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ATRIUM

ANNUAL REPORT AND ACCOUNTS 2019

SYNDICATE 609

ATRIUM SYNDICATE 609 – ANNUAL ACCOUNTS

ATRIUM SYNDICATE 609 – UNDERWRITING YEAR ACCOUNTS

DIRECTORS

Steve Cook Non-Executive Chairman
James Cox Executive Director
Toby Drysdale Active Underwriter
Andrew Elliott Non-Executive Director
Gordon Hamilton Non-Executive Director
Richard Harries Chief Executive Officer
James Lee Agency Managing Director
Brendan Merriman Non-Executive Director
Stephen Riley Non-Executive Director
Samit Shah Executive Director
Kirsty Steward Executive Director

ADVISORS

Auditor
KPMG LLP

Solicitors
Clyde & Co LLP
Linklaters

Banker
Barclays Bank Plc

Investment Managers
New England Asset Management
Conning Asset Management

Company Secretary
Martha Bruce
Bruce Wallace Associates Limited

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent present their report for the year ended 31 December 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 (Lloyd's Regulations 2008).

Separate underwriting year accounts for the closed 2017 year of account can be found on pages 38 to 59.

RESULTS

The Board of Directors are pleased to announce total comprehensive income of £72.3m for Syndicate 609 for calendar year 2019 (2018 – total comprehensive income of £30.0m). Profits will be distributed by reference to the results of individual underwriting years.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

RISK STRATEGY

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

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

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

BUSINESS AND PERFORMANCE EVALUATION

Syndicate 609 writes a diversified portfolio of classes of business that include Accident & Health, Aviation, Liability, Marine, Non Marine Direct & Facultative, Property & Casualty Binding Authorities, Reinsurance, Upstream Energy and Terrorism.

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

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

	2019 £m	2018 £m
Gross premiums written	**590.7**	503.0
Net earned premiums	**504.0**	430.4
Total Comprehensive Income	**72.3**	30.0
Loss ratio	**48%**	48%
Combined ratio	**91%**	93%
Investment return	**22.6**	6.0
Adjusted ECA	**199.7**	237.5
Return in adjusted ECA	**36%**	13%

Gross premiums written increased 17% year on year. Increases were experienced across most lines of business. The most significant increases were from the Non Marine Direct & Facultative class where advantage has been taken of new opportunities that arose post the hurricane losses experienced in 2017 and Marine where advantage has been taken to write more business as other Lloyd's syndicates have exited this class. Other significant increases were experienced in the Accident & Health and Aviation classes.

The loss ratio for the year is 48% (2018 – 48%). There was a lower incidence of catastrophe losses in 2019 with Hurricane Dorian contributing 2% to the loss ratio for the year. During 2018 the syndicate was impacted by catastrophe losses from the Californian Wildfires, Hurricanes Florence and Michael, contributing 4% to the loss ratio. The 2018 year was impacted by the Sassi loss, whereas the 2019 year has suffered from elevated activity on the Marine War and Hull accounts, as well as the Ethiopian and Lion Air losses. The syndicate has continued to benefit from favourable development on the back years, contributing a saving of 8% on the loss ratio (2018 - 10%).

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

INVESTMENT PERFORMANCE

In a challenging investment environment the syndicate continues to adopt a defensive investment strategy investing in highly rated short-dated and intermediate debt. The investment objective is to achieve an investment return from taking a limited amount of market and credit risk in investing the cashflows generated by its principal activity which is underwriting. The table below compares the actual investment performance with the 2018 calendar year. Interest rates dropped in 2019 across all of the portfolios thus creating greater investment returns compared to the previous year. The movement in rates coupled with credit spreads tightening was a positive for investment returns.

Investment Return	2019	2018
US Dollar	**5.0%**	1.2%
Canadian Dollar	**2.8%**	0.9%
Euro	**0.6%**	(0.3)%
Sterling	**1.8%**	0.5%

FOREIGN EXCHANGE

The effects of exchange rate movements are recorded in two elements. Transactions during the year, translated at each quarters average rate, and the translation of closing balances into the functional currency of US Dollars gave rise to foreign exchange losses which are identified within the non-technical account. Revaluation of all functional currency balances to the presentational currency of Sterling, at the closing rate of exchange on 31 December 2019, resulted in a foreign exchange gain and is included within Other Comprehensive Income.

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

	2019		2018	
	Average	Closing	Average	Closing
US Dollar: £ Sterling	**1.29**	**1.33**	1.34	1.27
Euro: £ Sterling	**1.16**	**1.18**	1.13	1.11
Canadian Dollar: £ Sterling	**1.70**	**1.72**	1.73	1.74

PRINCIPAL RISKS AND UNCERTAINTIES

Governance

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

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

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

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

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

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

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

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk

Management Function, and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non-Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Executive Risk Committee (ERC)

Atrium's risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management Function, in conjunction with the Risk Management Team, and coordinates the risk management activities conducted for the Agency's managed syndicate. It is responsible for ensuring that the RMF and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

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

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

Insurance Risk Sub-Committee (IRSC)

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

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

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

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

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

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

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

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

Financial Risk Sub-Committee (FRSC)

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

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

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

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

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

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

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

Operational Risk Sub-Committee (ORSC)

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

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

Conduct risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organisation to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and through the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

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

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

BREXIT

On 31 January 2020, the UK formally left the EU (commonly known as Brexit) and has entered into a transition period lasting until 31 December 2020. During the transition period the UK and the EU will negotiate their future relationship and EU law will continue to apply in and to the UK. Whilst there is a legal mechanism to facilitate the extension of 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.

Following the end of the transition period, it is anticipated that Lloyd's members, including Syndicate 609 will no longer benefit from EU passporting provisions and will no longer have permission to underwrite European Economic Area (EEA) (re)insurance business. However, Lloyd's members will continue to be able to provide reinsurance to cedants in the EEA (with the exception of Germany) on a cross-border basis, provided relevant local requirements are complied with.

In order to provide this continued access to Lloyd's for policy holders within the EEA, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (Lloyd's Brussels). Atrium worked closely with Lloyd's on this contingency arrangement. Lloyd's Brussels is authorised in Belgium by the National Bank of Belgium (NBB) and regulated by the NBB and the Financial Services and Markets Authority of Belgium. It is capitalised according to the Solvency II standard formula and benefits from the same financial ratings as the Lloyd's market, which are provided by A.M. Best (A "excellent"); Standard & Poor's (A+ "strong"); and Fitch Ratings (AA- "very strong"). Lloyd's Brussels has 18 branches across the EEA and a branch in the UK.

Lloyd's Brussels writes all classes of non-life insurance business and non-life reinsurance (facultative and non-proportional excess of loss treaty only) business from EEA countries. It does not underwrite proportional treaty reinsurance. The establishment of Lloyd's Brussels ensures that Lloyd's European intermediaries and policyholders still have access to the combined scale, expertise, capacity and claims service of the Lloyd's market through a single insurance company based at the heart of Europe.

Whilst it is only a small proportion of its overall business, Syndicate 609 have incorporated the essential changes required by Lloyd's throughout the organisation, enabling us to uphold our reputation by providing the best possible service to brokers, coverholders and ultimately policy holders.

From 1 January 2019 onwards, with a few minor exceptions, all new EEA non-life direct insurance policies have been written by Atrium on behalf of Lloyd's Brussels (under the terms of an outsourcing agreement) and 100% reinsured back to Syndicate 609. All renewing EEA non-life direct insurance policies have transferred (and continue to transfer) to Lloyd's Brussels on their renewal under the same structure. It continues to be Lloyd's policy that all non-life EEA insurance risks are written by Lloyd's Brussels and not Lloyd's syndicates.

To achieve contract continuity, Lloyd's will transfer all remaining affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to Lloyd's Brussels. This will be undertaken via an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer) and is scheduled to take place in October 2020. Passporting rights will continue to apply during the transition period, allowing Lloyd's underwriters and UK intermediaries to continue to service existing EEA policies, including the payment of valid insurance claims.

Atrium's Board remains confident that Syndicate 609's future performance should not be materially impacted by Brexit.

CORONAVIRUS

It is too early to estimate the financial impact to the Syndicate from Coronavirus. The main areas of underwriting exposure are event cancellation and travel cover. This is a relatively small part of our portfolio and managed as part of our normal exposure management processes. Coronavirus is also impacting the financial markets and this will have some impact on investment returns. Our asset portfolio remains short duration and of high credit quality. The operational impact on the business of Coronavirus is being constantly assessed and we are issuing regular updates to our staff with regard to business continuity plans and employee wellbeing.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

BOARD AND MANAGEMENT CHANGES

There were no changes to the structure of the Board during the year.

DIRECTORS AND OFFICERS

The Directors & Officers of the managing agent who served during the year ended 31 December 2019 were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
Steve Cook
James Cox
Toby Drysdale (Active Underwriter 609)
Andrew Elliott
Gordon Hamilton
Richard Harries
James Lee
Brendan Merriman
Stephen Riley
Samit Shah
Kirsty Steward

DIRECTORS' INTERESTS

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

RE-APPOINTMENT OF AUDITOR

The Board of Directors have re -appointed KPMG LLP as the syndicate auditor for the year ending 31 December 2020. KPMG LLP have indicated their willingness to continue in office as the syndicate Auditor.

SYNDICATE ANNUAL GENERAL MEETING

As permitted under the Syndicate Meetings (Amendment No.1) Byelaw (No.18 of 2000) Atrium Underwriters Limited does not propose to hold a Syndicate Annual General Meeting of the members of Syndicate 609. Members may object to this proposal or the intention to reappoint auditors within 21 days of the issue of these financial statements. Any such objection should be addressed to James Cox, Compliance Director, at the registered office.

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

By order of the Board

James Lee
Managing Director
3 March 2020

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The directors of the managing agent are responsible for preparing the syndicate financial statements in accordance with applicable law and regulations.

