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Syndicate 1947

Annual Report

Year ended
31 December 2019

CONTENTS

SYNDICATE 1947
DIRECTORS AND ADVISERS

Managing Agent

Hamilton Managing Agency Limited

Registered Office

Level 3
8 Fenchurch Place
London
EC3M 4AJ

Registered Number

05832065

Directors

P. J. Barrett (appointed 20 August 2019)	Non-Executive
M. J. Beacham	Independent Non-Executive
M. J. Beane (appointed 10 December 2019)	Independent Non-Executive
C. D. Brown	Executive
N. J. Davenport (resigned 20 August 2019)	Non-Executive
K. Ethirajan (resigned 20 August 2019)	Executive
T. A. B. H. Glover	Executive
P. C. F. Haynes (appointed 10 December 2019)	Independent Non-Executive, Chairman
A. M. Kaufman (resigned 31 December 2019)	Independent Non-Executive, Chairman
I. G. Lever (resigned 31 December 2019)	Executive
J. F. Reiss (appointed 20 August 2019)	Non-Executive
F. W. Robinson (resigned 20 August 2019)	Non-Executive
T. M. Seymour (resigned 31 December 2019)	Independent Non-Executive
P. Skerlj (appointed 20 August 2019)	Non-Executive
A. Ursano Jr (appointed 10 December 2019)	Non-Executive
R. S. Vetch (appointed 20 August 2019)	Executive
D. N. White	Executive

Company Secretary

D. Ford

Syndicate

Active Underwriter

N. Attwood

Bankers

Citibank N.A.
HSBC
Royal Bank of Canada

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

The Directors of Hamilton Managing Agency Limited ("HMA") present the Managing Agent's Report for Syndicate 1947 ("the Syndicate") for the year ended 31 December 2019.

Principal Activity

The principal activity of the Syndicate is the underwriting of general insurance and reinsurance business at Lloyd's. The Syndicate commenced underwriting on 1 April 2018.

The Syndicate's allocated capacity for the 2020 year of account is £72.0m. The capacity for the 2019 year of account is £77.5m (2018: £55.0m).

Management of the Syndicate

From 20 August 2019, HMA's immediate parent undertaking is Hamilton UK Holdings Limited, a company registered in England and Wales. The company's ultimate parent company is Hamilton Insurance Group, Ltd (collectively with its subsidiaries, "the Hamilton Group"), a company registered in Bermuda. The Hamilton Group acquired HMA from Pembroke JV Limited (the ultimate parent company of Pembroke JV Limited was Liberty Mutual Holding Company Inc.).

Capital to support the underwriting of the Syndicate is provided by GIC Re, India, Corporate Member Limited, which is ultimately owned by General Insurance Corporation of India ("GIC").

Business of the Syndicate

The Syndicate is a provider of specialist insurance and reinsurance products. Property D&F, Property Treaty and Specialty Reinsurance are transacted on an open market basis with the remaining seven classes being cessions from GIC. Domestic classes relate to domestic Indian cession business.

During the 2019 financial year gross written premium by product area was as follows:

	2019 £000	**2018 £000**
Domestic Property Facultative	1,663	243
Domestic Engineering Facultative	119	1
Agriculture	14,274	8,185
Domestic Engineering Treaty	343	256
Domestic Property Treaty	5,627	6,306
International Property Treaty	2,781	1,691
Domestic Marine	454	-
Property D&F	17,515	5,125
Property Treaty	13,135	1,832
Specialty Reinsurance	2,196	-
Total	58,107	23,639

Further details of the product areas are provided below.

Domestic Property Facultative

The Syndicate participates on a quota share protecting large property risks for Indian domestic exposures where additional capacity is required.

Domestic Engineering Facultative

This portfolio consists of a low volume selection of larger infrastructure construction projects – dams, railway/metro, power plants, bridges, industrial units, tunnels. All business is in respect of Indian domestic exposures.

Agriculture

This book of business relates to The Prime Minister's Agriculture Insurance Scheme ("PMFBY") and acts as proportional treaty reinsurance of Indian domestic agriculture insurance companies.

Business of the Syndicate (continued)

Domestic Engineering Treaty

GIC cedes a selection of its proportional and non-proportional Indian portfolio. All business is in respect of Indian domestic exposures.

Domestic Property Treaty

This portfolio consists of a selection of proportional and non-proportional property business written by GIC Re from the Indian domestic insurers covering Indian exposures only.

International Property Treaty

This portfolio is written from GIC Mumbai with exposure in Asia and Latin America. Business is property treaty, predominantly on an excess of loss basis.

Domestic Marine

This portfolio consists of a selection of non-proportional treaty and direct & facultative marine business written by GIC Re from Indian domestic insurers.

Property D&F

The portfolio is written to achieve a blend and balance of both excess and primary layer, cat and non-cat exposed, across both US and international portfolios. The business written is predominantly open market, with three binding authorities written during 2019.

Property Treaty

This is a worldwide portfolio but the main exposures are very much US weighted, driven by the catastrophe covers purchased by US cedants and, to a lesser extent, on direct and facultative accounts written in London.

