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# Syndicate 44 Annual Report & Accounts

As at 31 December 2019

## Contents

Directors and Advisers.....	2
Report of the Directors of the Managing Agent .....	4
Statement of Managing Agent's Responsibilities .....	8
Independent auditor's report to the member of Syndicate 44 .....	9
Income Statement: Technical Account – Long Term Business .....	11
Income Statement: Non-technical Account .....	12
Statement of Financial Position – Assets .....	13
Statement of Financial Position – Liabilities .....	14
Statement of Changes in Member's Balances .....	15
Statement of Cash Flows.....	16
Notes to the Financial Statements .....	17

## Directors and Advisers

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### Managing Agent

AmTrust Syndicates Limited (until 1 October 2019)

### Registered office

Exchequer Court  
33 St Mary Axe  
London, EC3A 8AA

**Managing Agent's registration No.** 04434499

**FCA firm registration No.** 226696

### Directors

D J L Barrett		Resigned 30/04/2019	
J E Cadle	Non-Executive Deputy Chairman	Resigned 02/10/2019	
J A H G Cartwright		Resigned 02/10/2019	
P Dewey	Chief Executive Officer		
J P Fox	Non-Executive Director	Resigned 02/10/2019	
B J Jackson	Non-Executive Director	Resigned 02/10/2019	
C Jarvis		Resigned 02/10/2019	
S Lacy		Resigned 02/10/2019	
N C T Pawson	Non-Executive Chairman		
S S Takhar		Appointed 01/05/2019	Resigned 02/10/2019

### Run-off Management

Director responsible:

D J L Barrett	Director Responsible	Appointed 01/01/2019	Resigned 30/04/2019
J A H G Cartwright	Director Responsible	Appointed 01/05/2019	Resigned 01/10/2019

Run-off manager:

G Ross	Appointed 01/01/2019	Resigned 01/10/2019
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**Managing Agent**

Canopus Managing Agents Limited (from 1 October 2019)

**Registered office**

Gallery 9  
One Lime Street  
London, EC3M 7HA

**Managing Agent's registration No.** 01514453

**FCA firm registration No.** 204847

**Directors**

N J Betteridge	Chief Actuary	
P Ceurvorst	Independent Non-Executive Director	
L Davison	Chief Operating Officer	
M P Duffy	Group Chief Underwriting Officer	
S J Gargrave	Non-Executive Director	Resigned 03/10/2019
P F Hazell	Independent Non-Executive Director	
P Meader	Independent Non-Executive Director	Appointed 07/11/2019
N S Meyer	Chief Financial Officer	
W R Monelle	Chief Risk Officer	Resigned 03/10/2019
G E Moss	Director	Resigned 03/10/2019
I B Owen	Independent Non-Executive Chairman	
B A Turner	Director	Resigned 03/10/2019
M C Watson	Chief Executive Officer	
S A Willmont	Chief Underwriting Officer	Resigned 03/10/2019

**Run-off Management**

Executive Responsible:

S Lacy Appointed 01/10/2019

Run-off manager:

A Howarth Appointed 01/10/2019

**Syndicate:** 44

**Bankers**

Barclays Bank PLC  
Citibank N.A.

**Statutory Auditor**

KPMG LLP  
15 Canada Square  
Canary Wharf  
London E14 5GL

## Report of the Directors of the Managing Agent

The directors of the Managing Agent, Canopus Managing Agents Limited ('CMA') present their report, which incorporates the strategic review, for the year ended 31 December 2019. The Syndicate's Managing Agent is a company registered in England and Wales.

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). These Financial Statements and related notes have been prepared in accordance with the requirements of Financial Reporting Standard (FRS) 100 ('Application of Financial Reporting Requirements'), FRS 102 ('The Financial Reporting Standard Applicable in the UK and Republic of Ireland') and FRS 103 ('Insurance Contracts') as promulgated by the Financial Reporting Council (FRC).

### Principal activity

The Syndicate's principal activity continues to be the transaction of term life insurance and reinsurance business as the Syndicate runs-off its business following the previous Managing Agent's, AmTrust Syndicates Limited ('ASL'), decision to cease underwriting at the end of 2018. With effect from 1 January 2019 the Syndicate was placed into run-off.

The Syndicate capacity for the 2018 year of account was £20.0m.

### Significant events

The Board of ASL approved the reinsurance to close ('RITC') of all open years of Syndicate 779, another Life syndicate managed by ASL, into Syndicate 44's 2018 year of account effective 1 January 2019. Gross premium of £22.0m, net £14.8m, was agreed in this regard.

With effect from 1 October 2019, as part of Canopus' acquisition of AmTrust's non-life Lloyd's operations, the managing agency of the Syndicate was novated from ASL to CMA. The sole capital provider to the Syndicate, AmTrust Corporate Member Two Limited, remains a 100% owned subsidiary of the AmTrust group.

### Key performance indicators

The Syndicate's key financial performance indicators below relate to the results for the Syndicate on an annual accounting basis during the year and were as follows:

	2019 £m	2018 £m
<b>Written premiums</b>		
Gross premiums written	27.2	17.5
Net premiums written <sup>1</sup>	25.1	16.3
<b>Earned premiums</b>		
Earned premium, net of reinsurance <sup>2</sup>	25.1	16.3
<b>Incurred claims</b>		
Net incurred claims	(9.5)	(8.9)
Change in long-term business provision	(10.0)	(0.9)
Net operating expenses	(7.1)	(7.6)
Result for the year	(1.5)	(1.1)
Cash, investments and overseas deposits	12.5	3.5
Amounts due from members	(5.8)	(3.0)
<b>Key ratios</b>	<b>%</b>	<b>%</b>
Claims ratio (net) <sup>3</sup>	77.8	60.0
Acquisition ratio (net)	15.3	26.0
Expense ratio (net)	12.8	20.6
Combined ratio <sup>4</sup>	105.9	106.6
Stamp capacity	-	20.0m

<sup>1</sup> Net premiums written are stated gross of brokerage and commission, and net of associated reinsurance costs.

<sup>2</sup> Earned premiums, net of reinsurance are stated gross of brokerage and commission, and net of associated reinsurance costs.

<sup>3</sup> The net claims ratio is the ratio of incurred claims and Long-Term Business Provision to net earned premiums in the period.

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

**Gross premiums written**

Gross premiums written include £14.8m RITC from syndicate 779. Excluding this, the underlying premium written in the year has decreased to £12.4m. This is due to the syndicate having ceased underwriting and the future estimated premium being included as written premium in 2019.

**Net written premiums and net earned premiums**

Excluding the impact of the RITC, underlying net premiums written reduced by £6.0m from the previous year. Additional outwards reinsurance was purchased to cover the run-off of the syndicate increasing reinsurance premiums to £2.1m from £1.2m.

**Loss for the year**

Overall a loss of £1.5m was realised for the calendar year representing a combined ratio of 105.9%. This follows adverse claims experience partially offset by decreases in the acquisition ratio and expense ratio.

**Cash and investments**

Cash at bank and in hand increased by £6.5m from 2018. The Lloyd's American Trust Fund ("LATF") accounts increased by £2.1m and the ASL fund increased by £0.5m. The increases are primarily due to the RITC of syndicate 779 which introduced funds of £6.7m to the Syndicate on 1 January 2019.

**Member's balances**

Amounts due from the member of £5.8m have increased by £2.8m from 31 December 2018 following the 2019 calendar year loss of £1.5m and the distribution of the 2016 profit of £1.3m.

**Net incurred claims**

The net claims ratio has increased to 77.8% from 60.0%. This is driven by the RITC taken on from syndicate 779 at a 100% net claims ratio. Excluding the impact of this, the net incurred claims ratio was 46.0%. The favourable variance was driven by a reduction in the run-off provision, the net impact of re-estimated expected future expenses and releases for expenses charged in the period.