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

Under Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the financial statements 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 financial statements, 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 financial statements;
- Prepare the financial statements assuming there are no uncertainties surrounding the syndicate's ability to continue to write business in the future as required to provide a true and fair view;
- 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 financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They 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 financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT
TO THE MEMBERS OF SYNDICATE 609

OPINION

We have audited the Syndicate annual accounts of Syndicate 609 for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income: Technical account – General business, Statement of Comprehensive Income: Non-Technical account, Balance Sheet – Assets, Balance Sheet – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate annual accounts:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 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 7, 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
Canary Wharf
London El4 SGL
5 March 2020

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	£'000	2019 £'000	£'000	2018 £'000
Earned premiums, net of reinsurance					
Gross premiums written	5		**590,711**		503,029
Outward reinsurance premiums			**(61,403)**		(51,795)
Net premiums written			**529,308**		451,234
Change in the provision for unearned premiums:					
Gross amount		**(29,416)**		(19,531)	
Reinsurers' share		**4,132**		(1,286)	
Change in the net provision for unearned premiums			**(25,284)**		(20,817)
Earned premiums, net of reinsurance			**504,024**		430,417
Allocated investment return transferred from the non-technical account			**22,696**		5,996
Claims incurred, net of reinsurance					
Claims paid:					
Gross amount		**289,234**		233,416	
Reinsurers' share		**(44,795)**		(40,054)	
Net claims paid			**244,439**		193,362
Change in the provision for claims:					
Gross amount		**(30,644)**		10,915	
Reinsurers' share		**29,738**		4,441	
Change in the net provision for claims			**(906)**		15,356
Claims incurred, net of reinsurance			**243,533**		208,718
Net operating expenses	7		**212,054**		192,998
Balance on the technical account for general business			**71,133**		34,697

All operations relate to continuing activities.

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	2019 £'000	2018 £'000
Balance on the technical account for general business		**71,133**	34,697
Investment income	10	**17,775**	13,268
Net unrealised gains/(losses) on investments	10	**6,131**	(5,940)
Investment expenses and charges	10	**(1,210)**	(1,332)
Allocated investment return transferred to general business technical account		**(22,696)**	(5,996)
Foreign exchange losses		**(787)**	(1,621)
Profit for the financial year		**70,346**	33,076
Other comprehensive income			
Currency translation differences		**1,994**	(3,118)
Total comprehensive income for the year		**72,340**	29,958

All operations relate to continuing activities.

BALANCE SHEET: ASSETS

AT 31 DECEMBER 2019

	Notes	£'000	2019 £'000	£'000	2018 £'000
Investments	11		**494,981**		502,289
Reinsurers' share of technical provisions	15				
Provision for unearned premiums		**17,594**		13,932	
Claims outstanding	6	**85,480**		119,438	
			103,074		133,370
Debtors					
Debtors arising out of direct insurance operations	12	**141,093**		141,486	
Debtors arising out of reinsurance operations		**20,729**		18,130	
Other debtors		**734**		157	
			162,556		159,773
Other assets					
Cash at bank and in hand		**27,738**		29,587	
Overseas deposits		**80,475**		76,013	
			108,213		105,600
Prepayments and accrued income					
Prepayments		**1,395**		3,514	
Deferred acquisition costs	13	**73,631**		70,010	
			75,026		73,524
Total assets			**943,850**		974,556

BALANCE SHEET: LIABILITIES

AT 31 DECEMBER 2019

	Notes	£'000	2019 £'000	£'000	2018 £'000
Capital and reserves					
Members' balances			**(29,539)**		(48,915)
Technical provisions	15				
Provision for unearned premiums		**239,597**		217,095	
Claims outstanding	6	**686,712**		743,465	
			926,309		960,560
Creditors					
Creditors arising out of direct insurance operations	16	**1,940**		4,136	
Creditors arising out of reinsurance operations		**27,940**		27,242	
Other creditors		**9,990**		23,680	
			39,870		55,058
Accruals and deferred income			**7,210**		7,853
Total liabilities			**943,850**		974,556

The Annual Report and Accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, on 3 March 2020 and were signed on its behalf by:

James Lee
Agency Managing Director
3 March 2020

Richard Harries
Chief Executive Officer
3 March 2020

STATEMENT OF CHANGES IN MEMBERS' BALANCES

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 £'000
Members' balances brought forward at 1 January	**(48,915)**	(23,109)
Profit for the financial year	**70,346**	33,076
Payments of profit to members' personal reserve funds	**(52,964)**	(55,764)
Other comprehensive income for the year	**1,994**	(3,118)
Members' balances carried forward at 31 December	**(29,539)**	(48,915)

STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £'000	2018 £'000
Cash flows from operating activities		
Profit for the financial year	**70,346**	33,076
(Decrease)/Increase in gross technical provisions	**(1,901)**	30,150
Decrease in reinsurers' share of gross technical provisions	**25,045**	5,569
Increase in debtors	**(11,249)**	(31,182)
Decrease in creditors	**(13,718)**	(29,960)
Investment return	**(22,696)**	(5,996)
Other	**1,994**	(3,118)
Net cash flows from operating activities	**47,821**	(1,461)
Cash flows from investing activities		
Purchase of equity and debt instruments	**(217,347)**	(219,994)
Sale of equity and debt instruments	**208,807**	245,268
Investment income received	**16,565**	11,935
Net cash inflow from investing activities	**8,025**	37,209
Cash flows from financing activities		
Transfer to members in respect of underwriting participations	**(50,812)**	(54,110)
Other	**(5,696)**	13,101
Net cash outflow from financing activities	**(56,508)**	(41,009)
Net decrease in cash and cash equivalents	**(662)**	(5,261)
Cash and cash equivalents at beginning of financial year	**29,795**	33,697
Effect of foreign exchange rates on cash and cash equivalents	**(1,310)**	1,359
Cash and cash equivalents at end of financial year	**27,823**	29,795
Reconciliation to cash at bank and in hand		
Cash at bank and in hand at end of financial year	**27,738**	29,587
Short term deposits with credit institutions	**85**	208
Cash and cash equivalents at end of financial year	**27,823**	29,795

NOTES TO THE FINANCIAL STATEMENTS

AT 31 DECEMBER 2019

1. BASIS OF PREPARATION

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

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

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the applicable accounting standards in the United Kingdom.

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

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

The financial statements are presented in Sterling (GBP). The syndicate's functional currency is US Dollars (USD).

2. USE OF JUDGEMENTS AND ESTIMATES

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

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

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement 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 in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

In arriving at the level of claims provisions, a margin is applied over and above the actuarial best estimate. Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement, is included in note 4.

AT 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

Insurance Classification

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

Gross Premiums Written

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

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

Unearned Premiums

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

Reinsurance Premium Ceded

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

Claims Provisions and Related Recoveries

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

Deferred Acquisition Costs

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

Unexpired Risks Provision

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

Investment Return

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

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

Unrealised gains and losses on investments represents the difference between the valuation at the balance sheet date and the valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments support the underwriting business.

Foreign Currencies

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

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

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

Financial Instruments

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

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

Fair Value Measurement

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

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

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

Cash and Cash Equivalents

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

Taxation

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

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

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

Pension Costs

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

Profit Commission

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

4. RISK AND CAPITAL MANAGEMENT

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

Risk Management Framework

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

Insurance Risk Management

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

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

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

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

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

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Concentration of insurance risk:

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

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

	Gross Claims Outstanding		Reinsurer's Share of Claims Outstanding		Net Claims Outstanding	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
UK	**31,017**	26,966	**3,861**	4,331	**27,156**	22,635
Other EU Countries	**50,466**	88,239	**6,283**	14,176	**44,183**	74,063
US	**455,579**	477,236	**56,716**	76,669	**398,863**	400,567
Asia	**3,715**	4,720	**463**	758	**3,252**	3,962
Canada	**50,642**	44,505	**6,305**	7,150	**44,337**	37,355
Australia	**28,596**	27,826	**3,560**	4,470	**25,036**	23,356
Other	**66,697**	73,973	**8,292**	11,884	**58,405**	62,089
	686,712	743,465	**85,480**	119,438	**601,232**	624,027

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

	Gross Claims Outstanding		Reinsurer's Share of Claims Outstanding		Net Claims Outstanding	
	2019 £'000	2018 £'000	2019 £'000	2018 £'000	2019 £'000	2018 £'000
Accident and health	**32,695**	29,307	**2,911**	3,535	**29,784**	25,772
Motor (third party liability)	**329**	125	**5**	–	**324**	125
Motor (other classes)	**3,576**	5,640	**–**	–	**3,576**	5,640
Marine, aviation and transport	**87,860**	118,643	**18,204**	47,102	**69,656**	71,541
Fire and other damage to property	**115,743**	141,052	**7,275**	12,592	**108,468**	128,460
Third party liability	**316,715**	324,689	**32,604**	37,402	**284,111**	287,287
Credit and suretyship	**6,070**	5,728	**185**	218	**5,885**	5,510
Legal expenses	**1,058**	1,635	**(178)**	8	**1,236**	1,627
	564,046	626,819	**61,006**	100,857	**503,040**	525,962
Reinsurance	**122,666**	116,646	**24,474**	18,581	**98,192**	98,065
Total	**686,712**	743,465	**85,480**	119,438	**601,232**	624,027

Assumptions and sensitivities:

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

4. RISK AND CAPITAL MANAGEMENT CONTINUED

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

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

	Total Comprehensive Income Impact	
	2019 £'000	2018 £'000
5% increase in net loss ratios	**(12,177)**	(10,436)
5% decrease in net loss ratios	**12,177**	10,436

Financial Risk Management

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

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

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

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

Foreign currency risk management

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

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

4. RISK AND CAPITAL MANAGEMENT CONTINUED

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

As at 31 December 2019	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	26,643	35,995	378,081	54,262	–	494,981
Reinsurers' share of technical provisions	9,985	6,075	84,530	2,484	–	103,074
Debtors	28,927	12,262	111,396	9,971	–	162,556
Other assets	33,128	5,394	54,460	14,915	316	108,213
Prepayments and accrued income	18,942	5,001	43,948	7,135	–	75,026
Total assets	**117,625**	**64,727**	**672,415**	**88,767**	**316**	**943,850**
Technical provisions	115,717	60,557	676,516	73,519	–	926,309
Creditors	6,044	3,856	28,551	1,351	68	39,870
Accruals and deferred income	4,024	12	2,036	1,138	–	7,210
Total liabilities	**125,785**	**64,425**	**707,103**	**76,008**	**68**	**973,389**
Net (liabilities)/assets	**(8,160)**	**302**	**(34,688)**	**12,759**	**248**	**(29,539)**