Specialty Reinsurance

This portfolio is focussed on worldwide terrorism, complimented by a range of composite marine layers.

Review of Financial Performance

The Syndicate's key financial indicators are as follows:

	2019	**2018**
	£000	**£000**
Syndicate capacity	77,500	55,000
Gross written premium	58,107	23,639
Loss for the financial year / total comprehensive loss for the financial year	(1,586)	(11,713)
Combined ratio	104.9%	217.9%
Investments, cash and deposits	8,935	2,270

The Syndicate reports a loss for the year of £1.6m, this consists of a 2018 year of account profit of £3.1m and a 2019 year of account loss of £4.7m, reflecting the timing of the earning of underwriting income.

On an ultimate basis, the syndicate expects to recognise a loss of £8.3m on the 2018 underwriting year and a £1.3m profit on the 2019 underwriting year.

Gross Written Premiums

The Syndicate reports gross written premium for the financial year of £58.1m (2018: £23.6m). This is less than planned, reflecting the Syndicate's strategy of targeting underwriting profits rather than premium.

Review of Financial Performance (continued)

Claims Incurred

The net loss ratio of 78% (2018: 170%) reflects the Syndicate's exposure to two catastrophe events, Typhoon Faxai and Hagibis. Losses incurred on these events are significantly less than the catastrophe events experienced in 2018.

Balance Sheet

Syndicate assets have increased by £23.1m to £52.6m (2018: £29.5m) and the total liabilities have increased by £24.6m to £65.9m (2018: £41.3m). The increase in both assets and liabilities is due to the additional, second year of account commencing. The increase in liabilities vs. assets reflects the loss activity and reserving movements in the year.

Future Prospects

Trading Environment

The stamp capacity has marginally reduced for 2020 (£72.0m), the Syndicate will write a slightly different portfolio of business on the 2020 underwriting year with the addition of Personal Accident, Motor Reinsurance and Proportional Casualty. The Syndicate's catastrophe claims to date have predominantly been situated in the International Property Treaty class and therefore the Syndicate has altered its portfolio to allow access to a wider array of underwriting opportunities, helping to balance the natural catastrophe exposures. During 2020, the Syndicate will continue to select risks carefully in what is expected to remain a competitive, but improving market place.

The UK Decision to Leave the European Union ("Brexit")

The future prospects of the UK economy are uncertain as a result of the UK's decision to leave the European Union. There is an elevated level of risk currently being experienced by the Lloyd's and London Market, as it is anticipated to result in change for the insurance industry. The syndicate will continue to utilise Lloyd's Brussels as appropriate.

The Syndicate wrote £0.2m of business through the Lloyd's Brussels platform in 2019 and is expecting to increase this amount throughout the 2020 underwriting year.

Research and Development

The Syndicate has not participated in any research and development activity during the period.

Staff Matters

HMA recognises that its staff members are key resources and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Human resources' key performance indicators are reviewed periodically by committees of the Board, and all such indicators are in line with the expectations of the Directors.

As of 1 December 2019, all HMA UK staff were transferred to Hamilton UK Service Company Limited and HMA entered into a service agreement with this entity for the provision of services in relation to its role as managing agent, including for Syndicate 1947. HMA and Hamilton UK Service Company Limited are both fully owned subsidiaries of Hamilton UK Holdings Limited.

Environmental Matters

HMA does not consider that a business such as a Syndicate at Lloyd's has an impact upon the environment. As a result, HMA does not manage its business by reference to any environmental key performance indicators.

Principal Risks and Uncertainties

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. HMA has established a Risk Committee which meets at least quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. An Own Risk and Solvency Assessment ("ORSA") is completed annually and reviewed on a quarterly basis. The ORSA is used to monitor changes in the risk profile of HMA and to ensure that HMA meets its current and future capital requirements. The principal risks and uncertainties facing the Syndicate are set out in note 2 to the Annual Report.

Directors and Officers Serving During the Year

The Directors who served during the year ended 31 December 2019 and up to the date of this report (and the current Company Secretary) are detailed on page 3.

Annual General Meeting

The Directors do not propose to hold an annual general meeting for the Syndicate.

Auditor

The Board appointed Ernst & Young LLP as auditor of Syndicate 1947 on 29 July 2019 for the year ended 31 December 2019. Ernst & Young LLP has signified its willingness to continue in office as auditor.

Disclosure of Information to the Auditor

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

Board Approval

Approved by order of the Board of Hamilton Managing Agency Limited.

T. A. B. H. Glover
Chief Executive Officer
3 March 2020

SYNDICATE 1947
STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is 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 (the 2008 Regulations) require the managing agent to prepare Syndicate Annual Accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate Annual Accounts, the managing agent is 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 syndicate accounts; and
- assess the Syndicate's ability to continue to write new business, disclosing as applicable, matters related to its ability to continue to operate and use the going concern basis of accounting, unless the managing agent intends to cease to operate the Syndicate or has no realistic alternative but to do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate Annual Accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business's website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1947

Opinion

We have audited the syndicate annual accounts of Syndicate 1947 ('the syndicate') for the year ended 31 December 2019 which comprise the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 15, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view 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 United Kingdom Generally Accepted Accounting Practice; 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 under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.
We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions Relating to Going Concern

We have nothing to report in respect of the following matters in relation to which the ISAs (UK) require us to report to you where:

- the directors of the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is not appropriate; or
- the directors of the managing agent has not disclosed in the syndicate annual accounts any identified material uncertainties that may cast significant doubt about the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from the date when the syndicate annual accounts are authorised for issue.