**Administrative expenses**

Administrative expenses were £0.2m lower than in 2018 due to the syndicate ceasing underwriting. The expenses ratio has fallen to 12.8% largely due to the inflationary impact of the RITC on earned premium net of reinsurance with no attached expense.

**Acquisition expenses**

Acquisition costs decreased by £0.4m due to the reduction in gross written premium. The acquisition ratio has decreased to 15.3% due to the RITC premium written having no associated expenses. Excluding the impact of the RITC premium, the acquisition cost ratio increased to 37.1% as a result of the additional reinsurance premiums in the period reducing the denominator 'earned premiums net of reinsurance'.

**Combined ratio**

The combined loss ratio of 105.9% is a decrease of 0.7% on the 2018 ratio of 106.6%.

**Closing year of account review**

The directors approved the closure of the 2017 Year of Account by way of a reinsurance to close into the 2018 year of account of the Syndicate. The year closed at a loss of £1.0m following a calendar year profit of £1.0m and a brought-forward retained loss after 24 months of £2.0m. The closing result will be called in June 2020.

**Investments and investment return**

	2019 £'000	2018 £'000
Syndicate funds at year end:		
Sterling	7,140	1,194
US Dollar including LATF	3,451	1,218
Euro	403	481
Swiss Franc	245	15
Norwegian Krone	306	74
Combined Sterling	11,545	2,982
Gross investment return for the calendar year in Pounds Sterling	0.9	3.0

Given the size of the Syndicate's assets, the need to maintain liquidity and the relatively short duration of the Syndicate's liabilities, Syndicate 44 does not actively invest its funds. The above return relates to bank interest and returns on overseas deposits.

It is the Managing Agent's policy to actively monitor the Syndicate's currency exposures, and where possible, it seeks to match the Syndicate's assets and liabilities to the extent that regulatory restrictions allow.

#### **Principal risks and uncertainties**

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. All policies are subject to Board approval and ongoing review by management, risk management and internal audit. The Audit Committee is responsible for satisfying itself that a proper internal control framework exists to manage financial risks and that controls operate effectively.

CMA's governance structure ensures a clear definition of responsibility for the management and oversight of the many risks faced by the business. CMA has established an Enterprise Risk Management (ERM) framework that is designed to identify, assess, measure, mitigate, monitor and report all material financial and non-financial risk.

The key uncertainties facing the Syndicate are (i) the ultimate cost and timing of any reinsurance to close arrangements, together with the future expenses associated therewith; and (ii) the regulatory framework that will be in following the end of the Brexit transitional period. The ultimate costs to finalise the Syndicate's liabilities may vary significantly from those recorded within the Syndicate's technical provisions.

A description of the principal risks and uncertainties facing the syndicate is set out in note 5 to the financial statements (management of risk).

#### **Future developments**

CMA will actively manage the run-off of the Syndicate and seek opportunities to conclude its liabilities at the earliest opportunity in order to achieve a positive outcome for its capital provider. This is not expected to happen before 31 December 2020 when the 2018 year of account would normally be expected to close. A run-off provision has been included within the technical provisions of the Syndicate representing management's best estimate assessment of the expected future developments in finalising the Syndicate's liabilities.

#### **Going concern**

With effect from 1 January 2019 the Syndicate ceased underwriting and was put into run-off. A run-off provision has been included within the Syndicate's technical provisions representing management's best estimate assessment of the expected future developments in finalising the Syndicate's liabilities. Accordingly these accounts have not been prepared on a going concern basis. This has had no impact on the carrying value of the Syndicate's assets and liabilities.

#### **Vote to leave the European Union**

The UK departed from the European Union on 31 January 2020 and the transitional arrangements are due to end on 31 December 2020. The formation of Lloyd's Brussels, a fully regulated insurance company created a solution for non-life syndicates at Lloyd's for new business and a plan to legally transfer business written between 1993 and 2018 to Lloyd's Brussels via a Part VII transfer before the end of 2020. However, Lloyd's Brussels is not licensed to transact life business which was a contributory factor in the decision to close Syndicate 44 to new business.

All premiums will be collected and claims will be paid as normal until the end of the transition period. CMA is investigating further steps that may need to be taken to mitigate the potential regulatory risk that may result at the end of the transition period. Syndicate 44 will operate on its historical basis post transition period to honour its policyholder commitments even if that is in breach of rules regarding non EU companies paying EU policyholders. Management notes that EIOPA's recommendation that member states should apply a legal framework to facilitate the orderly run-off of European business may resolve the potential challenge of collecting premiums and settling claims post any transitional period and in the meantime, management are working on contingency plans.



**Directors and directors' interests**

The names of persons who were members of the Board of directors at any time during the period are given on pages 2 and 3. Directors' interests are shown in note 23 as part of the related parties note to the accounts.

**Disclosure of information to the auditors**

So far as each person who was a director of the Managing Agent at the date of approving this report is aware, there is no relevant audit information, being information required by the auditor in connection with its report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agent and of 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.

**Auditors**

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate accounts) Regulation 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

**N S Meyer**

Chief Financial Officer  
Canopus Managing Agents Limited  
5 March 2020

## Statement of Managing Agent's Responsibilities

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

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

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

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the financial statements 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 financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Syndicate and to prevent and detect fraud and other irregularities.

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

On behalf of the board

**N S Meyer**  
Chief Financial Officer  
Canopus Managing Agents Limited  
5 March 2020

## Independent auditor's report to the member of Syndicate 44

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### Opinion

We have audited the Syndicate annual accounts of Syndicate 44 for the year ended 31 December 2019 which comprise the Income Statement: Technical account – Long Term Business, Income Statement: Non-technical account, Statement of Financial Position – Assets, Statement of Financial Position – Liabilities, Statement of Changes in Member's 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 loss 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.

### Emphasis of matter – non-going concern basis of preparation

We draw attention to the disclosure made in note 1 to the Syndicate annual accounts which explains that the Syndicate annual accounts have not been prepared on the going concern basis for the reason 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 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 8, the directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease 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](http://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 company and the syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

**Ben Priestley (Senior Statutory Auditor)**  
**For and on behalf of KPMG LLP, Statutory Auditor**  
*Chartered Accountants*  
15 Canada Square  
London E14 5GL  
United Kingdom

5 March 2020

## Income Statement: Technical Account – Long Term Business

Year Ended 31 December 2019

	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<b>Earned premiums, net of reinsurance</b>					
Gross premiums written	5	27,172		17,507	
Outward reinsurance premiums		(2,058)		(1,159)	
Net premiums written			25,114		16,348
Earned premiums, net of reinsurance			25,114		16,348
<b>Allocated investment return transferred from the non-technical account</b>					
			1		3
<b>Claims incurred, net of reinsurance</b>					
Claims paid					
Gross amount		(9,917)		(11,055)	
Reinsurers' share		987		1,797	
Net claims paid			(8,930)		(9,258)
Change in the provision for claims					
Gross amount	6	(581)		569	
Reinsurers' share	6	36		(208)	
Change in the net provision for claims			(545)		361
Claims incurred, net of reinsurance			(9,475)		(8,897)
<b>Changes in other technical provisions, net of reinsurance</b>					
Long term business provision					
Gross amount	6	(15,967)		(1,020)	
Reinsurers' share	6	5,916		116	
			(10,051)		(904)
Net operating expenses	7		(7,067)		(7,626)
Balance on the technical account for long term business			(1,478)		(1,076)

The Syndicate has ceased trading forward and therefore there are no component parts of the business to be separately classified and disclosed as discontinued.

The accompanying notes form an integral part of the financial statements.

## Income Statement: Non-technical Account

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Year Ended 31 December 2019

	Note	2019 £'000	2018 £'000
<b>Balance on the Technical Account - Long Term Business</b>		(1,478)	(1,076)
Investment income	10	1	3
Allocated investment return transferred to the long term business technical account		(1)	(3)
Profit on foreign exchange		23	25
<b>Loss for the financial year</b>		<b>(1,455)</b>	<b>(1,051)</b>

The accompanying notes form an integral part of the financial statements.