As at 31 December 2018	Sterling £'000	Euro £'000	US Dollar £'000	Can Dollar £'000	Other £'000	Total £'000
Investments	24,410	40,391	392,505	44,983	–	502,289
Reinsurers' share of technical provisions	9,940	28,329	92,584	2,517	–	133,370
Debtors	26,267	14,588	108,739	10,179	–	159,773
Other assets	33,606	18,190	41,153	12,328	323	105,600
Prepayments and accrued income	17,967	3,903	45,215	6,439	–	73,524
Total assets	**112,190**	**105,401**	**680,196**	**76,446**	**323**	**974,556**
Technical provisions	105,356	97,832	694,341	63,031	–	960,560
Creditors	9,437	6,063	38,928	630	–	55,058
Accruals and deferred income	675	13	6,037	1,128	–	7,853
Total liabilities	**115,468**	**103,908**	**739,306**	**64,789**	**–**	**1,023,471**
Net (liabilities)/assets	**(3,278)**	**1,493**	**(59,110)**	**11,657**	**323**	**(48,915)**

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

	Total Comprehensive Income Impact 2019 £'000	2018 £'000
10% increase in GBP/US Dollar exchange rate	**(191)**	(637)
10% decrease in GBP/US Dollar exchange rate	**191**	637
10% increase in GBP/Euro exchange rate	**(4,070)**	(4,221)
10% decrease in GBP/Euro exchange rate	**4,070**	4,221

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

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Interest rate risk management

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

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

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

	Total Comprehensive Income Impact 2019 £'000	2018 £'000
50 basis point increase	**(4,808)**	(4,201)
50 basis point decrease	**4,884**	4,236

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

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

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

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

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

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

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

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

The syndicate does not have any significant credit risk exposure to any single counterparty or any group of counterparties. Concentration of credit did not exceed 5% of gross monetary assets at any time during the financial year. The credit risk on liquid funds is limited because the counterparties are banks with high credit-ratings assigned by international credit-rating agencies.

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

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

4. RISK AND CAPITAL MANAGEMENT CONTINUED

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

As at 31 December 2019	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Investments	**96,434**	**107,724**	**234,929**	**28,582**	**26,778**	**534**	**494,981**
Reinsurers' share of technical provisions	**–**	**21,774**	**55,883**	**218**	**5**	**25,194**	**103,074**
Debtors	**–**	**903**	**161,372**	**-**	**–**	**281**	**162,556**
Other assets	**44,441**	**9,721**	**39,816**	**6,114**	**1,046**	**7,075**	**108,213**
Prepayments	**–**	**–**	**1,395**	**–**	**–**	**–**	**1,395**
Total	**140,875**	**140,122**	**493,395**	**34,914**	**27,829**	**33,084**	**870,219**

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

As at 31 December 2018	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Investments	103,297	100,041	219,972	46,604	32,375	–	502,289
Reinsurers' share of technical provisions	–	30,593	77,937	23	6	24,811	133,370
Debtors	–	–	159,588	–	–	185	159,773
Other assets	44,428	9,035	37,956	5,679	328	8,174	105,600
Prepayments	–	–	3,514	–	–	–	3,514
Total	147,725	139,669	498,967	52,306	32,709	33,170	904,546

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

As at 31 December 2019	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	**141,093**	**–**	**–**	**–**	**–**	**–**	**141,093**
Debtors arising out of direct reinsurance operations	**17,746**	**1,821**	**441**	**209**	**512**	**–**	**20,729**
Total	**158,839**	**1,821**	**441**	**209**	**512**	**–**	**161,822**

As at 31 December 2018	Neither past due nor impaired £'000	Past due less than 30 days £'000	Past due 31 to 60 days £'000	Past due 61 to 90 days £'000	Past due more than 90 days £'000	Past due and impaired £'000	Carrying amount £'000
Debtors arising out of direct insurance operations	141,486	–	–	–	–	–	141,486
Debtors arising out of direct reinsurance operations	16,598	1,336	429	11	(244)	–	18,130
Total	158,084	1,336	429	11	(244)	–	159,616

4. RISK AND CAPITAL MANAGEMENT CONTINUED

Liquidity Risk Management

Liquidity risk is the risk that the syndicate cannot meet its obligations associated with financial liabilities as they fall due. The syndicate has adopted an appropriate liquidity risk management framework for the management of the syndicate's liquidity requirements. The syndicate manages liquidity risk by continuously monitoring forecast and actual cash flows and matching the maturity profiles of assets and liabilities. The syndicate is exposed to liquidity risk arising from clients on its insurance and investment contracts. In respect of catastrophic events there is liquidity risk from a difference in timing between claim payments and recoveries thereon from reinsurers. Liquidity management ensures that the syndicate has sufficient access to funds necessary to cover insurance claims, surrenders, withdrawals and maturing liabilities. In practice, most of the syndicate's assets are marketable securities which could be converted into cash when required.

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

In relation to the financial assets, the tables below have been drawn up based on the undiscounted contractual maturities of the assets including interest that will be earned on those assets except where the syndicate anticipates that the cash flow will occur in a different period. The table also shows the expected maturity profile of the syndicate's undiscounted obligations with respect to its financial liabilities and estimated cash flows of recognised insurance and participating investment contract liabilities. The table includes both interest and principal cash flows.

As at 31 December 2019	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	**186,816**	**215,683**	**81,877**	**10,605**	**494,981**
Reinsurers' share of technical provisions	**29,325**	**42,512**	**18,733**	**12,504**	**103,074**
Debtors	**161,494**	**1,062**	**–**	**–**	**162,556**
Other assets	**48,546**	**52,093**	**7,359**	**215**	**108,213**
Prepayments	**1,395**	**–**	**–**	**–**	**1,395**
Total	**427,576**	**311,350**	**107,969**	**23,324**	**870,219**
Technical provisions	**508,383**	**246,943**	**103,509**	**67,474**	**926,309**
Creditors	**39,816**	**54**	**–**	**–**	**39,870**
Accruals and deferred income	**3,023**	**4,187**	**–**	**–**	**7,210**
Total	**551,222**	**251,184**	**103,509**	**67,474**	**973,389**

As at 31 December 2018	Less than 1 year £'000	1 – 3 years £'000	3 – 5 years £'000	More than 5 years £'000	Total £'000
Investments	216,002	235,025	47,563	3,700	502,289
Reinsurers' share of technical provisions	13,891	76,415	30,906	12,157	133,370
Debtors	158,920	852	–	–	159,773
Other assets	51,368	48,154	6,079	–	105,600
Prepayments	3,514	–	–	–	3,514
Total	443,695	360,446	84,548	15,857	904,546
Technical provisions	306,641	418,376	140,589	94,954	960,560
Creditors	54,121	937	–	–	55,058
Accruals and deferred income	1,383	–	6,470	–	7,853
Total	362,145	419,313	147,059	94,954	1,023,471

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2019

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 supervision by the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly, the capital requirement in respect of Syndicate 609 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's SCR is determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to arrive at the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to ensure capital is sufficient to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 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), assets held and managed within a syndicate (funds in syndicate), or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly all of the assets less liabilities of the syndicate, as represented in the members' balances reported on the balance sheet, represent resources available to meet members' and Lloyd's capital requirements.

5. ANALYSIS OF UNDERWRITING RESULT

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

2019	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	52,532	51,671	29,419	26,315	(2,561)	**(6,624)**	39,153
Motor (third party liability)	1,104	1,086	383	394	6	**315**	450
Motor (other classes)	10,045	13,382	5,934	5,270	165	**2,343**	14,814
Marine, aviation and transport	94,786	84,926	32,957	33,005	(13,761)	**5,203**	100,285
Fire and other damage to property	204,261	188,207	72,482	71,062	(15,009)	**29,654**	200,153
Third party liability	171,912	166,538	63,521	66,772	(11,891)	**24,354**	354,511
Credit and suretyship	11,431	10,330	3,778	4,758	676	**2,470**	7,612
Legal expenses	696	730	(120)	369	(194)	**287**	1,809
	546,767	516,870	208,354	207,945	(42,569)	**58,002**	718,787
Reinsurance	43,944	44,425	50,236	10,040	6,286	**(9,565)**	104,448
Total	**590,711**	**561,295**	**258,590**	**217,985**	**(36,283)**	**48,437**	**823,235**

2018	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Total £'000	Net technical provisions £'000
Direct insurance:							
Accident and health	46,179	49,217	24,577	25,325	95	(590)	39,153
Motor (third party liability)	667	690	23	192	1	476	450
Motor (other classes)	17,122	14,304	8,285	4,855	197	1,361	14,814
Marine, aviation and transport	72,817	70,711	30,369	32,662	3,459	11,139	100,285
Fire and other damage to property	162,669	153,445	85,807	63,423	(7,191)	(2,976)	204,108
Third party liability	137,876	127,167	59,876	54,991	(3,789)	8,511	354,511
Credit and suretyship	5,887	5,694	2,442	2,218	241	1,275	7,612
Legal Expenses	408	509	(478)	152	333	1,168	1,809
	443,625	421,737	210,901	183,818	(6,654)	20,364	722,742
Reinsurance	59,404	61,761	33,430	16,437	(3,557)	8,337	104,448
Total	503,029	483,498	244,331	200,255	(10,211)	28,701	827,190

Commission on direct insurance gross premiums earned during 2019 was £131,954,000 (2018 - £136,736,000).

All premiums are concluded in the UK.

