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Pioneer Syndicate 1980

Syndicate Annual Report and Accounts

31 December 2019

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

P A Jardine (Chairman)*
R P Barke
C V Barley
K A Green*
C N Griffiths
L Harfitt
A J Hubbard*
D J G Hunt
M D Mohn*
S P A Norton
K Shah*
J M Tighe

Non-Executive Directors*

Company Secretary

N J Burdett

Managing Agent's Registered Office

5th Floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

Managing Agent's Registered Number

1918744

Active Underwriter

G Rayner

Bankers

Citibank N.A,
RBC Dexia
Lloyds Bank

Investment Managers

New England Asset Management (NEAM)

Registered Auditors

Deloitte LLP

Signing Actuary

Ernst & Young LLP

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2019.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

The annual report has been prepared on a going concern basis. For further information, please see note 1 to the financial statements.

Results

The result for the calendar year 2019 is a loss of $33,757,072. (2018: loss of $39,603,295). Profits and losses will be distributed and collected by reference to the results of individual underwriting years

The Syndicate has presented its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activity and review of the business

The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market.

On 14th November 2019, it was announced that the Syndicate would enter voluntary run off on the 1st January 2020.

Gross written premium income by class of business for the calendar year was as follows;

	2019	**2018**
	$'000	**$'000**
Casualty	25,432	29,118
Engineering & MPE	13,801	34,816
Financial Institutions	15,055	13,836
International Property	429	11,723
Marine	13,100	21,745
Onshore Energy	14,186	12,959
Operational Power	14,683	11,461
Professional Indemnity	44,125	51,098
US Property	50,164	34,113
Prior Year Loss Portfolio Transfer	-	30,368
	190,975	251,237

Managing Agent's report continued

The Syndicate's key financial performance indicators during the year was as follows;

	2019 $'000	2018 $'000	Change %
Gross written premiums	190,975	251,237	(24.0%)
Loss for the financial year	(33,757)	(39,603)	(14.8%)
Combined ratio	(136.2%)	(172.7%)	(36.5%)

*The combined ratio is the ratio of net claims incurred (which includes an unexpired risk reserve) and net operating expenses to net premiums earned. Lower ratios represent better performance.

The performance of the Syndicate has been assessed by measuring, as a percentage of underwriting capacity, the 36-month forecasted result on a funded accounting basis for a "closed" underwriting year of account.

The forecast return on capacity for the 2018 and 2019 year of accounts at 31 December 2019 is shown below.

	2019 YOA Open	2018 YOA Open
Capacity ($'000)	123,884	230,295
Forecast result ($'000)	(8,668)	(66,168)
Forecast return on capacity (%)	(7.0%)	(28.7%)

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Agency as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Agency Risk Committee meets at least quarterly to oversee the risk management framework. The Syndicate Board, a sub-committee of the Agency Board, reviews the risk profile as reflected in the risk register and monitors performance against risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Syndicate are as follows:

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 Syndicate Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes, retention, loss ratios and ceding commission pricing by class of business. The Syndicate Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Syndicate actuary and the Reserving Committee. It is also reviewed by an independent firm of actuaries.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation, where required. The Agency Reinsurance Security Committee monitors reinsurer ratings and is required to approve all new reinsurers before business is placed with them.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Syndicate Board.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

In addition, an Investment Committee which reports to the Syndicate board, ensures that the Syndicate investment portfolio is managed by the external investment manager in accordance with the Syndicates risk appetite and to guidelines as approved by the Syndicate Board.

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 or can only meet obligations at excessive cost. To mitigate this risk the Syndicate Board and Investment Committee reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from Capital providers.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of an operational risk and control framework, detailed procedures manual, through training programme and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a Compliance Officer who manages a function that monitors business activity and regulatory developments to assess any effects on the Agency.

Managing Agent's report continued

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its customer risk through a suite of risk indicators and reporting metrics as part of its documented customer risk framework.