There is no other comprehensive income and consequently no Statement of Other Comprehensive Income has been presented.

## Statement of Financial Position – Assets

As at 31 December 2019

Assets	Note	2019	2019	2018	2018
		£'000	£'000	£'000	£'000
<b>Investments</b>					
Other financial investments	11		3,166		1,079
<b>Reinsurers' share of technical provisions</b>					
Long term business provision	6	6,600		190	
Claims outstanding	6	<u>180</u>		<u>765</u>	
			6,780		955
<b>Debtors</b>					
Debtors arising out of direct insurance operations	12	7,856		4,190	
Debtors arising out of reinsurance operations	13	570		110	
Other debtors	14	<u>240</u>		<u>11</u>	
			8,666		4,311
<b>Other assets</b>					
Cash at bank and in hand		8,379		1,903	
Overseas deposits	15	<u>983</u>		<u>509</u>	
			9,362		2,412
Prepayments and accrued income			4		-
<b>Total assets</b>			<u>27,978</u>		<u>8,757</u>

The accompanying notes form an integral part of the financial statements.

## Statement of Financial Position – Liabilities

As at 31 December 2019

Liabilities	Note	2019 £'000	2019 £'000	2018 £'000	2018 £'000
<b>Capital and reserves</b>					
Member's balances			(5,808)		(2,971)
<b>Technical provisions</b>					
Claims outstanding	6	2,343		1,843	
Long term business provision	6	<u>26,283</u>		<u>8,822</u>	
			28,626		10,665
<b>Creditors</b>					
Creditors arising out of direct insurance operations	16	2		352	
Creditors arising out of reinsurance operations	17	4,358		481	
Other creditors	18	<u>800</u>		<u>50</u>	
			5,160		883
Accruals and deferred income	19		-		180
<b>Total liabilities</b>			<u>27,978</u>		<u>8,757</u>

The accompanying notes form an integral part of the financial statements.

The annual accounts on pages 11 to 37 were approved by the Board of CMA on 3 March 2020 and were signed on its behalf by:

**N S Meyer**  
Chief Financial Officer  
Director

5 March 2020



## Statement of Changes in Member's Balances

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Year Ended 31 December 2019

	2019 £'000	2018 £'000
Member's balances brought forward at 1 January	(2,971)	(1,984)
Loss for the financial year	(1,455)	(1,051)
(Payments of profit to member's reserve funds) / receipt from member's personal reserve funds	(1,382)	64
Member's balances carried forward at 31 December	(5,808)	(2,971)

Members participate on syndicates by reference to years of account and the ultimate result therefrom. Assets and liabilities are allocated to members by reference to policies incepting in the year of account on which they participate.

## Statement of Cash Flows

Year Ended 31 December 2019

	2019 £'000	2018 £'000
Loss for the year	(1,455)	(1,051)
Adjustment for:		
Increase in gross technical provisions	17,961	505
(Increase) / Decrease in reinsurers' share of gross technical provisions	(5,825)	88
<b>Operating cash flow before movement in working capital</b>	10,681	(458)
(Increase) / Decrease in debtors	(4,355)	1,621
Increase / (Decrease) in creditors	4,277	(294)
Increase in other assets	(4)	-
(Decrease) / Increase in other liabilities	(180)	117
Investment return	(1)	(3)
Foreign exchange movements	81	69
<b>Net cash flow from operating activities</b>	(10,499)	1,052
<b>Cash flows from investing activities</b>		
Purchase of other financial instruments	(2,087)	(325)
Investment income received	1	3
Increase in overseas deposits	(474)	(446)
<b>Net cash flow from investing activities</b>	(2,560)	(768)
<b>Net cash flow from financing activities:</b>		
(Payment to) / receipt from member in respect of underwriting participations	(1,382)	64
Foreign exchange	(81)	(69)
<b>Net cash flow from financing activities</b>	(1,463)	(5)
<b>Net increase in cash and cash equivalents</b>	6,476	279
Cash and cash equivalents at 1 January	1,903	1,624
<b>Cash and cash equivalents at 31 December</b>	8,379	1,903

# Notes to the Financial Statements

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## 1. Basis of preparation

The Syndicate is supported by a single corporate member of Lloyd's (AmTrust Corporate Member Two Limited) that underwrites business in the London Market.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Regulations") and Financial Reporting Standard (FRS) 100 ('Application of Financial Reporting Requirements'), Financial Reporting Standard 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland (FRS 102) and Financial Reporting Standard 103 Insurance Contracts (FRS 103).

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

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

### Going concern

Following a strategic review of its underwriting operations, ASL took the decision to cease actively underwriting the Syndicate with effect from 1 January 2019.

A run-off provision has been included within the technical provisions of the Syndicate representing management's best estimate assessment of the expected costs to be incurred in finalising the Syndicate's liabilities. Accordingly these accounts have not been prepared on a going concern basis. This has had no impact on the carrying value of the Syndicate's assets and liabilities.

CMA will actively manage the run-off of the Syndicate and seek opportunities to conclude its liabilities at the earliest opportunity in order to achieve a positive outcome for its capital provider. The ultimate cost and timing of any reinsurance to close arrangement, together with the future expenses required until any such reinsurance to close is concluded, remains uncertain. The ultimate costs to finalise the Syndicate's liabilities may vary significantly from those recorded within the Syndicate's technical provisions.

## 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 in the period in which they are identified.

The Syndicate's principal estimates are for claims provisions, related recoveries and run-off provision included within the long-term business provision. Management regularly reviews and revises these estimates as appropriate based on current information. Any adjustments made to these estimates are reflected in the period the estimates are revised.

The measurement of the long-term business provision involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The long-term business provision includes the estimated cost of settling all claims incurred but unpaid at the statement of financial position date, whether reported or not as well as the expected costs required to conclude the Syndicate. 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 Syndicate's in-house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time to estimate the likely ultimate claims to be experienced and for more recent underwriting years, 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 as well as the expected future costs in concluding the business of the Syndicate. For the most recent years, 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 may be applied over and above the actuarial best estimate in line with the Syndicate's Reserving Policy to address the risk of un-modelled claims development.

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 6.

### **3. Significant accounting policies**

The following principal accounting policies have been applied consistently in accounting for items which are considered material in relation to the Syndicate's financial statements.

#### **Gross premiums written**

Premiums, including reinsurance premiums, are accounted for on inception. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Single premium contracts consist of those contracts under which there is no expectation of continuing premiums being paid at regular intervals. Additional single premiums paid in respect of existing individual contracts are also included within single premiums.

Portfolio premiums received are included within written premiums with any amount unearned at the reporting date being carried forward in the unearned premium provision. The RITC premium received from Syndicate 779 has been fully written in 2019. An assessment is performed at the date of acquisition of the fair value of the insurance liabilities assumed and insurance assets acquired in line with the Syndicate's accounting policies. Any adjustments to the fair value arising are not capitalised but are recorded within the technical account 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).

#### **Outwards reinsurance premiums**

Written outwards reinsurance premiums comprise the total premiums payable for contracts entered into during the period and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods.

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience. Where written premiums are subject to a re-measurement retrospectively, adjusted premiums are recognised as soon as there is an obligation to the reinsurer.

Outwards reinsurance premiums are accounted for and earned in the same accounting period as the premiums for the related direct or inwards business being reinsured within the parameters of the reinsurance contract terms.

#### **Long-term business provision**

The long term business provision is determined following an annual investigation of the long term fund in accordance with the requirements of EU Directive 92/96/EEC, under which certain contingency and other reserves required by insurance company regulations are excluded from the long term business provision. The basis of calculation is as follows:

Individual Life - Reserves are calculated using the gross premium method. The principle for the calculation of the reserve is, for each policy separately, to calculate the discounted value of expected future claims less the discounted value of expected future premium as received by the Syndicate (i.e. net of commission) plus an allowance for expenses.