Other Information

The other information comprises the information included in the annual report, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent is responsible for the other information.

Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Opinions on Other Matters Prescribed by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

In our opinion, based on the work undertaken in the course of the audit:

- the information given in the managing agent's report for the financial year in which the syndicate annual accounts are prepared is consistent with the syndicate annual accounts; and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

Matters on which we are Required to Report by Exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the managing agent's report.

We have nothing to report in respect of the following matters where The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Directors of the Managing Agent

As explained more fully in the Statement of Managing Agent's Responsibilities, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual accounts, the managing agent is responsible for assessing the syndicate's ability to continue in operation, disclosing as applicable, matters related to its ability to continue in operation and using the going concern basis of accounting unless the managing agent either intends to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor's Responsibilities for the Audit of the Syndicate Annual Accounts

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 an auditor's report that includes our opinion.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with ISAs (UK) will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these syndicate annual accounts.

A further description of our responsibilities for the audit of financial statements is located on the Financial Reporting Council's website at https://www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor's report.

Use of our Report

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.

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 March 2020

SYNDICATE 1947
STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	58,107	23,639
Outward reinsurance premiums		(12,523)	(5,880)
Net premiums written		45,584	17,759
Change in the provision for unearned premiums			
Gross amount		(6,994)	(8,679)
Reinsurers’ share		343	560
Change in the net provision for unearned premiums		(6,651)	(8,119)
Earned premiums, net of reinsurance		38,933	9,640
Allocated investment return transferred from the non-technical account		31	-
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(12,742)	-
Reinsurers’ share		3,235	-
Net claims paid		(9,507)	-
Change in the provision for claims			
Gross amount		(23,572)	(19,962)
Reinsurers’ share		2,521	3,602
Change in the net provision for claims		(21,051)	(16,360)
Claims incurred, net of reinsurance		(30,558)	(16,360)
Net operating expenses	5	(10,267)	(4,646)
Balance on the technical account for general business		(1,861)	(11,366)
NON-TECHNICAL ACCOUNT			
Income from investments		31	-
Allocated investment return transferred to the technical account		(31)	-
Foreign exchange gains/(losses)		275	(347)
Loss for the financial year		(1,586)	(11,713)
Other comprehensive income		-	-
Total comprehensive loss for the financial year		(1,586)	(11,713)

All the amounts above are in respect of continuing operations.

SYNDICATE 1947
STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019	**2018**
	£000	**£000**
Balance due from members at 1 January	(11,713)	-
Loss for the financial year	(1,586)	(11,713)
Balance due from members at 31 December	(13,299)	(11,713)

SYNDICATE 1947
STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	2019 £000	2018 £000
ASSETS			
Investments			
Financial investments	9	7,134	943
Reinsurers' share of technical provisions			
Provision for unearned premiums	11	900	587
Claims outstanding	11	6,102	3,788
		7,002	4,375
Debtors due within one year			
Debtors arising out of direct insurance operations – intermediaries		5,390	-
Debtors arising out of reinsurance operations		28,987	21,415
Other debtors – due from other syndicates		1	-
		34,378	21,415
Other assets			
Cash at bank and in hand		1,585	1,313
Other assets	9	216	14
		1,801	1,327
Prepayments and accrued income			
Deferred acquisition costs	10	2,318	1,484
Other prepayments & accrued income		2	-
TOTAL ASSETS		52,635	29,544
MEMBERS' BALANCES AND LIABILITIES			
Members' balances		(13,299)	(11,713)
Technical provisions			
Provision for unearned premiums	11	15,567	9,063
Claims outstanding	11	43,150	20,974
		58,717	30,037
Creditors due within one year			
Creditors arising out of reinsurance operations		2,329	1,895
Other creditors	12	4,101	7,618
		6,430	9,513
Accruals and deferred income		787	1,707
TOTAL MEMBERS' BALANCES AND LIABILITIES		52,635	29,544

The Syndicate Annual Accounts on pages 11 to 34 were approved by the Board of Hamilton Managing Agency Limited on 3 March 2020 and were signed on its behalf by:

R. S. Vetch
Chief Financial Officer

SYNDICATE 1947
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £000	2018 £000
Cash flow from operating activities		
Operating result	(1,586)	(11,713)
Adjustments:		
Increase in technical provisions	26,779	30,037
Increase in reinsurers' share of technical provisions	(726)	(4,375)
Increase in debtors	(12,962)	(21,415)
(Decrease) / increase in creditors	(3,084)	9,513
Movement in other assets and liabilities	(1,958)	209
Investment return	(31)	-
Net cash inflow from operating activities	6,432	2,256
Cash flows from investing activities		
Purchase of financial investments	(6,191)	(943)
Investment income received	31	-
Net cash outflow from investing activities	(6,160)	(943)
Net increase in cash and cash equivalents	272	1,313
Cash and cash equivalents at 1 January	1,313	-
Cash and cash equivalents at 31 December	1,585	1,313

1. Statement of Accounting Policies

General Information

The Syndicate comprises a single corporate member of the Society of Lloyd's that underwrites insurance and reinsurance business in the London market. The corporate member is GIC Re, India, Corporate Member Limited. The registered address of the corporate member is 40 Lime Street, 3rd Floor, London, United Kingdom, EC3M 7AW.