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2019

5. ANALYSIS OF UNDERWRITING RESULT CONTINUED

The geographical analysis of premiums by destination is as follows:

	2019 %	2018 %
UK	**6.7**	6.4
Other EU countries	**9.2**	6.7
US	**53.1**	55.1
Asia	**3.0**	3.0
Canada	**8.5**	8.0
Australia	**3.7**	3.0
Other	**15.8**	17.8
Total	**100.0**	100.0

6. CLAIMS OUTSTANDING

Reassessment of claims outstanding on underwriting years 2016 & prior (2018 - 2015 & prior) resulted in an improvement of £38.0m (2018 – £44.6m).

7. NET OPERATING EXPENSES

	2019 £'000	2018 £'000
Acquisition costs:		
Brokerage & commission	**168,187**	144,568
Other acquisition costs	**19,340**	17,792
Change in deferred acquisition costs	**(7,302)**	(5,657)
Administrative expenses	**37,760**	43,552
	217,985	200,255
Reinsurance commissions receivable	**(5,931)**	(7,257)
	212,054	192,998

Administrative expenses include:

	2019 £'000	2018 £'000
Auditors' remuneration	**242**	232

Members' standard personal expenses (Lloyd's subscriptions, central fund contributions, managing agent's fees and profit commission) are included within administrative expenses and amount to £10,665,000 (2018 - £18,599,000).

8. STAFF NUMBERS AND COSTS

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

	2019 £'000	2018 £'000
Wages and salaries	**14,334**	14,118
Variable compensation	**6,229**	6,768
Social security costs	**2,406**	2,248
Other pension costs	**2,210**	2,224
	25,179	25,358

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

	2019 Number	2018 Number
Management	**6**	5
Underwriting	**68**	69
Claims	**10**	10
Administration	**58**	56
	142	140

9. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The eleven (2018 – twelve) directors of Atrium Underwriters Limited received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	2019 £'000	2018 £'000
Directors' emoluments	**1,283**	1,364
Pensions	**23**	57
	1,306	1,421

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

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

	2019 £'000	2018 £'000
Emoluments	**246**	241

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2019

10. INVESTMENT RETURN

	2019 £'000	2018 £'000
Investment income:		
Income from investments	**16,266**	12,982
Gains on the realisation of investments	**1,509**	286
	17,775	13,268
Net unrealised gains/(losses) on investments:		
Unrealised gains on investments	**7,285**	150
Unrealised losses on investments	**(1,154)**	(6,090)
	6,131	(5,940)
Investment expenses and charges:		
Investment management expenses, including interest	**(519)**	(534)
Losses on the realisation of investments	**(691)**	(798)
	(1,210)	(1,332)
Allocated investment return transferred to general business technical account	**22,696**	5,996

Calendar Year Investment Return

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

	2019 £'000	2018 £'000
Average syndicate funds available for investment during the year:		
Sterling	**24,300**	25,570
US dollars	**334,224**	354,277
Canadian dollars	**45,397**	39,396
Euro	**37,034**	39,331
Combined	**440,955**	458,574
Aggregate gross investment return for the year	**18,936**	4,816
Gross calendar year investment return:	**%**	%
Sterling	**1.8**	0.5
US dollars	**5.0**	1.3
Canadian dollars	**2.8**	0.9
Euro	**0.6**	(0.3)
Combined	**4.2**	1.1

The average amount of syndicate funds available for investment has been calculated as the monthly average balance of investments.

The syndicate's portfolio consists of high quality investments which are held on a short duration basis.

11. INVESTMENTS

	Fair value 2019 £'000	Fair value 2018 £'000	Cost 2019 £'000	Cost 2018 £'000
Shares and other variable yield securities and units in unit trusts	**42,486**	33,466	**42,486**	33,466
Debt securities and other fixed income securities	**450,752**	468,742	**450,438**	476,597
Loans secured by mortgage	**–**	39	**–**	41
Loans and deposits with credit institutions	**1,743**	42	**1,743**	42
	494,981	502,289	**494,667**	510,146

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

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

	2019 £'000	2019 %	2018 £'000	2018 %
Government/Government Agency	**125,871**	**27.9**	116,798	24.9
AAA/Aaa	**36,049**	**8.0**	36,225	7.7
AA/Aa	**55,751**	**12.4**	63,648	13.6
A	**174,883**	**38.7**	173,092	36.9
BBB	**30,885**	**6.9**	46,604	10.0
<BBB	**27,313**	**6.1**	32,375	6.9
	450,752	**100.0**	468,742	100.0

The syndicate's core fund manager throughout 2019 was New England Asset Management (NEAM) specifically for bonds. The US dollar and Canadian dollar investments are managed by NEAM Inc, based in Farmington, US and the Euro portfolio is managed by NEAM Ltd, a sister company based in Dublin, Ireland. In October 2017 Conning Asset Management Ltd were instructed to manage a portfolio of bank loans in US dollar.

Fair value methodology

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

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

Fair value hierarchy

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

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

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2019

11. INVESTMENTS CONTINUED

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

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	**36,079**	**6,407**	**–**	**42,486**
Debt securities and other fixed income securities	**29,072**	**421,680**	**–**	**450,752**
Loans and deposits with credit institutions	**–**	**1,743**	**–**	**1,743**
	65,151	**429,830**	**–**	**494,981**

As at 31 December 2018	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	27,734	5,732	–	33,466
Debt securities and other fixed income securities	25,009	443,733	–	468,742
Loans secured by mortgage	–	39	–	39
	52,743	449,504	–	502,247

12. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2019 £'000	2018 £'000
Due from intermediaries:		
Due within one year	**141,041**	141,312
Due after one year	**52**	174
	141,093	141,486

13. DEFERRED ACQUISITION COSTS

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

	2019 £'000	2018 £'000
Balance at 1 January	**70,010**	60,955
Incurred costs deferred	**122,787**	98,463
Amortisation	**(117,342)**	(91,621)
Effect of movements in exchange rates	**(1,824)**	2,213
Balance at 31 December	**73,631**	70,010

14. CLAIMS DEVELOPMENT

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

The cumulative claims estimates and payments for each underwriting year are translated into pounds sterling at the exchange rates prevailing at 31 December 2019 in all cases.

Analysis of claims development – gross	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	Total £'000
Estimate of ultimate gross claims:										
at end of underwriting year	283,526	251,032	252,858	250,225	269,345	278,207	362,921	309,806	329,650	
one year later	256,305	210,485	247,034	222,232	257,667	256,253	345,498	302,933		
two years later	247,460	193,662	222,677	206,330	232,073	232,862	333,696			
three years later	245,891	173,695	210,717	182,448	219,308	221,629				
four years later	237,114	163,662	197,629	205,096	209,955					
five years later	230,903	156,862	194,430	197,528						
six years later	228,835	152,789	191,176							
seven years later	215,856	151,991								
eight years later	214,368									
Less gross claims paid	194,637	139,961	172,891	166,982	159,820	154,600	200,206	103,653	17,507	
Gross ultimate claims reserve	19,731	12,030	18,285	30,546	50,135	67,029	133,490	199,280	312,143	**842,669**
Gross ultimate claims reserve for 2010 & prior years										**45,487**
Gross unearned portion of ultimate claims										**(201,444)**
Gross claims reserve										**686,712**

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

AT 31 DECEMBER 2019

14. CLAIMS DEVELOPMENT CONTINUED

Analysis of claims development – net	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	Total £'000
Estimate of ultimate net claims:										
at end of underwriting year	243,950	223,735	226,664	223,592	238,554	240,676	299,692	274,986	291,487	
one year later	229,489	195,615	225,497	207,522	236,462	229,524	296,140	278,819		
two years later	213,105	181,836	205,174	196,492	214,747	213,178	290,738			
three years later	197,332	162,876	194,318	174,854	204,292	204,713				
four years later	188,700	154,057	182,569	174,215	196,396					
five years later	183,672	147,656	178,939	168,782						
six years later	181,954	143,280	176,069							
seven years later	174,729	143,448								
eight years later	174,146									
Less net claims paid	165,541	131,739	159,024	141,856	152,372	142,536	172,249	99,870	16,552	
Net ultimate claims reserve	8,605	11,709	17,045	26,926	44,024	62,177	118,489	178,949	274,935	**742,859**
Net ultimate claims reserve for 2010 & prior years										**37,066**
Net unearned portion of ultimate claims										**(178,693)**
Net claims reserve										**601,232**

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

The syndicate has taken advantage of the transitional provisions within FRS 103 not to disclose information about claims development that occurred earlier than five years before the end of the first financial year in which FRS 103 is applied. FRS 103 was first applied for the 2015 financial year.