Group Life (including schemes) - The reserves are calculated as the unexpired proportion at the valuation date of the premium received net of commission. Additional reserves are included to allow for claims that have been incurred but not reported (IBNR) based on a reporting delay of eight to twelve weeks. Reserves are also held for some policies that have expired, but claims may still arise in the future due to reporting delays. The Syndicate actuary is satisfied that this method of reserving is prudent.

The provision for claims also includes amounts in respect of claims handling costs and a run-off provision. The run-off provision has been calculated as management's best estimate assessment of the expected future developments in finalising the Syndicate's liabilities.

Accordingly, the most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development, that the outstanding claims estimates are reasonable and that appropriate

provision has been incorporated for the run-off of exposures to ultimate, particularly given the decreasing volume of exposures as the portfolio continues to run off.

The assessment of these provisions is usually the most subjective aspect of an insurer's accounts and may result in greater uncertainty within an insurer's accounts than within those of many other businesses. Long term insurance provisions, together with related reinsurance recoveries, are established on the basis of current information. Such provisions are subject to subsequent reassessment as changes to underlying factors such as mortality occur. These factors are discussed in more detail in note 6.

#### **Net operating expenses (including acquisition costs)**

Net operating expenses include acquisition costs and amounts charged to the member through the Syndicate.

Certain contracts between the Syndicate and its producing agents and brokers include the requirement to pay override commissions based on the volume of business produced on the Syndicate's behalf. Amounts in relation to this and other commissions are accrued and earned in line with the premium to which they relate and classified as acquisition costs.

Acquisition costs comprise costs arising from the conclusion of insurance contracts and include direct costs such as brokerage and commission. Acquisition costs incurred and not deferred are included in net operating expenses.

#### **Foreign currencies**

Transactions in foreign currencies are translated to the functional currency using the exchange rates at the date of the transactions. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the Statement of Financial Position date. Non-monetary assets and liabilities denominated in foreign currencies that are measured at fair value are retranslated to the functional currency at the exchange rate at the date that the fair value was determined. Non-monetary items denominated in foreign currencies that are measured at historic cost are translated to the functional currency using the exchange rate at the date of the transaction. Under FRS 103, insurance assets and insurance liabilities are deemed monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the technical account in line with the requirements for Life accounting.

#### **Financial assets and liabilities**

The Syndicate has elected to apply the provisions of Section 11 (Basic Financial Instruments) and Section 12 (Other Financial Instruments Issues) of FRS 102 for the treatment and disclosure of financial assets and liabilities.

The Syndicate's investments comprise cash and cash equivalents. The Syndicate does not invest in derivative financial instruments.

#### *Recognition:*

Financial assets and liabilities are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the assets of an undertaking after deducting all of its liabilities. The Syndicate does not hold any equity instruments.

#### *Initial Measurement:*

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or financial liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument. The Syndicate was not party to any financing transactions during the period.

#### *Subsequent measurement:*

All debt instruments are measured at fair value through the profit or loss.

Realised and unrealised gains and losses arising from changes in the fair value of investments are initially presented in the non-technical account in the period in which they arise. Dividend and interest income is recognised when earned. Investment management and other related expenses are recognised when incurred. The overall investment return is subsequently transferred to the Technical Account to reflect the investment return on funds supporting the underwriting business.

#### *Derecognition of financial assets and liabilities:*

Financial assets are derecognised when and only when a) the contractual rights to the cash flows from the financial asset expire or are settled, b) the Syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the Syndicate, despite having retained some significant risks and rewards of

ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

*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 for the asset is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the Managing Agent estimates the fair value by using a valuation technique.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors.

The use of different valuation techniques could lead to different estimates of fair value.

FRS 102 section 34.22 provides the fair value hierarchy criteria upon which the financial instruments should be categorised, as defined below. A fair value measurement is categorised in its entirety on the basis of the lowest level input that is significant to the fair value measurement in its entirety.

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

*Impairment of financial instruments measured at amortised cost or cost:*

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in the income statement immediately.

**Cash and cash equivalents**

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

**Investment return**

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

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.

The investment return is credited to the technical account. No transfer is made to the non-technical account as all investment assets relate to the technical account.

## **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 (currently at 20%) deducted from syndicate investment income is recoverable by the Managing Agent and consequently the distribution made to the member is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the statement of financial position under the heading 'other debtors'.

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

## **Retirement benefit scheme costs**

Both the AmTrust group and Canopus group service companies operate a defined contribution retirement benefit scheme for all qualifying employees. Pension contributions relating to Managing Agency staff working on behalf of the Syndicate are charged to the Syndicate and included within net operating expenses.

## **4. Risk and capital management**

The Syndicate's activities expose the Managing Agent to a number of key risks which have the potential to affect the Managing Agent's ability to achieve its and the Syndicate's objectives. The Managing Agent's Risk Committee oversees the operation of the Syndicate's risk management framework and reviews and monitors the management of the risks to which the Syndicate is exposed. Risk management policies are established to identify and analyse the risks faced by the Syndicate, to set appropriate risk limits and controls and to monitor risks and adherence to limits.

The principal risks and uncertainties facing the Syndicate are as follows:

### **Insurance Risk**

#### **i. Management of Insurance Risk**

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Board then monitors performance against the business plan.

The Syndicate makes use of reinsurance to mitigate risk incurring significant losses linked to one event.

#### **ii. Concentration of Insurance Risk**

The Syndicate's exposure to insurance risk is as shown by the following table which provides an analysis of the geographical breakdown of its written premiums by destination.

<b>Territory</b>	<b>2019<sup>1</sup> £'000</b>	<b>2018 £'000</b>
United Kingdom	9,877	14,580
Other Europe	1,184	2,489
Other Worldwide	1,346	438
<b>Total</b>	<b>12,407</b>	<b>17,507</b>

<sup>1</sup>The amounts presented exclude the RITC premium of £14,765k received on the closure of Syndicate 779 into the 2018 year of account of the syndicate.

### iii. Sensitivity to Insurance Risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses or from changes in the level of attritional losses. A five per cent increase or decrease in the ultimate cost of settling gross claims arising is considered to be reasonably possible at the reporting date and would have the following approximate effect on the result of the Syndicate.

	2019 £'000		2018 <sup>1</sup> £'000	
	Gross	Net	Gross	Net
5% increase in total claims liabilities	(1,431)	(1,092)	(533)	(485)
5% decrease in total claims liabilities	1,431	1,092	533	485

<sup>1</sup> The above table reflects the impact of a 5% movement in the ultimate cost of settling gross claims of the syndicate as at 31 December 2018 and has been disclosed in this manner for the purposes of Lloyd's aggregate accounts. In reality as a result of the acceptance of the reinsurance to close of Syndicate 779 the impact of a five per cent increase in the ultimate cost of settling gross claims arising including the reinsured exposures of Syndicate 779 was £(1,186)k gross and £(940)k net, and the impact of a five per cent decrease in the ultimate cost of settling gross claims arising is £1,186k gross and £940k as the reserve risk has transferred along with the liabilities of Syndicate 779 through the reinsurance to close.

#### Investment risk

Given the need to maintain liquidity and the relatively small amount of funds available the Syndicate's funds are held in cash and collective investment pools. The investment risk is low and related to market interest rates.

#### Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation. The Syndicate is exposed to credit risk in respect of the following:

- Listed investment pools
- Overseas deposits;
- Cash at bank and deposits with credit institutions;
- Reinsurers' share of insurance liabilities;
- Amounts due from reinsurers in respect of settled claims;
- Amounts due from group undertakings; and
- Amounts due from insurance intermediaries.

