have been used for principal foreign currency transactions:

	2019 Year-end rate	2019 Average rate	2018 Year-end rate	2018 Average rate
Euro	1.18	1.14	1.11	1.13
US dollar	1.32	1.28	1.27	1.33
Canadian dollar	1.72	1.69	1.74	1.73

28. POST BALANCE SHEET EVENTS

A distribution of £39.2m to members will be proposed in relation to the 2017 year of account (2018: £37.1m in relation to the 2016 year of account).

It is too early to estimate the impact of the Coronavirus on the Syndicate's future results. However, from an underwriting perspective, at the time of writing, there are no material reported losses as a result of the virus. The exposure management team and various underwriting teams continue to monitor exposures and to put in place mitigating actions where possible. Current underwriting exposures are largely limited to Syndicate's Special Risks and Political Risk & Credit portfolios, both of which are protected by the Syndicate's reinsurance programme.