Group / strategic risk

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Future developments

Despite Lloyd's approval of its 2020 SBF with a small increase in underwriting capacity, poor underwriting results for the Syndicate in 2018 and the ACSN 1980 portfolio reinsured into the 2018 year of account, along with prior-year's deterioration, limited the pool of potential capital providers for 2020. Coupled with the challenges in growing the relatively small Syndicate portfolio and likely continued future market challenges, Pioneer determined that the cost of capital within the Syndicate structure was no longer economically efficient when compared with its other capacity provider arrangements.

The Syndicate's sole capital provider on the 2018 and 2019 years of account Liberty Corporate Capital Limited shifted its focus away from supporting businesses with a US focus, such as Pioneer and exited the third-party capital market.

As a result of the above, on the 14 November 2019, it was announced that the Syndicate would enter run off on the 1st January 2020.

On 31 January 2020, the UK formally left the EU and entered a transition period lasting until 31 December 2020. During the transition period the UK and the EU will negotiate their future relationship and EU law will continue to apply in and to the UK. Following the end of the transition period, it is anticipated that Lloyd's members will no longer benefit from EU passporting provisions and will no longer have permission to underwrite European Economic Area (EEA) (re)insurance business. However, Lloyd's members will continue to be able to provide reinsurance to cedants in the EEA (with the exception of Germany) on a cross-border basis, provided relevant local requirements are complied with.

Lloyd's has been working to ensure that policyholders across the EEA can continue to access the underwriting expertise and financial security of the Lloyd's Market and their existing policies can continue to be serviced by the Lloyd's Market, including the payment of valid claims. In this regard, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (Lloyd's Brussels), to underwrite EEA-exposed business from 1 January 2019. This is fully operational and the project to implement Lloyd's Brussels systems and processes at the Syndicate is complete. Some challenges remain with the newly implemented systems which Lloyd's Brussels will continue to work to address, and a number of changes are planned for 2020 to enhance the procedures.

Managing Agent's report continued

In addition, to achieve contract continuity, Lloyd's will transfer all remaining affected policies (comprising all relevant non-life direct EEA insurance and inwards German reinsurance business that has been written by the Lloyd's Market since 1993) to Lloyd's Brussels. This will be undertaken via an insurance business transfer under Part VII of the UK's Financial Services and Markets Act 2000 (the Part VII transfer) and is scheduled to take place before the end of 2020.

The Syndicate is exposed to LIBOR through banks, investment holdings or reinsurance contracts and with LIBOR being replaced at the end of 2021 the Syndicate is assessing the impact this will have on them with remedial action to be put in place should it be needed.

Following the Prudential Regulation Authority's (PRA) Supervisory Statement, Asta Managing Agency (AMA) have ensured Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing AMA's and its Syndicate's financial risks associated with climate change. The AMA Chief Risk Officer, who is a Board member, is responsible for identifying and managing climate related risks.

The Syndicate and AMA are working together to establish a framework for assessing the impacts of physical climate change. This six-stage framework is based on work provided by the PRA in May 2019 and intends on assessing the appropriateness of models in representing climate change to date, as well as potential future climate change in the next 3-10 years.

Since the start of 2020, there has been an outbreak of the Coronavirus, Covid 19, which is a new virus that affects lungs and airways. At 1 March 2020, approximately 87,000 people across the world have been recorded as being affected, mostly in mainland China, but it has also spread to more than 30 other countries. Many countries have reacted to contain the spread of the virus by isolating whole affected areas and infected individuals.

As part of the ongoing activities of the Asta Risk Management Framework, such circumstances are considered and work is currently being undertaken to assess the insurance, operational and economic risks associated with the outbreak.

Directors

Details of the directors of the Managing Agent that were serving at the year end and up to the date of signing of the financial statements are provided on page 1. Changes to directors from the last report were as follows:

T A Riddell	Resigned 31 March 2019
J W Ramage	Resigned 31 March 2019
R A Stevenson	Resigned 09 July 2019
C N Griffiths	Appointed 01 January 2020
K A Green	Appointed 01 February 2020
C Chow*	Resigned 28 February 2019
N J Burdett*	Appointed 01 March 2019

**Company Secretary*

Disclosure of information to the auditors

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditors in connection with the auditors' report, of which the auditors are unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's Auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

While preparing the financial statements for this year, some of the prior year notes have been restated for presentation purposes. These restatements did not affect any of the amounts in the primary financial statements.