The Syndicate's credit risk in respect of participation in listed investment pools is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. The Syndicate also limits the amount of cash and cash equivalents that can be deposited with a single counterparty.

The Syndicate's exposure to reinsurance counterparties is managed by the Reinsurance Committee which establishes standards applicable to all reinsurers and the reinsurance department which monitors the financial status of reinsurance debtors.

The Syndicate's exposure to intermediaries is monitored as part of the credit control processes. All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

Debtors arising out of direct operations are comprised of pipeline premiums, balances relating to outstanding receipts from Lloyd's Central Accounting ('LCA') and amounts for business settled outside of Xchanging ('settled direct'). By their nature, it is not possible to classify these balances by credit rating.



The credit rating of the assets within the statement of financial position is as follows:

<b>As at 31 December 2019</b>	<b>AAA £'000</b>	<b>AA £'000</b>	<b>A £'000</b>	<b>BBB £'000</b>	<b>Not rated £'000</b>	<b>Total £'000</b>
<b>Financial investments:</b>						
Participation in investment pools	-	-	3,166	-	-	3,166
Overseas deposits	680	-	303	-	-	983
Reinsurers' share of outstanding claims	-	999	5,781	-	-	6,780
Debtors arising out of direct insurance operations	-	-	-	-	7,856	7,856
Debtors arising out of reinsurance operations	-	32	538	-	-	570
Cash at bank and in hand	-	-	8,379	-	-	8,379
<b>Other Debtors and accrued income:</b>						
Other debtors	-	-	-	-	244	244
<b>Total</b>	<b>680</b>	<b>1,031</b>	<b>18,167</b>	<b>-</b>	<b>11,992</b>	<b>27,978</b>

<b>As at 31 December 2018</b>	<b>AAA £'000</b>	<b>AA £'000</b>	<b>A £'000</b>	<b>BBB £'000</b>	<b>Not rated £'000</b>	<b>Total £'000</b>
<b>Financial investments:</b>						
Participation in investment pools	-	-	1,079	-	-	1,079
Overseas deposits	-	-	-	-	509	509
Reinsurers' share of outstanding claims	-	-	955	-	-	955
Debtors arising out of direct insurance operations	-	-	-	-	4,190	4,190
Debtors arising out of reinsurance operations	-	-	110	-	-	110
Cash at bank and in hand	-	-	1,903	-	-	1,903
<b>Other Debtors and accrued income:</b>						
Other debtors	-	-	-	-	11	11
<b>Total</b>	<b>-</b>	<b>-</b>	<b>4,047</b>	<b>-</b>	<b>4,710</b>	<b>8,757</b>

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

	2019 £'000	2018 £'000
<b>Debtors arising from (re)insurance operations</b>		
Past due but not impaired financial assets:		
Past due by:		
1 to 90 days	-	-
91 to 180 days	-	-
More than 180 days	-	-
<b>Past due but not impaired financial assets</b>	-	-
Impaired financial assets	-	-
<b>Neither past due nor impaired financial assets</b>	<b>8,426</b>	<b>4,300</b>
<b>Net carrying value</b>	<b>8,426</b>	<b>4,300</b>

#### Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices which could be caused by movements in interest rates or exchange rates. The objective of market risk management is to manage and control market risk exposures within acceptable parameters while optimising the return on risk.

#### Interest rate risk

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of change in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Investment Committee monitors the duration of these assets on a regular basis.

An analysis of the Syndicate's sensitivity to interest rate changes on the result and net assets of the Syndicate is presented in the table below.

	2019 Profit or loss for the year £'000	2019 Net assets £'000	2018 Profit or loss for the year £'000	2018 Net assets £'000
+ 50 basis points shift in yield curves	64	64	8	8
- 50 basis points shift in yield curves	(1)	(1)	(8)	(8)

#### Exchange rate risk

Exchange rate risk arises when the Syndicate incurs losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Managing Agent's Finance Group reviews currency matching quarterly.

As at 31 December 2019	Sterling £'000	Euro £'000	US Dollar £'000	Other £'000	Total £'000
Total assets	16,107	3,413	5,725	2,733	27,978
Total liabilities	(21,798)	(6,466)	(3,198)	(2,324)	(33,786)
<b>Net assets / (liabilities)</b>	<b>(5,691)</b>	<b>(3,053)</b>	<b>2,527</b>	<b>409</b>	<b>(5,808)</b>

The main currency rates of exchange are shown below:

	31 Dec 19	Average for 2019	31 Dec 18	Average for 2018
US \$	1.32	1.28	1.28	1.33
Euro	1.18	1.14	1.11	1.13
Swiss Francs	1.28	1.27	1.25	1.30

As at 31 December 2018	Sterling £'000	Euro £'000	US Dollar £'000	Other £'000	Total £'000
Total assets	5,745	909	1,359	744	8,757
Total liabilities	(9,478)	(1,032)	(842)	(376)	(11,728)
<b>Net assets / (liabilities)</b>	<b>(3,753)</b>	<b>(123)</b>	<b>517</b>	<b>368</b>	<b>(2,971)</b>

If the exchange rates of all non-GBP currencies moved by a foreseeable 5% either to the benefit or detriment of the Syndicate at the same time, the impact on both the result for the year and the member's balances would be £20k (2018: £36k).

### Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts and its ongoing expenses. The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation. The Syndicate's approach to managing its liquidity risk is as follows:

- Forecasts are prepared and revised on a regular basis to predict cash outflows from insurance contracts and overheads over the short, medium and long term;
- The Syndicate purchases assets with durations not greater than its estimated insurance contract liabilities and expense outflows;
- Assets purchased by the Syndicate are required to satisfy specified marketability requirements;
- The Syndicate maintains cash and liquid assets to meet daily calls; and
- The Syndicate regularly updates its contingency funding plans to ensure that adequate liquid financial resources are in place to meet obligations as they fall due in the event of reasonably foreseeable abnormal circumstances.

The table below summarises the maturity profile of the Syndicate's Statement of Financial Position based on the estimated timing of claims payments and other undiscounted contractual obligations.

As at 31 December 2019	Carrying amount	Total cash flows	Undiscounted net cash flows			
			Less than 1 year	1-3 years	3-5 years	More than 5 years
			£'000	£'000	£'000	£'000
<b>Financial investments:</b>						
Participation in investment pools	3,166	3,166	3,166	-	-	-
Overseas deposits	983	983	983	-	-	-
Reinsurers' share of outstanding claims	6,780	6,780	3,231	1,419	1,446	684
Debtors arising out of insurance and reinsurance operations	8,426	8,426	8,426	-	-	-
Cash at bank and in hand	8,379	8,379	8,379	-	-	-
<b>Other debtors and accrued income:</b>						
Other debtors	244	244	244	-	-	-
<b>Total assets</b>	<b>27,978</b>	<b>27,978</b>	<b>24,429</b>	<b>1,419</b>	<b>1,446</b>	<b>684</b>
Outstanding claims	28,626	28,626	13,643	5,990	6,104	2,889
Creditors arising out of insurance and reinsurance operations	4,360	4,360	4,360	-	-	-
Other creditors	800	800	800	-	-	-
<b>Total liabilities</b>	<b>33,786</b>	<b>33,786</b>	<b>18,803</b>	<b>5,990</b>	<b>6,104</b>	<b>2,889</b>
<b>Net liabilities</b>	<b>(5,808)</b>	<b>(5,808)</b>	<b>5,626</b>	<b>(4,571)</b>	<b>(4,658)</b>	<b>(2,205)</b>