15. TECHNICAL PROVISIONS

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

	2019			2018		
Claims outstanding	Gross provisions £'000	Reinsurance assets £'000	Net £'000	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Balance at 1 January	**743,465**	**119,438**	**624,027**	701,094	117,994	583,100
Claims and claims adjustment expenses for the year	**258,590**	**15,057**	**243,533**	244,331	35,613	208,718
Cash paid for claims settled in the year	**(289,234)**	**(44,795)**	**(244,439)**	(233,416)	(40,054)	(193,362)
Effect of movements in exchange rates	**(26,109)**	**(4,220)**	**(21,889)**	31,456	5,885	25,571
Balance at 31 December	**686,712**	**85,480**	**601,232**	743,465	119,438	624,027
Claims reported and claims adjustment expenses	**270,310**	**26,676**	**243,634**	299,142	58,019	241,123
Claims incurred but not reported	**416,402**	**58,804**	**357,598**	444,323	61,419	382,904
Balance at 31 December	**686,712**	**85,480**	**601,232**	743,465	119,438	624,027

15. TECHNICAL PROVISIONS CONTINUED

Unearned premiums	2019 Gross provisions £'000	2019 Reinsurance assets £'000	2019 Net £'000	2018 Gross provisions £'000	2018 Reinsurance assets £'000	2018 Net £'000
Balance at 1 January	**217,095**	**13,932**	**203,163**	188,086	13,875	174,211
Premiums written during the year	**590,711**	**61,403**	**529,308**	503,029	51,795	451,234
Premiums earned during the year	**(561,295)**	**(57,271)**	**(504,024)**	(483,498)	(53,081)	(430,417)
Effect of movements in exchange rates	**(6,914)**	**(470)**	**(6,444)**	9,478	1,343	8,135
Balance at 31 December	**239,597**	**17,594**	**222,003**	217,095	13,932	203,163

16. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2019 £'000	2018 £'000
Due from intermediaries:		
Due within one year	**1,940**	4,124
Due after one year	**–**	12
	1,940	4,136

17. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Ltd (a UK holding company) and Alopuc Ltd is in turn a wholly owned subsidiary of Northshore Holdings Ltd, a Bermudan company. The ultimate beneficial owners of Northshore are Enstar Group Ltd (Enstar) who hold approximately 54.8% economic interest and affiliates of Stone Point Capital LLC (Stone Point) who hold approximately 38.1% economic interest. The balance of shareholding is held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; Atrium Underwriters Limited (AUL), Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), Atrium Group Services Limited (AGSL), Atrium Risk Management Services (Washington) Ltd (ARMS), Atrium Risk Management Services (British Columbia) Ltd (ARMSBC) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited. AUL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is the managing agent of Syndicate 609. During 2019 AUGL liquidated its holding in Atrium Insurance Agency (Asia) Pte. Ltd (ASIA). AUHL was the holding company of ten non-continuing Lloyd's corporate members until December 2019 when the entities were transferred out of the Atrium Group.

Historically AUGL has participated on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited. With effect from the 2017 year of account onwards, this AUGL participation has been through another corporate member within the Enstar Group (SGL No. 1 Limited) under the terms of a lease agreement between SGL No. 1 Limited and Atrium 5 Limited.

	2017 Capacity £m	2018 Capacity £m	2019 Capacity £m	2020 Capacity £m
Syndicate 609	107.1	114.7	114.7	**133.5**

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

	Year of account 2017 %	2018 %	2019 %	2020 %
Syndicate 609	25.5	25.4	25.4	**25.4**

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. Syndicate 609 leads a binding authority granted to AIAL to underwrite space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$350,000 (2018 - US$310,000) is payable by the syndicate to AIAL in relation to premium earned in calendar year 2019. Profit commission of US$64,000 has been incurred by the syndicate (2018 - US$132,000) during the calendar year 2019.

17. DISCLOSURES OF INTEREST CONTINUED

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

ASIA carried on for its own account the business of insurance intermediation in Singapore, operating on the Lloyd's Asia platform. In this capacity it has been granted authority by Syndicate 609 to bind certain risks (including marine hull, energy, aviation and non-marine property risks) and has been approved by Lloyd's and the Monetary Authority of Singapore to act as a Lloyd's Singapore Service Company. The Company was struck off from the Register of Companies with effect from 6 May 2019.

ARMS is incorporated in Washington State, United States, and was established to support the syndicate strategy to maintain and grow it's North American direct portfolio and distribution network. ARMS charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of US$2,615,000 were paid by Syndicate 609 in the calendar year 2019 (2018 - US$2,312,000).

ARMSBC is incorporated in British Columbia, Canada, and was established to support the syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMSBC charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of C$1,679,000 were paid by Syndicate 609 to ARMSBC in the calendar year 2019 (2018 - C$773,000).

The directors' participations on Syndicate 609 via Nomina No. 207 LLP (the staff LLP) are as follows (this includes any director of AUL that served during 2019 and a partner in the LLP):

	2017 £	2018 £	2019 £	2020 £
James Cox	74,170	127,287	153,020	**230,016**
Toby Drysdale	19,700	41,952	36,259	**42,689**
Richard Harries	277,611	519,189	568,698	**768,180**
James Lee	56,659	86,960	93,457	**153,444**
Brendan Merriman	32,004	62,855	63,046	**94,745**
Samit Shah	72,526	112,595	116,052	**191,533**
Kirsty Steward	21,461	27,134	23,997	**79,407**

AUL has made no loans to directors of the company during 2019 (2018 – nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £3,126,000 (2018 - £3,121,000) were paid by the syndicate to AUL. Profit commission of £3,341,000 (2018 - £12,022,000) is payable by the syndicate to AUL in relation to the 2019 calendar year result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2019 (2018 - £nil). Included within creditors is £3,341,000 (2018 - £13,360,000) in respect of profit commission payable to AUL on the 2017 year of account. £nil (2018 - £nil) is included in accruals and payable after 12 months.

Given the insurance related activities undertaken within the broader Enstar group it is possible that transactions may be entered into between the Atrium managed syndicate and Enstar group companies (including Starstone insurance group entities and the Starstone managed Lloyd's syndicates 1301 and 2008). Any such related party transactions are entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

Enstar representatives serving as directors of AUL also hold board positions at other Enstar group companies and these individuals disclose and manage any potential conflicts of interest in line with Atrium's usual practice, which applies to all AUL Directors.

As part of Atrium's Brexit contingency arrangements, AUL has entered into an outsourcing agreement with Lloyds's Insurance Company S.A, (LIC) and a reinsurance contract between Syndicate 609 and LIC.

ATRIUM

UNDERWRITING YEAR ACCOUNTS
FOR THE 2017 YEAR OF ACCOUNT

SYNDICATE 609

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of the Managing Agent presents their report at 31 December 2019 for the 2017 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (No 8 of 2006). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations ("the 2008 Regulations").

REVIEW OF THE 2017 CLOSED YEAR OF ACCOUNT

The 2017 year of account closed with a profit of £12.8m after standard personal expenses (3.1% of capacity). There was an underwriting surplus of £27.9m attributable to business reinsured into the 2017 year of account, net of profit commission and other associated expenses. Further details on the underwriting results are included within the Underwriter's Report.

PRINCIPAL RISKS AND UNCERTAINTIES

Governance

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

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

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

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

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

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

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

Risk Governance Structure: The Board has established a Risk Governance Structure in order to ensure that risk is appropriately identified, monitored, managed and reported across the organisation; to review the activities of the business units; and to ensure that the RMF is effectively designed, implemented and governed. The Risk Governance Structure is comprised of the Executive Risk Committee ('ERC'), which fulfils the role of Atrium's Risk Management Function, in conjunction with the Risk Management Team, and its three Risk Sub-Committees, discussed further below.

Independent Assurance: Atrium has in place a Compliance Function and an Actuarial Function in addition to the Risk Management Function (fulfilled by the ERC and the Risk Management Team). These functions have specific responsibilities documented in their terms of reference and are staffed by fit and proper individuals with suitable qualifications, expertise and experience. The activities of these functions seek to provide the Board with assurance as to the appropriateness and effectiveness of the various elements of the RMF, the internal control environment, and the calculation of capital. There are a number of risk management tools which support independent assessment and reporting of risk. Taken together this Independent Assurance comprises the "Second Line of Defence".

Independent Oversight: The RMF provides for independent oversight and challenge via the operation of the Internal Audit Function as well as the Audit Committee and Risk Committee, both of which are Committees of the Board with membership comprised of Non Executive Directors. Together these three groups provide the "Third Line of Defence". The Risk Committee is charged with providing independent oversight and review of Atrium's RMF and its constituent parts whilst the Audit Committee, along with its broader responsibilities for the financial statements and financial reporting process, has oversight of internal controls and the Internal Audit Function.

Executive Risk Committee (ERC)

Atrium's risk governance structure is comprised of the ERC and its three Risk Sub-Committees.

The ERC fulfils the Risk Management Function, in conjunction with the Risk Management Team, and coordinates the risk management activities conducted for the Agency's managed syndicate. It is responsible for ensuring that the RMF, and Internal Model, operates effectively, and for maintaining an aggregated and holistic view of risks to the syndicate and reporting on them to the Board, Committees and management as appropriate. It also ensures that there is robust and effective management, governance and oversight of Atrium's Internal Model which is used to set capital and is also widely used within the business.

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

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

Insurance Risk Sub-Committee (IRSC)

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

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

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

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

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

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

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

Financial Risk Sub-Committee (FRSC)

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

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

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

REPORT OF THE DIRECTORS OF THE MANAGING AGENT CONTINUED

appropriate for the liabilities. The majority of the syndicate's business is denominated in US dollars and accordingly the substantial part of the investment portfolio is in US dollar denominated investments.

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

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

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

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

Operational Risk Sub-Committee (ORSC)

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

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

Conduct Risk is the risk that as part of writing and servicing insurance policies the syndicate fails to pay due regard to the interests of its customers. This is mitigated through the application of Atrium's conduct risk policy and procedures and through staff's adherence to Atrium's Code of Business Principles and Ethics. Atrium is committed to conducting its activities and stakeholder relationships in a fair and honest manner and the highest standard of conduct, professionalism and integrity is expected from all of its employees, with due regard paid at all levels of the organization to ensuring fair outcomes for customers. Key controls include training of staff, embedding of the consideration of conduct risk as part of the business planning process and thro ugh the product life-cycle and Board and governance oversight and reporting. The ORSC fulfils the role of a "product oversight group" providing customer challenge and perspective to Atrium's products.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency has a Compliance Officer and team who monitor regulatory developments and assess the impact on agency policy. They also carry out a compliance monitoring programme.

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

BREXIT

On 31 January 2020, the UK formally left the EU (commonly known as Brexit) and has entered into a transition period lasting until 31 December 2020. During the transition period the UK and the EU will negotiate their future relationship and EU law will continue to apply in and to the UK. Whilst there is a legal mechanism to facilitate the extension of 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.

Following the end of the transition period, it is anticipated that Lloyd's members, including Syndicate 609 will no longer benefit from EU passporting provisions and will no longer have permission to underwrite European Economic Area (EEA) (re)insurance business. However, Lloyd's members will continue to be able to provide reinsurance to cedants in the EEA (with the exception of Germany) on a cross-border basis, provided relevant local requirements are complied with.