Compliance with Accounting Standards

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. There were no material departures from those standards.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

The financial statements are presented in pounds sterling, which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

Going Concern Basis

These financial statements are prepared on a going concern basis.

Syndicates by their nature only underwrite for single underwriting years on behalf of their supporting members, however this is within a context of not finalising results until after 36 months so that typically there are three underwriting years in progress at any given time. In addition, syndicates will normally expect to continue to trade for more underwriting years into the future.

The Syndicate's business activities, together with the factors likely to affect its future development are set out in the Business Review contained within the Managing Agent's Report. In addition, note 2 to the Annual Report provides details of the financial risks the Syndicate is exposed to and how those risks are managed.

The Syndicate has considerable financial resources together with long term relationships with a number of brokers and policyholders across different classes of business and geographical areas. As a consequence, the Directors believe that the Syndicate is well placed to manage its business risks successfully despite the current uncertain economic outlook.

The Directors have a reasonable expectation that the Syndicate has adequate resources including the Funds at Lloyd's of the member supporting the Syndicate (as detailed in note 14) to continue in operational existence for the foreseeable future.

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.

1. Statement of Accounting Policies (continued)

Use of Judgements and Estimates (continued)

Provision for Claims Outstanding

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 Syndicate managing agent's 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.

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 2.

Estimated Premium Income

For certain insurance contracts, premium is initially recognised based on an estimate. These estimates are judgemental and could result in prospective revisions in future accounting periods. The use of expert judgements and historical development patterns are the principle means by which the potential for revisions are minimised.

Basis of Accounting

The underwriting results are determined on an annual basis of accounting. Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance. The significant accounting policies are detailed below.

Premiums Written

Premiums written comprise direct and inwards reinsurance premiums on contracts incepted during the financial year. Premiums are shown gross of brokerage payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned Premiums

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

Reinsurance Premiums Ceded

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.

1. Statement of Accounting Policies (continued)

Basis of Accounting (continued)

Acquisition Costs

Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date; this is then earned in future periods in line with the associated premium income.

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.

The provision for claims outstanding is assessed on an individual case by 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 IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience 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 the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

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

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 cost deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return. As at 31 December 2019 and 31 December 2018, the Syndicate did not have an unexpired risk provision.

Foreign Currencies

The Syndicate's functional and presentation currency is pounds sterling.

Transactions in US dollars, Canadian dollars, Australian dollars and euros are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

Foreign Currencies (continued)

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisitions costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year are recorded in the non-technical account.

The rates of exchange used to translate foreign currency monetary balances at year end to pounds sterling are as follows:

	31 December 2019	**31 December 2018**
US dollar	1.32	1.27
Canadian dollar	1.72	1.74
Euro	1.18	1.11
Australian dollar	1.88	1.81
Japanese yen	143.93	139.19

Financial Investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

The Syndicate classifies its financial investments as financial assets at fair value through profit or loss ("FVPL"). The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at FVPL, directly attributable transaction costs.

FVPL assets comprise two sub categories: financial assets held for trading and those designated as FVPL at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, where applicable net of outstanding bank overdrafts.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

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.

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 are held to support underwriting liabilities.

Realised gains and losses on investments carried at market value are calculated as the difference between sale proceeds and carrying value. 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.

Unrealised and realised gains and losses in financial investments are recognised based on the appropriate classification of financial investments and are covered under the accounting policy for financial investments.

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 is 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 are included in the Statement of Financial Position under the heading members' balances.

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

Pension Costs

GIC UK branch operates a defined contribution scheme. Pension contributions relating to seconded staff are charged to the Syndicate and included within net operating expenses.

Profit Commission

Profit commission due from the Syndicate to the managing agent is not payable until after the appropriate year of account closes – typically at 36 months. An accrual is calculated and recognised in the financial statements based on the cumulative earned underwriting results of each year of account.

Profit commission payable to Lloyd's coverholders or producing brokers has been provided for on all years of account and recognised within acquisition costs.

Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

1. Statement of accounting policies (continued)

Basis of accounting (continued)

Insurance Payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Insurance liabilities are derecognised when the obligation under the liability is settled, cancelled or expired.

Derecognition of Financial Assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Syndicate retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either (a) the Syndicate has transferred substantially all the risks and rewards of the asset; or (b) the Syndicate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Syndicate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Syndicate's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Syndicate could be required to repay. In that case, the Syndicate also recognises an associated liability.