As at 31 December 2018	Undiscounted net cash flows					
	Carrying amount	Total cash flows	Less than 1 year	1-3 years	3-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
<b>Financial investments:</b>						
Participation in investment pools	1,079	1,079	1,079	-	-	-
Overseas deposits	509	509	509	-	-	-
Reinsurers' share of outstanding claims	955	955	783	105	48	19
Debtors arising out of insurance and reinsurance operations	4,300	4,300	4,300	-	-	-
Cash at bank and in hand	1,903	1,903	1,903	-	-	-
<b>Other debtors and accrued income:</b>						
Other debtors	11	11	11	-	-	-
<b>Total assets</b>	<b>8,757</b>	<b>8,757</b>	<b>8,585</b>	<b>105</b>	<b>48</b>	<b>19</b>
Outstanding claims	10,665	10,665	8,777	1,181	510	197
Creditors arising out of insurance and reinsurance operations	833	833	833	-	-	-
Other creditors	230	230	230			
<b>Total liabilities</b>	<b>11,728</b>	<b>11,728</b>	<b>9,840</b>	<b>1,181</b>	<b>510</b>	<b>197</b>
<b>Net liabilities</b>	<b>(2,971)</b>	<b>(2,971)</b>	<b>(1,255)</b>	<b>(1,076)</b>	<b>(462)</b>	<b>(178)</b>

#### ***Operational risk***

This is the risk that errors caused by people, processes, systems or external events lead to losses to the Syndicate. The Managing Agent seeks to manage this risk through the use of detailed procedures manuals and regular reviews of systems and controls, and a structured programme of testing of processes and systems by internal audit. The internal audit process is designed to provide management and the Board, through its Audit Committee, with reasonable assurance that the controls and procedures are able to contain the risks within acceptable limits.

#### ***Regulatory (including Conduct) risk***

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agent is required to comply with the requirements of the Financial Conduct Authority (FCA), the Prudential Regulation Authority (PRA) and the Council of Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. The Managing Agent has a compliance officer who monitors regulatory developments and assesses the impact on the Managing Agent's policy.

Conduct Risk is the risk that customers experience poor outcomes in their engagement with CMA and is part of Regulatory Risk. This risk applies to all of the Syndicate's business but is particularly focused where the Syndicate insures retail risks especially using delegated underwriting. This has been an area of particular emphasis by the FCA and by Lloyd's. CMA has a Risk Committee which oversees its response to these requirements and operates a conduct framework designed to ensure that appropriate outcomes are delivered to customers.

Supplementing and informing the assessment of risk in the categories identified above, management receives regular risk reports highlighting the material areas of risk, uncertainty and comparison with risk appetite as well as risk events, near misses and emerging risks.

### ***Capital management (excluding Funds at Lloyd's)***

The Managing Agent's objectives in managing the capital of the Syndicate, consistent with the risk profile and the regulatory and market requirements of its business are:

- To match the profile of assets and liabilities, taking account of the risks inherent in the business;
- To satisfy the requirements of the policyholders, regulators and rating agencies; and
- To manage exposure to movements in exchange rates.

### ***Capital framework at Lloyd's***

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation 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 Solvency II requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

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

### ***Lloyd's capital setting process***

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicates on which it participates though not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR is therefore determined by the sum of the member's shares of the Syndicates' 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 the member's capital requirement, the combination of both is known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift 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 Statement of Financial Position on pages 13 to 14, represent resources available to meet members' and Lloyd's capital requirements.

### ***Funds at Lloyd's***

Funds at Lloyd's (FAL) are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the member's FAL to meet liquidity requirements or to settle losses through a formal process controlled by Lloyd's.

## 5. Segmental analysis

An analysis of the technical account result by business class before investment return is set out below:

	Note	2019 <sup>1</sup> £'000	2018 £'000
Scheme	(a)	1,233	2,292
Binder		9,054	13,364
Individual		678	243
Group	(a)	1,442	1,608
RITC premium received		14,765	-
<b>Gross premium written</b>	(b)	<b>27,172</b>	<b>17,507</b>
Gross premiums earned		27,172	17,507
Gross claims incurred		(26,465)	(11,507)
Net operating expenses		(7,067)	(7,625)
Reinsurance balance	(c)	4,881	546
<b>Total</b>		<b>(1,479)</b>	<b>(1,079)</b>

Total commissions on direct business £3,827k (2018: £4,096k)

<sup>1</sup> Amounts presented include the impact of the RITC of Syndicate 779 into the 2018 Year of Account of the Syndicate at 1 January 2019.

Notes:

- (a) Group business written through a coverholder is included in the above table as scheme business.
- (b) All premiums written are in respect of contracts concluded in the UK and are in respect of term life business and ancillary covers. An analysis of the geographical breakdown of written premiums by destination is included within note 4.
- (c) The reinsurance balance comprises reinsurance recoveries less outward reinsurance premiums. All gross premiums written by the Syndicate are in respect of direct business.

## 6. Technical provisions

The Syndicate has applied a similar approach to establishing technical provisions for claims outstanding reserves and reinsurer's share thereof, as included within the Long-Term Business Provision, to that employed at the end of the previous year.

	2019 £'000	2018 £'000
<b>LTBP Gross Reserves and Outstanding Claims</b>		
At 1 January	10,665	10,160
Movement in provision	(5,491)	451
RITC received	22,039	-
Foreign exchange	1,413	54
At 31 December	28,626	10,665
<b>LTBP Reinsurers' Share of Reserves and Outstanding Claims</b>		
At 1 January	955	1,043
Movement in provision	(1,322)	(92)
RITC received	7,274	-
Foreign exchange	(127)	4
At 31 December	6,780	955
<b>Net Long-Term technical provisions</b>		
At 31 December	21,846	9,710
At 1 January	9,710	9,117

The basis of calculation of the long-term business provisions is as follows:

The long term business provision of individual life business is calculated based on the discounted value of expected future claims less discounted value of expected future premiums (net of commissions) plus allowance for expenses. The technical provisions have been calculated on actuarial bases considered most appropriate by the Board.

The portfolio of the Syndicate is too small to carry out a quantitative analysis of mortality experience. The assumptions used are based on standard industry tables, but with additional provision for uncertainty to ensure that the reserving basis remains prudent.

The principal assumptions underlying the calculation of the long term business provision are as follows:

	2019	2018
Mortality table	TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select.	TMN00/TFN00 for non-smokers, TMS00/TFS00 for smokers, TMC00/TFC00 where status unknown 5 year select.
Mortality rating	160% for Italian binder, 140% for Think Money, 150% for Leadenhall Polska, 200% for Pulse.	160% for Italian binder, 140% for Think Money, 150% for Leadenhall Polska, 200% for Pulse.
Discount rate	Nil	Nil
Allowance for negative reserves:	100%	25%

Long term business provisions for binder, group life and scheme business are calculated based on the unexpired premium at year end plus a claims 'incurred but not reported' reserve.

As the assets are all in cash, and we have used a zero discount rate, we have not considered it necessary to hold any additional resilience reserve. An increase in the discount rate would not impact the discounting on the long term business provision, as a zero per cent investment income is assumed and therefore no discounting is applied.

If a lower mortality rate were assumed to apply, the long term business provision would decrease. A 5% reduction in mortality would not decrease the liability materially.

The level of expenses included in the valuation is based on an assessment of the cost of running off the Syndicate's existing business.

## 7. Net operating expenses

	2019 £'000	2018 £'000
Acquisition costs – brokerage and commissions	3,842	4,255
Administrative expenses	3,240	3,060
Personal expenses	(15)	311
	<u>7,067</u>	<u>7,626</u>

Auditors' remuneration:

	2019 £'000	2018 £'000
Fees payable to the Syndicate's auditor for the audit of these financial statements	66	48
Fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	54	39
	<u>120</u>	<u>87</u>

## 8. Staff numbers and costs

All staff are employed by the Canopus group service company, Canopus Services Limited, post the change of managing agent on 1 October 2019, prior to this all staff were employed by an AnTrust group service company, AmTrust Management Services Limited, AmTrust Central Bureau of Services Limited or AmTrust Syndicate Holdings Limited. The average number of persons working for the Syndicate during the year, analysed by category, was as follows:

	2019	2018
Finance and administration	10	2
Underwriting	4	7
Technical Support	1	4
	<u>15</u>	<u>13</u>

The following amounts were recharged to the Syndicate in respect of payroll costs:

	2019 £'000	2018 £'000
Wages and salaries	1,643	1,710
Social security costs	242	207
Other pension costs	114	102
	<u>1,999</u>	<u>2,019</u>



## 9. Key management personnel compensation

The directors of CMA and ASL received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2019 £'000	2018 £'000
Emoluments	91	161
Contributions to defined contribution pension schemes	5	6
	<u>96</u>	<u>167</u>

The remuneration of 9 directors was charged to the Syndicate (2018: 8).