In order to provide this continued access to Lloyd's for policy holders within the EEA, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (Lloyd's Brussels). Atrium worked closely with Lloyd's on this contingency arrangement. Lloyd's Brussels is authorised in Belgium by the National Bank of Belgium (NBB) and regulated by the NBB and the Financial Services and Markets Authority of Belgium. It is capitalised according to the Solvency II standard formula and benefits from the same financial ratings as the Lloyd's market, which are provided by A.M. Best (A "excellent"); Standard & Poor's (A+ "strong"); and Fitch Ratings (AA- "very strong"). Lloyd's Brussels has 18 branches across the EEA and a branch in the UK.

Lloyd's Brussels writes all classes of non-life insurance business and non-life reinsurance (facultative and non-proportional excess of loss treaty only) business from EEA countries. It does not underwrite proportional treaty reinsurance. The establishment of Lloyd's Brussels ensures that Lloyd's European intermediaries and policyholders still have access to the combined scale, expertise, capacity and claims service of the Lloyd's market through a single insurance company based at the heart of Europe.

Whilst it is only a small proportion of its overall business, Syndicate 609 have incorporated the essential changes required by Lloyd's throughout the organisation, enabling us to uphold our reputation by providing the best possible service to brokers, coverholders and ultimately policy holders.

From 1 January 2019 onwards, with a few minor exceptions, all new EEA non-life direct insurance policies have been written by Atrium on behalf of Lloyd's Brussels (under the terms of an outsourcing agreement) and 100% reinsured back to Syndicate 609. All renewing EEA non-life direct insurance policies have transferred (and continue to transfer) to Lloyd's Brussels on their renewal under the same structure. It continues to be Lloyd's policy that all non-life EEA insurance risks are written by Lloyd's Brussels and not Lloyd's syndicates.

To achieve contract continuity, Lloyd's will transfer all remaining affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's market between 1993 and 2020) to Lloyd's Brussels. This will be undertaken via an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer) and is scheduled to take place in October 2020. Passporting rights will continue to apply during the transition period, allowing Lloyd's underwriters and UK intermediaries to continue to service existing EEA policies, including the payment of valid insurance claims.

Atrium's Board remains confident that Syndicate 609's future performance should not be materially impacted by Brexit.

BOARD AND MANAGEMENT CHANGES

There were no changes to the structure of the Board during the year.

DIRECTORS AND OFFICERS

The Directors & Officers of the managing agent who served during the year ended 31 December 2019 were as follows:

Martha Bruce, Bruce Wallace Associates Limited (Company Secretary)
Steve Cook
James Cox
Toby Drysdale (Active Underwriter 609)
Andrew Elliott
Gordon Hamilton
Richard Harries
James Lee
Brendan Merriman
Stephen Riley
Samit Shah
Kirsty Steward

DIRECTORS' INTERESTS

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

RE-APPOINTMENT OF AUDITORS

The Board of Directors have re-appointed KPMG LLP as the syndicate auditors for the year ending 31 December 2020. KPMG LLP have indicated their willingness to continue in office as the syndicate Auditor.

By order of the Board

James Lee
Agency Managing Director
3 March 2020

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

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

- Select suitable accounting policies and then apply them consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable between the members of the syndicate affected is used;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the accounts;
- Assess the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so. As explained in note 1 the directors of the managing agent have not prepared the underwriting year accounts on a going concern basis.

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 609 2017 YEAR OF ACCOUNT

OPINION

We have audited the Syndicate underwriting year accounts for the 2017 year of account of Syndicate 609 for the three year period ended 31 December 2019 which comprise the Statement of Comprehensive Income (Technical and Non-Technical), Balance Sheet, Statement of Cash Flows and related notes, including the accounting policies in note 3.

In our opinion the underwriting year accounts:

- give a true and fair view of the Syndicate's profit for the 2017 closed year; and
- have been properly prepared in accordance with the requirements of the Lloyd's Syndicate Accounting Byelaw.

BASIS FOR OPINION

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

EMPHASIS OF MATTER – NON-GOING CONCERN BASIS OF PREPARATION

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

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 underwriting year accounts does not cover that report and we do not express an audit opinion thereon.

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

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

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

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

We have nothing to report in these respects.

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 42, the directors of the managing agent are responsible for: the preparation of the underwriting year accounts in accordance with FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* and for being satisfied that they give a true and fair view of the result of the underwriting year at closure; such internal control as they determine is necessary to enable the preparation of underwriting year accounts that are free from material misstatement, whether due to fraud or error; assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend cease trading, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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

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

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

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

David Maddams (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square
Canary Wharf
London El4 SGL
5 March 2020

UNDERWRITER'S REPORT

SYNDICATE 609

2017 YEAR OF ACCOUNT

For the last two years I have been worried that I would be the first ever Active Underwriter of Syndicate 609 to declare a loss for a Year of Account. With over $125m of Natural Catastrophe claims in the 2017 calendar year, at a time where rates in so many lines of business gave little or no chance of sustainable profit, this was nothing to be ashamed of.

I am therefore absolutely delighted to announce a profit for the closing 2017 Year of Account and to have dodged the above moniker. The run-off of both the pure 2017 year and the back years have been sufficiently benign and have enabled us to declare this small profit.

The profit of £12.8m (after all personal expenses but before members' agents' fees) represents a 3.1% return on stamp capacity. Favourable run-off of the back years contributed 292% to the result (81% last year).

The major claim to impact the back years in the last 12 months was losing the arbitration on MH370. If you recall Syndicate 609 led the Hull War policy and we entered into arbitration with the Hull All Risks market in order to determine the likely cause of loss. Regrettably we lost. However, we had the claim reserved on a worst-case scenario basis and so there was no reserve deterioration as a result of the arbitrator's decision.

Accounts that significantly contributed to the 2017 profit include Upstream Energy, Professional Liability and Terrorism.

Final gross written income (net of acquisition costs) was £356.1m which is 85% of capacity.

2018 YEAR OF ACCOUNT

The largest risk loss to impact the 2018 Year of Account is likely to be the loss of a Lion Air Boeing 737 MAX 8 aircraft in October 2018 – please see the narrative below in the 2019 Year of Account commentary.

Other notable 2018 year of account large risk losses in the last 12 months were the detention of a vessel called the *Mekhanic Pogodin* (Marine War class) and the collapse of a crane onto the Oasis of the Seas whilst in a dry dock in Grand Bahama (Marine Hull class).

There were various natural catastrophes in 2019 that will impact both the 2018 and 2019 Years of Account. For Syndicate 609 the most significant was Hurricane Dorian (current reserve is approximately $11m and mainly impacts the Non-Marine D&F property account).

Final gross written income (net of acquisition costs) is expected to be £365.2m which is 81% of capacity. At this stage we are currently forecasting a small profit for the 2018 Year of Account, with a range of -2.5% to +7.5%.

2019 YEAR OF ACCOUNT AND BEYOND

The largest single loss during 2019 Calendar Year was the loss of an Ethiopian Airlines aircraft in March 2019. This followed an almost identical incident involving Lion Air in October 2018 (see above) and led to the grounding of the entire Boeing 737 MAX 8 fleet. These losses impact that Aviation Reinsurance account and we established gross reserves spread over both the 2018 and 2019 Years of Account (mostly 2019) amounting to £21.2m at 31 December 2019. The net loss will be substantially lower due to the reinsurance programme that we buy to protect this account.

As mentioned above the 2019 Year of Account is impacted by Hurricane Dorian. Neither Typhoon Faxai nor Typhoon Hagibis will be material losses to the Syndicate (under £2m each). Notable risk losses to date include Falcon Eye 1 (Space account), Husky White Rose and Alvheim FPSO (Upstream Energy).

I wrote last year that I was looking forward to 2019 with excitement and optimism; that I was hopeful that we would write much closer to plan or even exceed it. In the end we had to go back to Lloyd's twice with revisions to our 2019 plan, and we now expect to write over £400m of gross income (net of acquisition costs) versus our initial approved plan of £368.7m.

The various revisions to the 2019 plan were aided by Syndicate 609 achieving Light Touch status under the pilot scheme introduced by Lloyd's last year. We have long argued that those syndicates that had "behaved" over the soft market should be treated differently to those who had not. Not only is Light Touch status just reward for the way that we run our business, it has an important secondary effect in that those syndicates who are "best in class" are now poised to lead the market as it continues to harden. With a "file and use" approach to business plans we are able to more nimbly react to opportunities and to grow where growth is appropriate. We were delighted that we have been designated Light Touch again for 2020.

We pre-empted for the 2020 Year of Account, taking the stamp from £450m to £525m as we plan to grow our income in order to best take advantage of those classes that are experiencing rapidly improving market conditions. The growth will not be across the board though, and there are books where we will be reducing income. Overall though it is a positive message and I am very encouraged about our future prospects. Thank you for supporting the pre-emption. We believe that we have shown appropriate restraint in the soft market (unlike many of our peers) and it is that restraint that has positioned us so well as the market turns.

We, at Atrium, are big proponents of what is trying to be achieved under the Future at Lloyd's. There is no doubt that technology is continually seeping into our business and it is not difficult to imagine a very different work environment at some stage in the future. We recognised this 15 years ago with our incredibly successful drive to introduce AuGold into our North American P&C distribution channel. However, as a small business, it is increasingly clear that we do not have the wherewithal to compete with the large players when it comes to investment in technology. There are insurance companies out there whose current technology budgets are multiples of our total expenses. But, if we all come together, as we did 300 years ago in a single coffee shop, Lloyd's can compete. We can introduce the most up to date platforms and systems into our businesses in order to drive the most efficient business processes, and more importantly remain accessible to our customer base.

As with last year I cannot let the 2019 annually accounted result go unmentioned. I am extremely pleased (again) that we have produced an annually accounted profit in what was another difficult year for our industry. Yet again Syndicate 609 is likely to demonstrate market beating performance.

I have always been tremendously proud of Atrium and all of the success that it has achieved. We firmly believe that there will always be a demand for quality, specialist technical underwriting borne out of experience and expertise; and that is what we will continue to offer. Syndicate 609 is very much open for business.