2. Risk Management

Risk Framework

The primary objective of the Syndicate's Risk Management Framework is to protect the Syndicate's capital provider, GIC Re, India, Corporate Member Limited, from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Board recognises the critical importance of having efficient and effective risk management systems in place.

HMA has an established risk management function for the Syndicate with a clear remit from the Board. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board. The Risk Management Framework sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations. It is reviewed annually and any changes are approved by the Board.

The Risk Committee and the Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment and documentation of existing and emerging risks and controls, including the articulation of risk appetite.

Insurance Risk - Underwriting

Underwriting risk appetite is expressed at the highest level, as a maximum event-specific net underwriting loss as a percentage of syndicate capacity for a specific year of account. Detailed stochastic modelling of underwriting risk, both gross and net of reinsurance, using dynamic financial analysis techniques supports this approach.

HMA's Board approves the risk appetite limit, after consultation with capital providers considering the relativity between willingness to lose and potential forecast profitability for each year of account. The risk appetite will therefore reflect the view of forecast profitability, utilising the Syndicate's latest business plan assumptions.

2. Risk Management (continued)

Insurance Risk – Underwriting (continued)

Principal Risks

The principal risk the Syndicate faces under insurance contracts is that the actual claims and payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, and the development of long term claims liabilities. The objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities.

The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical segments. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

Reinsurance

Reinsurance allows the Syndicate to manage capital exposure to both frequency and severity of claims. This includes the management of any systemic issues impacting a particular area of the account, as well as catastrophic losses across all business areas.

Business is written on the basis of generating a gross profit, regardless of the supporting reinsurance arrangements. Business planning and modelling assumptions are based on the expectation that reinsurers will make a profit.

Underwriting Committee

The Syndicate organises underwriting through product areas. Each underwriting unit reports to the Underwriting Committee and ultimately the HMA Board. This control process ensures that several layers of review occur for underwriting risks, with the focus being on the main components of risk, notably pricing, loss ratio selection, reserving, variations in experience, cycle management, reinsurance protection and catastrophe modelling.

Underwriting authorities, underwriting peer reviews of all risks, independent review procedures, and the audit and review of delegated arrangements, all contribute to the strength of the underwriting control environment.

HMA records and monitors individual risk exposures to ensure they remain within the policies and guidelines set.

Diversification

Risks usually cover twelve months' duration. Risks deliberately emanate from a diverse range of sources. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical segmentation.

Claims Management

To reduce the risk exposure of the Syndicate, HMA has put in place strict claim review policies to assess all new and ongoing claims. HMA performs regular detailed reviews of claims handling procedures and conducts frequent investigations of possible fraudulent claims.

The following table gives an indication of the likely quantum and scale of the largest (on a gross basis) Realistic Disaster Scenarios estimated for 2019 (highest gross event loss for year ended 31 December 2018 was Japan Earthquake at £10,447,000).

Realistic Disaster Scenarios	**Gross event loss £000**	**Net event loss £000**
California Earthquake - San Francisco	41,657	13,813
Florida Windstorm - Miami	38,593	13,036
GOM Windstorm	35,896	12,772

2. Risk Management (continued)

Insurance Risk – Underwriting (continued)

Claims Management (continued)

The Syndicate monitors exposures through a combination of deterministic modelling as part of the Realistic Disaster Scenarios Framework and stochastic modelling as part of Lloyd's catastrophe model reporting requirements. The Syndicate monitors total net claims on a 1-in-200 multiple event basis against capital requirements.

Insurance Risk – Reserving

Principal Risk

HMA's Reserving Policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year. Booked reserves represent the level of reserves booked at syndicate level, and provide the basis for the syndicate results and forecasts.

The following table illustrates the sensitivity of the financial year results (before managing agent's profit commission) to changes in the net loss ratio (negative movements reflect a decrease in results / members' balances).

Impact on result and members' balances (change in net reserves)	**2019 £000**	**2018 £000**
Net loss ratio - increase of 5%	(1,947)	(482)
Net loss ratio - increase of 10%	(3,893)	(964)

Mitigation

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios, reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to historical loss data. The use of independent external reserve assessments, by professional services firms, provides additional risk mitigation.

2. Risk Management (continued)

Regulatory Risk

HMA is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. HMA has a Compliance Officer, who monitors regulatory developments and assesses the impact on HMA policy. HMA also carries out a compliance-monitoring programme as documented in the Compliance Framework.

Capital Framework at Lloyd's

Lloyd's is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority ("PRA") under the Financial Services and Markets Act 2000. Lloyd's is subject to the Solvency II capital regime. Within the supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements, and beyond that to meet its own financial strength, licence and ratings objectives.

Although 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 only apply at overall and member level respectively, not at syndicate level. Accordingly, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Lloyd's Capital Setting Process

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

During the first three years of operation Lloyd's has determined the SCRs using their benchmark model, and the 2020 year of account is the third such year. The Syndicate does have a full internal model, from which full submissions have been made during 2019 in order to demonstrate capabilities. During 2020 this model will be used for setting the Syndicate and Corporate Member capital requirements for 2021.

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), held within 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.

2. Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The key aspect of credit risk is the risk of default by a reinsurer, insurance intermediary or debt holder. The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2019 by classifying assets according to Standard & Poor's credit ratings of the counterparties for assets not yet due. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB and below are classified as speculative grade and have not been rated.

As at 31 December 2019	AAA £000	AA £000	A £000	BBB and below £000	Not rated £000	Total £000
Variable yield securities	5,988	-	885	-	261	7,134
Overseas deposits	125	27	24	19	21	216
Reinsurers' share of outstanding claims	-	-	6,102	-	-	6,102
Cash at bank and in hand	1,585	-	-	-	-	1,585
Total	7,698	27	7,011	19	282	15,037

As at 31 December 2018	AAA £000	AA £000	A £000	BBB and below £000	Not rated £000	Total £000
Variable yield securities	850	-	93	-	-	943
Overseas deposits	10	2	1	1	-	14
Reinsurers' share of outstanding claims	-	-	3,788	-	-	3,788
Cash at bank and in hand	-	1,313	-	-	-	1,313
Total	860	1,315	3,882	1	-	6,058

The HMA Reinsurance Working Group reviews all reinsurer counterparties with whom the Syndicate wishes to conduct business and sets credit limits for the recoveries due from individual reinsurers. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, with the assistance of outside expertise, management of reinsurer credit risk follows active and regular review of credit ratings and financial exposure to all approved reinsurers.

Broker credit risk limits are determined depending on the grading of the relevant broker and exposures monitored against limits on a monthly basis. Investment credit risk is managed through investment management guidelines and quarterly compliance reports.

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of any mitigation arrangements.

As at 31 December 2019	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due six to 12 months £000	Total £000
Variable yield securities	7,134	-	-	-	7,134
Overseas deposits	216	-	-	-	216
Reinsurers' share of outstanding claims	6,102	-	-	-	6,102
Cash at bank and in hand	1,585	-	-	-	1,585
Insurance debtors	4,330	506	554	-	5,390
Other debtors	32,208	-	-	-	32,208
Total	51,575	506	554	-	52,635

2. Risk Management (continued)

As at 31 December 2018	Not yet due £000	Past due by three months £000	Past due three to six months £000	Past due six to 12 months £000	Total £000
Variable yield securities	943	-	-	-	943
Overseas deposits	14	-	-	-	14
Reinsurers' share of outstanding claims	3,788	-	-	-	3,788
Cash at bank and in hand	1,313	-	-	-	1,313
Other debtors	20,882	2,238	359	7	23,486
Total	26,940	2,238	359	7	29,544

As at the balance sheet date, all financial assets of the Syndicate are unimpaired.

Liquidity Risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations as they fall due for settlement. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. HMA operates and maintains procedures designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business.

The procedures set limits for cash required to meet expected cash flows. Contingency arrangements exist to meet liquidity requirements in extreme circumstances.

The table below summarises the maturity profile of the Syndicate's financial liabilities based on remaining undiscounted contractual obligations, including interest payable, and outstanding claim liabilities based on the estimated timing of claim payments resulting from recognised insurance liabilities. Repayments which are subject to notice are treated as if notice were to be given immediately.

As at 31 December 2019	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	16,441	19,008	5,134	2,567	43,150
Creditors	6,430	-	-	-	6,430
Other	787	-	-	-	787
Total	23,658	19,008	5,134	2,567	50,367

As at 31 December 2018	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	7,247	7,678	3,596	2,453	20,974
Creditors	9,513	-	-	-	9,513
Other	1,707	-	-	-	1,707
Total	18,467	7,678	3,596	2,453	32,194

Operational Risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. HMA seeks to manage this risk with detailed procedure manuals and a structured programme of testing of processes and systems by internal audit.

2. Risk Management (continued)

Market Risk

Currency Risk

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

The Syndicate writes a significant proportion of insurance business in currencies other than pounds sterling, which creates an exposure to currency risk. The Syndicate seeks to manage this exposure by matching foreign currency assets and liabilities. The table below summarises the exposure of financial assets and liabilities to foreign currency exchange risk at the balance sheet date.

As at 31 December 2019	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**JPY £000**	**Total £000**
Financial investments	261	6,098	-	775	-	-	7,134
Reinsurers' share of technical provisions	88	6,806	48	27	33	-	7,002
Debtors - reinsurance operations	809	32,606	131	233	599	-	34,378
Cash and overseas deposits	236	26	40	77	1,184	238	1,801
Prepayments and accrued income	685	1,363	14	104	139	15	2,320
Total assets	2,079	46,899	233	1,216	1,955	253	52,635
Technical provisions	(2,515)	(53,504)	(453)	(820)	(1,320)	(105)	(58,717)
Insurance and reinsurance liabilities	(87)	(2,194)	(48)	-	-	-	(2,329)
Other creditors, accruals, deferred income	(4,858)	(30)	-	-	-	-	(4,888)
Total liabilities	(7,460)	(55,728)	(501)	(820)	(1,320)	(105)	(65,934)
Currency (deficiency)/surplus	(5,381)	(8,829)	(268)	396	635	148	(13,299)