The Active Underwriter for the Syndicate received aggregate remuneration charged to the Syndicate as outlined below. Following cessation of the Syndicate, the Syndicate was charged a proportion of expense attributable to a Run-Off Manager.

	Run-Off Manager 2019 £'000	Active Underwriter 2018 £'000
Emoluments	31	188
Contributions to defined contribution pension schemes	-	17
	<u>31</u>	<u>205</u>

## 10. Investment return

The investment return transferred from the technical account to the non-technical account comprises the following:

	2019 £'000	2018 £'000
Investment income:		
Total investment return transferred to the technical account from the non-technical account	1	3

The total income, expenses, net gains or losses, including changes in fair value, recognised on all financial assets and financial liabilities comprises the following:

	2019 £'000	2018 £'000
Financial assets at fair value through profit or loss	1	3
Total investment return	<u>1</u>	<u>3</u>

## 11. Financial investments

The carrying values of the Syndicate's financial assets are summarised by category below:

	2019 £'000	2018 £'000
<b>Financial assets</b>		
<i>Measured at fair value through profit and loss</i>		
• Investment pool	3,166	1,079
• Overseas deposits (see note 15)	983	509
	<u>4,149</u>	<u>1,588</u>
<i>Measured at cost</i>		
• Cash and cash equivalents	8,379	1,903
<i>Measured at undiscounted amount receivable</i>		
• Other debtors (see note 14)	240	11
<b>Total financial assets</b>	<u>12,768</u>	<u>3,502</u>

All investments are measured at fair value through profit or loss. The Syndicate did not hold any derivative financial instruments during the year (2018: none). The Syndicate does not enter into or trade instruments for speculative purposes.

The Syndicate classifies its financial instruments held at fair value in its statement of financial position using a fair value hierarchy, as follows:

- Level 1: The unadjusted quoted price in an active market for identical assets or liabilities that the entity can access at the measurement date.
- Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data) for the asset or liability, either directly or indirectly.
- Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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

As at 31 December 2019	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Participation in investment pools	3,166	-	-	3,166
Overseas deposits	839	144	-	983
	<u>4,005</u>	<u>144</u>	<u>-</u>	<u>4,149</u>
<b>As at 31 December 2018</b>	<b>Level 1 £'000</b>	<b>Level 2 £'000</b>	<b>Level 3 £'000</b>	<b>Total £'000</b>
Participation in investment pools	1,079	-	-	1,079
Overseas deposits	482	27	-	509
	<u>1,561</u>	<u>27</u>	<u>-</u>	<u>1,588</u>

The participation in investment pools comprises the Lloyd's American Trust Fund (LATF). Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and are managed by Lloyd's centrally or by investment managers on their behalf. During the year the participation in investment pools was reclassified from Level 2 to Level 1.

**12. Debtors arising out of direct insurance operations**

	2019 £'000	2018 £'000
Due within one year – intermediaries	7,856	4,190

**13. Debtors arising out of reinsurance operations**

	2019 £'000	2018 £'000
Due within one year – intermediaries	570	110

**14. Other debtors**

	2019 £'000	2018 £'000
Due within one year:		
Amounts due from group companies	-	9
Tax debtor	24	2
Other debtors	216	-
	240	11

**15. Overseas deposits**

	2019 £'000	2018 £'000
Overseas deposits	983	509

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries and are managed by Lloyd's centrally or by investment managers on their behalf. Overseas deposits have not been included on the statement of financial position within investments or cash at bank or in hand as they are not under the direct control of the Managing Agency.

**16. Creditors arising out of direct insurance operations**

	2019 £'000	2018 £'000
Due within one year – intermediaries	2	352

**17. Creditors arising out of reinsurance operations**

	2019 £'000	2018 £'000
Due within one year – intermediaries	4,358	481

**18. Other creditors**

	2019 £'000	2018 £'000
Balances with group companies	694	50
Other creditors	106	-
	800	50

**19. Accruals and deferred income**

	2019 £'000	2018 £'000
Renewal commission due to Syndicate 779	-	180

## 20. Claims development

The following tables show the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date, related direct and indirect claims handling costs and, for the latest calendar year, the run-off provision representing management's estimated future developments to be incurred in finalising the Syndicate's liabilities. Balances have been translated at exchange rates prevailing at 31 December 2019 in all cases. The entity chose 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 in line with a transitional provision (FRS 103.6.3).

Gross basis as at 31 December 2019:

Pure underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 <sup>1</sup> £'000	Total £'000
Incurring gross claims									
At end of underwriting year	2,288	2,270	3,269	3,555	4,476	4,170	7,658	6,086	33,272
one year later	3,160	3,207	5,137	6,839	8,316	7,285	14,215	34,439	82,598
two years later	2,219	3,264	4,284	6,292	8,352	6,567	13,830	-	44,808
three years later	2,130	2,865	4,151	5,701	8,137	6,223	-	-	29,207
four years later	2,032	2,979	4,159	5,701	8,137	-	-	-	23,008
five years later	2,032	2,964	4,164	5,701	-	-	-	-	14,861
six years later	2,032	2,964	4,164	-	-	-	-	-	9,160
seven years later	2,032	2,964	-	-	-	-	-	-	4,996
eight years later	2,032	-	-	-	-	-	-	-	2,032
Gross ultimate claims on premium earned to date	2,032	2,964	4,164	5,701	8,137	6,223	13,830	34,439	77,490
Gross outstanding claims on premium earned to date for 2010 & Prior years	-	-	-	-	-	-	-	-	-
Less gross claims paid	(2,032)	(2,964)	(4,164)	(5,701)	(8,137)	(5,988)	(13,160)	(6,718)	(48,864)
<b>Gross claims reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>235</b>	<b>670</b>	<b>27,721</b>	<b>28,626</b>

Net basis as at 31 December 2019:

Pure underwriting year	2011 £'000	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 <sup>1</sup> £'000	Total £'000
Incurring net claims									
At end of underwriting year	1,297	1,775	2,645	3,198	4,083	3,776	6,935	5,467	29,176
one year later	2,625	3,123	5,109	6,822	8,024	6,752	12,365	27,463	72,283
two years later	1,780	3,223	4,284	6,291	7,943	6,078	12,047	-	41,646
three years later	1,692	2,824	4,151	5,701	7,728	5,738	-	-	27,834
four years later	1,594	2,938	4,159	5,701	7,728	-	-	-	22,120
five years later	1,594	2,923	4,164	5,701	-	-	-	-	14,382
six years later	1,594	2,923	4,164	-	-	-	-	-	8,681
seven years later	1,594	2,923	-	-	-	-	-	-	4,517
eight years later	1,594	-	-	-	-	-	-	-	1,564
Net ultimate claims on premium earned to date	1,594	2,923	4,164	5,701	7,728	5,738	12,047	27,463	67,358
Net outstanding claims on premium earned to date for 2010 & Prior years	-	-	-	-	-	-	-	-	-
Less net claims paid	(1,594)	(2,923)	(4,164)	(5,701)	(7,728)	(5,502)	(11,382)	(6,518)	(45,512)
<b>Net claims reserves</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>236</b>	<b>665</b>	<b>20,945</b>	<b>21,846</b>

<sup>1</sup> The amounts presented for the 2018 underwriting year for 'one year later' include the impact of the RITC of Syndicate 779 with reserves of gross £17,051k and net £11,319k at 1 January 2019.