Auditors

The Managing Agent intends to reappoint Deloitte as the Syndicate’s auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members before 09 April 2020.

On behalf of the Board

N J Burdett
Company Secretary
05 March 2020

Statement of Managing Agent's responsibilities

The Managing Agent is responsible for preparing the financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 the Financial Reporting Standard applicable in the UK and Republic of Ireland. The financial statements 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 financial statements, the managing agent is required to:

- select suitable accounting policies and then apply them consistently subject to changes arising on the adoption of new accounting standards in the year;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable Accounting Standards have been followed, subject to any material departures disclosed and explained in the notes to the Syndicate accounts; and
- prepare the Syndicate accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume that the Syndicate will do so.

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. 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' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditors' report to the members of Syndicate 1980

Independent auditor's report to the members of Syndicate 1980

Report on the audit of the syndicate annual financial statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 1980 (the 'syndicate'):

- 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 United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 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.

We have audited the syndicate annual financial statements which comprise:

- the income statement;
- the statement of comprehensive income;
- the statement of financial position;
- the statement of changes in members' balances;
- the cash flow statement; and
- the related notes 1 to 21.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (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 are required by ISAs (UK) to report in respect of the following matters where:

- the managing agent's use of the going concern basis of accounting in preparation of the financial statements is not appropriate; or
- the managing agent has not disclosed in the syndicate annual financial statements 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 financial statements are authorised for issue.

We have nothing to report in respect of these matters.

Independent auditor’s report continued

Other information

The managing agent is responsible for the other information. The other information comprises the information included in the annual report and accounts, other than the syndicate annual financial statements and our auditor’s report thereon. Our opinion on the syndicate annual financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual financial statements 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 financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in respect of these matters.

Responsibilities of managing agent

As explained more fully in the managing agent’s responsibilities statement, the managing agent is responsible for the preparation of the syndicate annual financial statements 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 syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate annual financial statements, the managing agent is responsible for assessing the syndicate’s ability to continue in operation, disclosing, as applicable, matters related to the syndicate’s ability to continue in operation and to use the going concern basis of accounting unless the managing agent intends to cease the syndicate’s operations, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the syndicate annual financial statements

Our objectives are to obtain reasonable assurance about whether the syndicate annual financial statements 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 financial statements.

A further description of our responsibilities for the audit of the syndicate annual financial statements is located on the FRC’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Independent auditor's report continued

Report on other legal and regulatory requirements

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 for which the financial statements are prepared is consistent with the financial statements; and
- the managing agent's report has been prepared in accordance with applicable legal requirements.

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 any material misstatements in the managing agent's report.

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 in respect of the following matters if, in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with regulation 10 of 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's members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Knight (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Chartered Accountants and Statutory Auditors
London
05 March 2020

Income statement

Technical account - General business

For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Gross premiums written	3	190,975	251,237
Outward reinsurance premiums		(110,655)	(143,885)
Net written premiums		80,320	107,352
Change in the provision for unearned premiums			
Gross amount		37,090	(128,642)
Reinsurers' share		(26,772)	78,431
Change in the net provision for unearned premiums	4	10,318	(50,211)
Earned premiums, net of reinsurance		90,638	57,141
Allocated investment return transferred from the non-technical account		3,265	983
Claims paid			
Gross amount		(116,908)	(76,833)
Reinsurers' share		37,120	6,866
Net claims paid		(79,788)	(69,967)
Changes in the provision for claims outstanding			
Gross amount		(72,074)	(60,065)
Reinsurers' share		60,534	50,424
Change in the net provision for claims	4	(11,540)	(9,641)
Claims incurred, net of reinsurance		(91,328)	(79,608)
Net operating expenses	5	(32,095)	(19,096)
Balance on technical account – general business		(29,520)	(40,580)

All the amounts above are in respect of continuing operations.

The notes on pages 17 to 43 form part of these financial statements.