Toby Drysdale

Toby Drysdale
Active Underwriter, Syndicate 609
3 March 2020

STATEMENT OF COMPREHENSIVE INCOME TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2017 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2019

	Notes	£'000
Syndicate allocated capacity		419,238
Earned premiums, net of reinsurance		
Gross premiums written	4	497,535
Outward reinsurance premiums		(55,485)
Earned premiums, net of reinsurance		442,050
Reinsurance to close premium received, net of reinsurance		
At transaction rates of exchange		325,737
Revaluation to closing rates of exchange		(11,053)
Reinsurance to close premium received, net of reinsurance at closing rates of exchange	5	314,684
		756,734
Allocated investment return transferred from the non-technical account		18,846
Claims incurred, net of reinsurance		
Claims paid		
Gross amount		304,061
Reinsurers' share		(55,512)
		248,549
Reinsurance to close premium payable, net of reinsurance	6	325,213
		573,762
Net operating expenses	7	183,094
Balance on the technical account for general business	11	18,724

NON-TECHNICAL ACCOUNT – GENERAL BUSINESS

FOR THE 2017 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2019

	Notes	£'000
Balance on the technical account for general business		18,724
Investment income	10	16,230
Net unrealised gains on investments	10	3,933
Investment expenses and charges	10	(1,317)
Allocated investment return transferred to general business technical account		(18,846)
Foreign exchange losses		(1,903)
Profit for the 2017 closed year of account		16,821
Other comprehensive expense		(3,978)
Total comprehensive income for the 2017 closed year of account	14	12,843

BALANCE SHEET

FOR THE 2017 CLOSED YEAR OF ACCOUNT AT 31 DECEMBER 2019

	Notes	£'000
Assets		
Investments	12	345,729
Debtors	13	12,652
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	6	50,461
Other assets		
Cash at bank and in hand		20,714
Overseas deposits		44,683
Prepayments and accrued income		468
Total assets		474,707
Liabilities		
Amounts due to members	14	10,894
Reinsurance to close premium payable to close the account – gross amount	6	375,674
Creditors	15	81,800
Accruals and deferred income		6,339
Total liabilities		474,707

The 2017 closed year underwriting accounts were approved at a meeting of the Board of Directors of Atrium Underwriters Limited, and by the Active Underwriter, on 3 March 2020 and were signed on its behalf by:

James Lee
Agency Managing Director
3 March 2020

Toby Drysdale
Active Underwriter
3 March 2020

STATEMENT OF CASH FLOWS

FOR THE 2017 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2019

	£'000
Cash flows from operating activities	
Profit for the year of account	16,821
Non-cash consideration for net RITC receivable	(302,449)
Net reinsurance to close premium payable	325,213
Increase in debtors	(877)
Decrease in creditors	(50,719)
Decrease in other assets	1,169
Investment return	(18,846)
Net cash outflow from operating activities	(29,688)
Cash flows from investing activities	
Purchase of debt securities and other fixed income securities	778,633
Sale of debt securities and other fixed income securities	(751,885)
Sale of loans secured by mortgage	105
Investment income received	14,913
Foreign exchange	10,585
Net cash inflow from investing activities	52,351
Cash flows from financing activities	
Members' agents' fees paid on behalf of members	(1,949)
Net cash outflow from financing activities	(1,949)
Net increase in cash and cash equivalents	20,714
Cash and cash equivalents at 1 January 2017	–
Effect of foreign exchange rate changes	–
Cash and cash equivalents at end of financial year	20,714

NOTES TO THE FINANCIAL STATEMENTS

FOR THE 2017 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2019

1. BASIS OF PREPARATION

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

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

These financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2006), the applicable Accounting Standards in the United Kingdom.

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

The financial statements are presented in Sterling (GBP), which is the syndicate's presentational currency. The syndicate's functional currency is US Dollars (USD).

Whilst the directors of the managing agent have a reasonable expectation that the Syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2017 year of account, which closed on 31 December 2019. The accumulated profits of the 2017 year of account will be distributed shortly after publication of these accounts. Therefore the 2017 year of account is not continuing to trade and, accordingly the directors have not adopted the going concern basis in the preparation of these accounts. This has no effect on the amounts reported in the accounts as the 2017 year of account will be closed by payment of a reinsurance to close premium, as outlined in note 6 below, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years.

2. USE OF JUDGEMENTS AND ESTIMATES

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

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

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement 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 in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2017 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES

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

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

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

Insurance classification

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

Gross Premiums Written

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

Reinsurance Premium Ceded

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

Claims Paid and Related Recoveries

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

Reinsurance to Close Premium Payable

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

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

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

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

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

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

Foreign Currencies

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

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

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

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

Investment Return

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

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the balance sheet date and their valuation at the previous balance sheet date, or purchase price, if acquired during the year, together with the reversal of unrealised gains and losses recognised in earlier accounting periods in respect of investment disposals in the current period.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments support the underwriting business.

Operating Expenses

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

Financial Instruments

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

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

Such assets are subsequently carried at fair value.

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

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2017 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2019

3. SIGNIFICANT ACCOUNTING POLICIES CONTINUED

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

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

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

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

Fair Value Measurement

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

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

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

Taxation

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

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

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

Pension Costs

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

Profit Commission

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

Cash and Cash Equivalents

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

4. ANALYSIS OF UNDERWRITING RESULT

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

	Gross premiums written (note 1) £'000	Gross claims incurred (note 2) £'000	Gross operating expenses £'000	Reinsurance balance (note 3) £'000	Total £'000
Direct insurance:					
Accident and health	44,180	22,042	21,984	(438)	(284)
Motor (third party liability)	837	217	281	4	343
Motor (other classes)	15,136	8,443	5,463	214	1,444
Marine, aviation and transport	79,106	26,238	30,354	(10,249)	12,265
Fire and other damage to property	148,841	94,863	58,788	(1,563)	(6,373)
Third party liability	133,052	48,742	54,182	(10,468)	19,660
Credit and suretyship	7,147	2,427	3,100	120	1,740
Legal Expenses	481	(267)	70	(189)	489
	428,780	202,705	174,222	(22,569)	29,284
Reinsurance	68,755	89,798	13,648	8,213	(26,478)
	497,535	292,503	187,870	(14,356)	2,806
RITC received	314,684	387,233	–	69,619	(2,930)
Total	812,219	679,736	187,870	55,263	(124)

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

5. REINSURANCE TO CLOSE PREMIUM RECEIVABLE

	£'000
Gross notified outstanding claims	194,581
Reinsurance recoveries anticipated	(41,762)
Net notified outstanding claims	152,819
Provision for gross claims incurred but not reported	202,763
Reinsurance recoveries anticipated	(29,845)
Provision for net claims incurred but not reported	172,918
Reinsurance to close premium receivable, net of reinsurance at transaction rates of exchange	325,737
Revaluation to closing rates of exchange	(11,053)
Reinsurance to close premium receivable, net of reinsurance at closing rates of exchange	314,684

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2017 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2019

6. REINSURANCE TO CLOSE PREMIUM PAYABLE

	£'000
Gross notified outstanding claims	186,688
Reinsurance recoveries anticipated	(22,695)
Net notified outstanding claims	163,993
Provision for gross claims incurred but not reported	188,986
Reinsurance recoveries anticipated	(27,766)
Provision for net claims incurred but not reported	161,220
Reinsurance to close premium payable, net of reinsurance	325,213

The reinsurance to close is effected to the 2018 year of account of Syndicate 609.

7. NET OPERATING EXPENSES

	£'000
Acquisition costs:	
Brokerage & commission	141,423
Other acquisition costs	17,771
	159,194
Administrative expenses	28,675
	187,869
Reinsurance commissions receivable	(4,775)
	183,094

Administrative expenses include:

	£'000
Auditors' remuneration	
Audit services	260
Managing agent's profit commission	3,341

Members' standard personal expenses (Lloyds's Subscriptions, Central Fund Contributions, Managing Agents's Fees and Profit Contributions) are included within administrative expenses and amount to £9,797,000.

8. STAFF NUMBERS AND COSTS

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

	£'000
Wages and salaries	17,665
Social security costs	1,613
Other pension costs	2,162
	21,440

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

	Number
Management	6
Underwriting	71
Claims	10
Administration	55
	142

9. REMUNERATION OF THE DIRECTORS OF ATRIUM UNDERWRITERS LIMITED

The thirteen Directors of Atrium Underwriters Limited, who served during the three years ending 31 December 2019, received the following aggregate remuneration charged to the syndicate and included within net operating expenses:

	£'000
Remuneration	1,553

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

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

	£'000
Remuneration	238

10. INVESTMENT RETURN

	£'000
Investment income:	
Income from investments	15,118
Gains on the realisation of investments	1,112
	16,230
Net unrealised gains on investments:	
Unrealised gains on investments	5,944
Unrealised losses on investments	(2,011)
	3,933
Investment expenses and charges:	
Investment management expenses, including interest	(698)
Losses on the realisation of investments	(619)
	(1,317)
Allocated investment return transferred to the technical account	18,846

NOTES TO THE FINANCIAL STATEMENTS CONTINUED

FOR THE 2017 CLOSED YEAR OF ACCOUNT FOR THE THREE YEARS ENDED 31 DECEMBER 2019

11. BALANCE ON TECHNICAL ACCOUNT

	£'000
Balance excluding investment return and operating expenses	
Profit attributable to business allocated to the 2017 pure year of account	140,406
Profit attributable to business reinsured into the 2017 year of account	42,566
	182,972
Allocated investment return transferred from the non-technical account	18,846
Net operating expenses	(183,094)
	18,724

12. INVESTMENTS

	Fair value £'000	Cost £'000
Shares and other variable yield securities and units in unit trusts	27,154	27,154
Debt securities and other fixed income securities	318,550	318,399
Deposits with credit institutions	25	25
	345,729	345,578

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

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

	Fair value £'000	%
Government/Government Agency	37,922	11.9
AAA/Aaa	29,926	9.4
AA/Aa	75,805	23.8
A	137,425	43.2
BBB	20,183	6.3
<BBB	17,289	5.4
	318,550	100.0

13. DEBTORS

	£'000
Arising out of direct insurance operations	
Due from policyholders	9
Due from intermediaries	8,597
Arising out of reinsurance operations	3,457
Other	589
	12,652

14. AMOUNTS DUE TO MEMBERS

	£'000
Profit for the 2017 closed year of account	12,843
Members' agents' fee advances	(1,949)
Distributions to members to date	–
Amounts due to members at 31 December 2019	10,894

15. CREDITORS

	£'000
Arising out of direct insurance operations	
Due to intermediaries	1,266
Arising out of reinsurance operations	9,611
Managing agent's profit commission	3,341
Other	67,582
	81,800

Other creditors include inter year loans of £64,227,000.