As at 31 December 2018	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**Total £000**
Financial investments	-	851	-	92	-	943
Reinsurers' share of technical provisions	36	4,307	28	1	3	4,375
Debtors - reinsurance operations	519	20,366	109	(1)	422	21,415
Cash and overseas deposits	1,099	-	81	4	143	1,327
Prepayments and accrued income	634	737	15	7	91	1,484
Total assets	2,288	26,261	233	103	659	29,544
Technical provisions	(1,018)	(28,269)	(106)	(53)	(591)	(30,037)
Insurance and reinsurance liabilities	(80)	(1,723)	(92)	-	-	(1,895)
Other creditors, accruals, deferred income	(9,325)	-	-	-	-	(9,325)
Total liabilities	(10,423)	(29,992)	(198)	(53)	(591)	(41,257)
Currency (deficiency)/surplus	(8,135)	(3,731)	35	50	68	(11,713)

2. Risk management (continued)

Market Risk (continued)

Currency Risk (continued)

The table below gives an indication of the impact on the result of a percentage change in the relative strength of pounds sterling against the value of the US dollar, Canadian dollar, Australian dollar, euro and Japanese yen simultaneously.

	2019 £000	**2018 £000**
Sterling weakens		
10% against other currencies	(880)	(399)
20% against other currencies	(1,979)	(898)
Sterling strengthens		
10% against other currencies	720	327
20% against other currencies	1,320	599

3. Segmental Analysis

2019	**Gross premiums written £000**	**Gross premiums earned £000**	**Gross claims incurred £000**	**Gross operating expenses £000**	**Reinsurance balance £000**	**Total £000**
Direct insurance:						
Marine aviation and transport	278	232	(109)	(52)	(110)	(39)
Fire and other damage to property	8,439	7,433	(5,373)	(1,491)	(825)	(256)
Miscellaneous	101	91	(32)	(11)	(39)	9
	8,818	7,756	(5,514)	(1,554)	(974)	(286)
Reinsurance	49,289	43,357	(30,800)	(8,713)	(5,450)	(1,606)
Total	58,107	51,113	(36,314)	(10,267)	(6,424)	(1,892)

The Syndicate's business for the year ended 31 December 2018 was 100% reinsurance.

All premiums were concluded in the UK, other than £0.2m of business through the Lloyd's Brussels platform.

The geographical analysis of gross premiums written by destination is as follows:

	2019 £000	**2018 £000**
India	25,327	16,682
US	15,983	2,795
Other	16,797	4,162
Total	58,107	23,639

4. Claims Incurred, Net of Reinsurance

Prior Year Reserve Development

In setting claims provisions, the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Claims incurred, net of reinsurance, include unfavourable prior year development of £1.8m. Prior year claims development is analysed by line of business in the table below.

	2019 £000
Marine aviation and transport	(37)
Fire and other damage to property	(245)
Miscellaneous	7
Reinsurance	(1,537)
Adverse development	(1,812)

Gross Claims Development

Pure underwriting year	**2018 £000**	**2019 £000**	**Total £000**
Estimate of cumulative claims incurred			
At the end of the underwriting year	20,251	**26,330**	
One year later	**20,046**		
Less: cumulative payments to date	-	(3,226)	
Gross claims outstanding provision	20,046	23,104	43,150

Net Claims Development

Pure underwriting year	**2018 £000**	**2019 £000**	**Total £000**
Estimate of cumulative claims incurred			
At the end of the underwriting year	16,596	**25,578**	
One year later	**21,467**		
Less: cumulative payments to date	(6,771)	(3,226)	
Net claims outstanding provision	14,696	22,352	37,048

5. Net Operating Expenses

	2019 £000	2018 £000
Acquisition costs	7,517	2,813
Change in deferred acquisition costs	(889)	(1,448)
Administrative expenses	3,639	3,281
Net operating expenses	10,267	4,646

6. Auditor's Remuneration

	2019 £000	2018 £000
Fees payable to the Syndicate's auditor for:		
Audit of the Syndicate Annual Accounts	48	30
Other services pursuant to regulations and Lloyd's byelaws	37	22
Other non-audit services	25	-
	110	52

Auditor's remuneration is included as part of administrative expenses in note 5.

7. Staff Numbers and Costs

All staff were employed by Hamilton Managing Agency Limited until 1 December 2019, at which point they were transferred to Hamilton UK Services Limited, except for nine underwriting staff seconded from GIC UK branch (average number employed during the year; 2018: five underwriting staff).

The following amounts were recharged to the Syndicate in respect of seconded staff (there are no direct recharges of staff costs from HMA):

	2019	**2018**
	£000	**£000**
Wages and salaries	1,380	1,083
Pension costs	136	70
	1,516	1,153

8. Emoluments of the Directors of Hamilton Managing Agency Limited

The Directors of Hamilton Managing Agency Limited received remuneration from HMA and Hamilton UK Services Limited, none of which is directly charged to the Syndicate.

No other director related compensation of amounts considered to represent key management personnel compensation was charged to the Syndicate.