## 21. Year of account result development

The table below presents the annual results for each year of account until the earlier of the current year end and closure of the year of account by reinsurance to close. Subsequent movements in results for closed years of account are reflected within the results for the year into which they closed.

	2011 <sup>1</sup> £'000	2012 <sup>1</sup> £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2017 £'000	2018 £'000	2019 £'000	Profit / (loss) £'000
Year of Account										
2011	(2,223)	1,833	944	-	-	-	-	-	-	554
2012	-	(2,236)	1,700	1,653	-	-	-	-	-	1,117
2013	-	-	(2,933)	2,794	1,246	-	-	-	-	1,107
2014	-	-	-	(2,339)	2,575	1,031	-	-	-	1,267
2015	-	-	-	-	(1,559)	631	864	-	-	(64)
2016	-	-	-	-	-	(1,311)	1,652	1,041	-	1,382
2017	-	-	-	-	-	-	(2,261)	275	967	(1,019)
2018	-	-	-	-	-	-	-	(2,367)	(2,422)	(4,789)
<b>Calendar year result</b>	<b>(298)</b>	<b>(484)</b>	<b>(289)</b>	<b>2,108</b>	<b>2,262</b>	<b>351</b>	<b>255</b>	<b>(1,051)</b>	<b>(1,455)</b>	

<sup>1</sup> The 2011 and 2012 calendar year results include the movement on the earlier years of account open during those periods in the total calendar year result but are not included in the table above.

Following the closure of the 2017 year of account by way of reinsurance to close into the 2018 year of account, the loss at 36 months will be called in June 2020.

## 22. Retirement benefit schemes

The Canopus group and AmTrust group service companies, operate defined contribution schemes for all qualifying employees. The funds of the scheme are administered by third parties and are held separately. Pension contributions relating to staff working on behalf of the Syndicate are charged to the Syndicate and included within net operating expenses. The total expense charged to the Syndicate's income statement for the year ended 31 December 2019 in respect of these was £0.1m (2018: £0.1m).

### 23. Related parties

Lloyd's market regulations require that a Managing Agent be responsible for engaging underwriting staff and managing the affairs of each syndicate at Lloyd's on behalf of the Syndicate members. The Managing Agent of the Syndicate was AmTrust Syndicates Limited ('ASL') until novation on 1 October 2019 to Canopus Managing Agents Limited.

In 2019 and 2018 a large proportion of the expenses incurred in operating the Syndicate was incurred by Canopus group and AmTrust group service companies and was then recharged under intragroup service agreements with CMA from 2 October 2019 and ASL to 1 October 2019, on a basis that reflected the Syndicate's usage of resources. Group recharges are charged on a cost basis and predominantly represent recharges of staff costs for employees working on syndicate business as well as associated other administrative expenses including accommodation, professional fees and information technology. These recharges, included within amounts disclosed as net operating expenses, acquisition costs and claims incurred were as follows:

	2019 £'000	2018 £'000
AmTrust Central Bureau of Services Limited ('CBS')	10	737
AmTrust Management Services Limited ('AMSL')	2,486	2,086
AmTrust Syndicate Holdings Limited ('ASH')	8	(11)
Canopus Services Limited ('CSL')	612	-
Other shared services	-	160
<b>Total expenses recharged</b>	<b>3,116</b>	<b>2,972</b>

The following amounts were outstanding at 31 December 2019 and 31 December 2018:

	2019 £'000	2018 £'000
CBS	1	49
AMSL	(35)	-
ASH	(7)	4
CSL	612	-
<b>Total amount outstanding in relation to group recharges</b>	<b>571</b>	<b>53</b>

Included within the recharges are amounts relating to the remuneration of directors of ASL and CMA. Profit-related remuneration for the Syndicate's Active Underwriter, ASL directors and CMA directors is not charged to the Syndicate.

The following directors of CMA during the period were also directors of CSL during the period: M C Watson, N S Meyer, L Davison and B A Turner (resigned from CMA board 3 October 2019).

CMA and CSL are both 100% subsidiaries of Canopus Holdings UK Limited ('CHUKL'). The following directors of CMA during the period were also directors of CHUKL during the period: M C Watson, N S Meyer and M P Duffy.

The following directors of ASL during the period were also directors of CBS, AMSL and ASH during the period: P Dewey and J E Cadle.

Member's expenses, being agent's fees and profit commission payable to the Managing Agent, and subscriptions and central fund contributions payable to Lloyd's, are charged on an underwriting year of account, rather than a calendar year basis. As the Syndicate ceased underwriting at the end of 2018, no managing agent's fee was charged by ASL or CMA in 2019. In 2018 for the 2018 underwriting year of account, ASL charged an average agent's fee of 1.0% of stamp capacity amounting to £200k. At 31 December 2019 there are no unpaid fees (2018: £nil).

A proportion of the business written by the Syndicate was sourced from AmTrust Europe Ltd., a company within the AmTrust Group. Transactions with AmTrust Europe Ltd. are set out below (£'000):

<b>2019</b>	<b>AmTrust Europe Ltd</b>
Gross premium written	-
Commission	-
Payable at 31 December 2019	-
<b>2018</b>	<b>AmTrust Europe Ltd</b>
Gross premium written	177
Commission	19
Payable at 31 December 2018	24

#### **Syndicate capital**

Syndicate 44's entire capital is provided by AmTrust Corporate Member Two Limited, a subsidiary of AmTrust Lloyd's Holdings Limited, an intermediate parent company ASL.

The following directors of ASL during the period were also directors of AmTrust Corporate Member Two Ltd and AmTrust Lloyd's Holdings Limited during the period: P Dewey and, J E Cadle.

#### **Group**

As part of a transaction by the Canopus group to acquire the AmTrust group's non-life Lloyd's underwriting participations, AmTrust International Insurance Limited (Bermuda) ('AIIL'), a 100% indirect subsidiary of Evergreen Parent L.P., itself a 100% indirect parent of ASL, ACM2L, CBS, AMSL and ASH, became a significant minority shareholder in Fidentia Fortuna Holdings Limited (Cayman Islands), an indirect majority shareholder of CMA.

#### **Directors' interests**

None of the directors or the active underwriter participate on the Syndicate.

#### **Reinsurance to Close**

At 31 December 2018, the Syndicate entered into a reinsurance to close transaction with Syndicate 779, another syndicate then managed by ASL, covering all of the open years of account of Syndicate 779 (2014, 2015 and 2016) resulting in the cessation of the Syndicate. A premium of £14.8m was received, representing the net technical provisions reinsured. A call of £7.4m was made, and received during 2019, from members' personal reserve funds, representing the shortfall of available Syndicate assets to meet the premium charged.

N C T Pawson is a non-executive director of ASL and provided capital to the 2016 year of account of Syndicate 779 through a corporate entity.

#### **24. Post balance sheet events**

On 13 February 2020, the Board of the Managing Agent authorised the closure of the 2017 year of account by way of a reinsurance to close into the 2018 year of account of the Syndicate. The net reinsurance to close premium payable by the 2017 year of account is £0.9m.

On the closure of the 2017 year of account an amount of £1.0m will be called from the member.

#### **25. Ultimate parent company**

As at 31 December 2019, Syndicate 44 was managed by CMA and CMA's immediate UK parent is CHUKL, which is registered in England and Wales. CHUKL is part of Canopus Group Limited ('CGL') which is registered in Jersey. CMA's registered office is Gallery 9, One Lime Street, London EC3M 7HA.

The ultimate controlling parties of CGL are CCP GP Investors Holdings (Cayman) LP, Centerbridge Associates III, LP, CCP III Cayman GP Limited and CCP III SBS Cayman GP Limited.