16. DISCLOSURES OF INTEREST

Atrium Underwriting Group Limited (AUGL) is a wholly owned subsidiary of Alopuc Ltd (a UK holding company) and Alopuc Ltd is in turn a wholly owned subsidiary of Northshore Holdings Ltd, a Bermudan company. The ultimate beneficial owners of Northshore are Enstar Group Ltd (Enstar) who hold approximately 54.8% economic interest and affiliates of Stone Point Capital LLC (Stone Point) who hold approximately 38.1% economic interest. The balance of shareholding is held by Dowling Capital Partners and Atrium management and staff.

AUGL is the holding company of the following wholly owned subsidiaries; Atrium Underwriters Limited (AUL), Atrium Underwriting Holdings Limited (AUHL), Atrium Insurance Agency Limited (AIAL), Atrium Group Services Limited (AGSL), Atrium Risk Management Services (Washington) Ltd (ARMS), Atrium Risk Management Services (British Columbia) Ltd (ARMSBC) and Atrium 5 Limited. AGSL is the holding company of Atrium Nominees Limited. AUL is authorised by the Prudential Regulation Authority and regulated by the Financial Conduct Authority and the Prudential Regulation Authority and is the managing agent of Syndicate 609. During 2019 AUGL liquidated its holding in Atrium Insurance Agency (Asia) Pte. Ltd (ASIA). AUHL was the holding company of ten non-continuing Lloyd's corporate members until December 2019 when these entities were transferred out of the Atrium Group.

Historically AUGL has participated on the managed syndicate through its corporate member subsidiary, Atrium 5 Limited. With effect from the 2017 year of account onwards, this AUGL participation has been through another corporate member within the Enstar Group (SGL No. 1 Limited) Under the terms of a lease agreement between SGL No. 1 Limited and Atrium 5 Limited.

	2017 Capacity £m	2018 Capacity £m	2019 Capacity £m	2020 Capacity £m
Syndicate 609	107.1	114.7	114.7	**133.5**

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

		Year of account		
	2017 %	2018 %	2019 %	2020 %
Syndicate 609	25.5	25.4	25.4	**25.4**

AIAL is a registered Lloyd's UK coverholder and is authorised and regulated by the Financial Conduct Authority. Syndicate 609 leads a binding authority granted to AIAL to underwrite Space business. Under the terms of the binding authority, fees and profit commission are payable by the syndicate to AIAL. Fee income of US$688,000 was paid by the syndicate to AIAL in relation to premium earned on the 2017 year of account. Profit commission is due in relation to the 2017 year of account of $115,000.

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

16. DISCLOSURES OF INTEREST CONTINUED

ASIA carried on for its own account the business of insurance intermediation in Singapore, operating on the Lloyd's Asia platform. In this capacity it has been granted authority by Syndicate 609 to bind certain risks (including marine hull, energy, aviation and non-marine property risks) and has been approved by Lloyd's and the Monetary Authority of Singapore to act as a Lloyd's Singapore Service Company. The Company was struck off from the Register of Companies with effect from 6 May 2019.

ARMS is incorporated in Washington State, United States, and was established to support the Syndicate strategy to maintain and grow its North American direct portfolio and distribution network. ARMS charges fees to the Syndicates equal to its operating costs plus a small margin for tax reasons. Fees of U$1,866,000 were paid by Syndicate 609 to ARMS in respect of the 2017 year of account.

ARMSBC is incorporated in British Columbia, Canada, and was established to support the Syndicate strategy to maintain and grow it's North American direct portfolio and distribution network. ARMSBC charges fees to the syndicate equal to its operating costs plus a small margin for tax reasons. Fees of C$790,000 were paid by Syndicate 609 to ARMSBC in respect of the 2017 year of account.

The directors' participations on Syndicate 609 via Nomina No. 207 LLP (the staff LLP) are as follows (this includes any director of AUL that served during 2019 and was a partner in the staff LLP):

	2017 £	2018 £	2019 £	2020 £
James Cox	74,170	127,287	153,020	**230,016**
Toby Drysdale	19,700	41,952	36,259	**42,689**
Richard Harries	277,611	519,189	568,698	**768,180**
James Lee	56,659	86,960	93,457	**153,444**
Brendan Merriman	32,004	62,855	63,046	**94,745**
Samit Shah	72,526	112,595	116,052	**191,533**
Kirsty Steward	21,461	27,134	23,997	**79,407**

AUL has made no loans to directors of the company during 2019 (2018 - nil). There were no loans outstanding at the balance sheet date.

Managing agency fees of £2,923,000 were paid by the syndicate to AUL. Profit commission of £3,341,000 is payable by the syndicate to AUL in relation to the 2017 year of account result. The managing agents agreement was amended in 2007 to enable managing agents to make payments on account of profit commission, prior to the closure of a year of account. Payments on account can be made when the syndicate transfers open year surpluses from the syndicate level premium trust funds to the members' personal reserve fund. No such payment was made in 2019. Included within creditors is £3,341,000 in respect of profit commission payable to AUL in relation to the 2017 year of account.

Given the insurance related activities undertaken within the broader Enstar group it is possible that transactions may be entered into between the Atrium managed syndicate and Enstar Group companies (including Starstone insurance group entities and the Starstone managed Lloyd's syndicates 1301 and 2008). Any such related party transactions are entered into by the syndicate on a commercial basis and managed in accordance with the protocols set out in Atrium's Conflicts of Interest Policy.

Enstar representatives serving as Directors of AUL also hold board positions at other Enstar group companies and these individuals disclose and manage any potential conflicts of interest in line with Atrium's usual practice, which applies to all Directors.

As part of Atrium's Brexit contingency arrangements, AUL has entered into an outsourcing agreement with Lloyds's Insurance Company S.A, (LIC) and a reinsurance contract between Syndicate 609 and LIC.

SEVEN YEAR SUMMARY OF RESULTS

SYNDICATE 609 AT 31 DECEMBER 2019

	Notes	2017 £m	2016 £m	Year of Account 2015 £m	2014 £m	2013 £m	2012 £m	2011 £m
Syndicate allocated capacity	1	**419**	419	420	420	419	418	274
Aggregate net premiums		**442**	401	346	332	339	334	183
Number of underwriting members		**3,040**	3,056	3,059	3,116	3,140	3,165	3,128
Results for an illustrative share of £10,000		**£**	**£**	**£**	**£**	**£**	**£**	**£**
Gross premiums		**11,868**	10,713	9,154	8,802	9,370	9,116	8,147
Gross premiums %	2	**118.7%**	107.1%	91.5%	88.0%	93.7%	91.2%	81.5%
Net premiums		**10,544**	9,568	8,232	7,913	8,284	7,978	6,675
Net premiums %	3	**105.4%**	95.7%	82.3%	79.1%	82.8%	79.8%	66.7%
Premium for the reinsurance to close an earlier year of account	4	**7,506**	7,452	7,211	7,323	6,896	6,951	5,916
Net claims	5	**5,929**	3,784	3,999	3,102	3,644	3,049	3,564
Premium for the reinsurance to close the year of account		**7,757**	7,779	7,097	7,733	6,253	6,632	5,256
Underwriting profit		**4,364**	5,457	4,347	4,401	5,283	5,248	3,771
Loss/(profit) on exchange		**–**	–	–	–	–	159	(107)
Syndicate operating expenses		**4,054**	3,636	3,525	3,185	3,343	2,929	2,074
Balance on technical account		**310**	1,821	822	1,216	1,940	2,160	1,804
Balance on technical account %	6	**2.6%**	17.0%	9.0%	18.2%	20.7%	23.7%	22.1%
Investment return		**450**	152	188	194	106	104	89
Other foreign exchange gains	7	**(140)**	77	831	881	66	–	–
Profit for closed year of account		**620**	2,050	1,841	2,291	2,112	2,264	1,893
Illustrative managing agent's profit commission		**80**	309	354	384	381	441	364
Illustrative personal expenses		**234**	465	136	137	139	51	66
Profit after illustrative profit commission and illustrative personal expenses	8	**306**	1,276	1,351	1,770	1,592	1,772	1,463

Notes
1. With effect from 1 January 2014 the 2011 year of account of Syndicate 570 was reinsured to close into the 2012 year of account of Syndicate 609.
2. Gross premiums as a percentage of illustrative share.
3. Net premiums as a percentage of illustrative share.
4. The reinsurance to close premium that has been received by the 2017 year of account has been retranslated to the rates of exchange that were applicable as at 31 December 2019. Reinsurance to close premiums receivable in respect of the 2017 and prior years of account have not been restated.
5. Net claims include internal claims settlement expenses.
6. Balance on technical account as a percentage of gross premiums.
7. With effect from 31.12.15, other foreign exchange gains are reported in the non-technical account and not as other comprehensive income, and not as syndicate expenses.
8. Illustrative personal expenses, including illustrative profit commission, are based on a calculation of amounts incurred by a member writing an illustrative share. For this purpose minimum fee charges are ignored.

Memorandum Item

For an illustrative share of £10,000	Notes	2017 £	2016 £	Year of Account 2015 £	2014 £	2013 £	2012 £	2011 £
Aggregation of annual fee, profit commission and syndicate expenses	7	**600**	908	985	900	880	1,037	778

Designed & printed by Perivan 257659

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