The active underwriter received the following remuneration charged as a syndicate expense:

	2019	**2018**
	£000	**£000**
Emoluments	437	225
Pension contributions	58	23
	495	248

9. Financial investments

	2019 Market Value £000	2019 Cost £000	2018 Market Value £000	2018 Cost £000
Short term deposits with financial institutions	7,134	7,134	943	943
Overseas deposits	216	216	14	14
	7,350	7,350	957	957

The Syndicate classifies its financial instruments held at fair value in the balance sheet using a fair value hierarchy, as follows:

Level 1 Included in the level 1 category are financial assets that are measured by reference to published quotes in an active market. A financial instrument is regarded as quoted in an active market if quoted prices are readily and regularly available from an exchange, dealer, broker, industry syndicate, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.

Level 2 Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Level 3 Included in the level 3 category are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, observable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset. These inputs are developed based on the best information available, which might include the Syndicate's own data.

2019	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Short term deposits with financial institutions	6,873	-	261	7,134
Other assets: overseas deposits	32	184	-	216
Total	6,905	184	261	7,350

For the year ended 31 December 2018, all financial investments were classified within the level 1 category.

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

10. Deferred Acquisition Costs

	2019 £000	2018 £000
Balance at 1 January	1,484	-
Change in deferred acquisition costs	889	1,448
Effect of exchange rates	(55)	36
Balance at 31 December	2,318	1,484

Included within amounts due from intermediaries at 31 December 2019 is £0.2m in relation to payments to loss funds (2018: £0.1m).

11. Technical Provisions

		2019	
Year ended 31 December 2019	**Gross £000**	**RI £000**	**Net £000**
Incurred claims outstanding:			
Balance at 1 January	20,974	(3,788)	17,186
Expected cost of current year claims	34,918	(5,549)	29,369
Claims paid during the year	(12,742)	3,235	(9,507)
Balance as at 31 December	43,150	(6,102)	37,048
Claims notified	13,054	(6,243)	6,811
Claims incurred but not reported	30,096	141	30,237
Balance as at 31 December	43,150	(6,102)	37,048
Unearned premiums			
Balance at 1 January	9,063	(587)	8,476
Premiums written during the year	58,107	(12,523)	45,584
Premiums earned during the year	(51,113)	12,180	(38,933)
Foreign exchange movement	(490)	30	(460)
Balance at 31 December	15,567	(900)	14,667

11. Technical Provisions (continued)

		2018	
Year ended 31 December 2018	**Gross £000**	**RI £000**	**Net £000**
Incurred claims outstanding:			
Balance at 1 January	-	-	-
Expected cost of current year claims	20,974	(3,788)	17,186
Claims paid during the year	-	-	-
Balance as at 31 December	20,974	(3,788)	17,186
Claims notified	3	-	3
Claims incurred but not reported	20,971	(3,788)	17,183
Balance as at 31 December	20,974	(3,788)	17,186
Unearned premiums			
Balance at 1 January	-	-	-
Premiums written during the year	23,639	(5,880)	17,759
Premiums earned during the year	(14,576)	5,293	(9,283)
Balance at 31 December	9,063	(587)	8,476

12. Other Creditors

	2019 £000	2018 £000
Due to GIC group companies	4,000	7,000
Due to managing agent	101	618
Balance at 31 December	4,101	7,618

13. Related Parties

Capital

Underwriting capacity is provided 100% by GIC Re, India, Corporate Member Limited ("GIC").

Managing Agent

The Syndicate is managed by Hamilton Managing Agency Limited ("HMA") (previously known as Pembroke Managing Agency Limited). The immediate parent company of HMA prior to 20 August 2019 was Pembroke JV Limited. Following the transaction on 20 August 2019, the immediate parent of HMA is Hamilton UK Holdings Limited.

During the financial year the Syndicate incurred managing agent fees of £0.6m (2018: £0.4m) and a yearly fixed fee of £2.0m (2018: £2.0m) for the services provided to the Syndicate. In addition, HMA recharged costs incurred on behalf of the Syndicate of £0.7m (2018: £0.2m). At the year end, £0.1m (2018: £0.7m) of these charges remain payable to HMA.

In 2018 Syndicate 4000 (managed by HMA) ceded certain risks on behalf of Syndicate 1947 in relation to US business amounting to £1.6m. In 2019, Syndicate 1947 had the relevant licenses to write such business and therefore Syndicate 4000 did not cede any further business.

Ultimate Parent Company

The ultimate parent company of GIC Re, India, Corporate Member Limited is General Insurance Corporation of India, a company registered in India.

The ultimate parent company of Hamilton Managing Agency Limited is Hamilton Insurance Group, Ltd, a company registered in Bermuda.

Transactions with the GIC Group

Much of the Syndicate's gross premium written relates to cessions from the GIC Group (details are provided on page 4). Details of staff seconded to the Syndicate from GIC UK branch are provided in note 7. Details of other amounts payable to GIC Group companies are provided in note 12.

14. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL") and these funds are intended primarily to cover circumstances where syndicate assets prove insufficient to meet participating members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL 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 accounts by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

15. Off Balance Sheet Items

The Syndicate has not been a party to any arrangements which are not reflected in its Statement of Financial Position, where material risks and benefits arise to the Syndicate.