Income statement continued

Non-technical account - General business

For the year ended 31 December 2019

	Notes	2019 $'000	2018 $'000
Balance on technical account – general business		(29,520)	(40,580)
Investment income	8	3,265	983
Allocated investment return transferred to the general business technical account		(3,265)	(983)
Exchange (losses)/gains		(4,237)	977
Loss for the financial year		(33,757)	(39,603)

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

All the amounts above are in respect of continuing operations.

The notes on pages 17 to 43 form part of these financial statements.

Statement of changes in Members' balances

For the year ended 31 December 2019

	2019 $'000	2018 $'000
At 1 January	(39,603)	-
Loss for the financial year	(33,757)	(39,603)
At 31 December	(73,360)	(39,603)

Statement of financial position

As at 31 December 2019

	Notes	2019 $'000	2018 $'000
ASSETS			
Investments			
Other financial investments	9	130,528	82,978
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	51,855	77,827
Claims outstanding	4	110,381	49,482
		162,236	127,309
Debtors			
Debtors arising out of direct insurance operations	10	44,472	67,999
Debtors arising out of reinsurance operations	11	18,992	30,330
Other debtors	12	278	199
		63,742	98,528
Cash and other assets			
Cash at bank and in hand	15	3,034	39,162
Prepayments and accrued income			
Deferred acquisition costs	4	26,171	35,912
Prepayments and accrued income		458	1,571
		26,629	37,483
Total assets		386,169	385,460

The notes on pages 17 to 43 form part of these financial statements.

Statement of financial position continued

As at 31 December 2019

	Notes	2019 $'000	2018 $'000
MEMBERS' BALANCE AND LIABILITIES			
Capital and reserves			
Members' balances		(73,360)	(39,603)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	91,898	127,570
Claims outstanding	4	291,234	221,625
		383,132	349,195
Creditors			
Creditors arising out of direct insurance operations	13	369	-
Creditors arising out of reinsurance operations	14	60,114	53,396
		60,483	53,396
Accruals and deferred income		15,914	22,472
Total liabilities		459,529	425,063
Total members' balances and liabilities		386,169	385,460

The notes on pages 17 to 43 form part of these financial statements.

The financial statements on pages 12 to 43 were approved by board of directors on 27 February 2020 and were signed on its behalf by:

D J G Hunt
Director
05 March 2020

Statement of cash flows

For the year ended 31 December 2019

	Notes	2019 $'000	2018 restated $'000
Cash flows from operating activities			
Loss for the financial year		(33,757)	(40,580)
Increase in gross technical provisions		33,937	349,195
(Increase) in reinsurers' share of gross technical provisions		(34,927)	(127,309)
Decrease/(Increase) in debtors		34,865	(98,329)
Increase in creditors		7,087	53,396
Decrease/(Increase) in other assets		10,775	(37,682)
(Decrease)/Increase in other liabilities		(6,558)	22,472
Movement in foreign exchange		(485)	977
Investment return		(3,265)	(983)
Net cash inflow from operating activities		7,672	121,157
Cash flows from investing activities			
Purchase of other financial investments		(318,693)	(76,846)
Sale of other financial investments		266,253	18,941
Investment income received		2,511	749
Net cash (outflow) from investing activities		(49,929)	(57,156)
Cash flows from financing activities			
Payments of profit to members' personal reserve fund		-	-
Members' agents fee advances		-	-
Net cash inflow from financing activities		-	-
Net (decrease)/ increase in cash and cash equivalents		(42,257)	64,001
Cash and cash equivalents at beginning of year		64,001	**-**
Exchange differences on opening cash		485	**-**
Cash and cash equivalents at end of year	15	**22,229**	**64,001**

The 2018 cash flow statement has been restated as the increase of overseas deposits $1,867k was mis-presented under cash flows from operating activities but it should be presented under cash flows from investing activities.

Notes to the financial statements

For the year ended 31 December 2019

1. Basis of preparation

Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 and FRS 103, being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

2019 was the final year in which Syndicate wrote new business and it is therefore now in run off. Although the Syndicate has ceased underwriting, the accounts continue to be prepared on the same basis as prior years, including the methods used in calculating all estimates and assumptions. The cessation of underwriting has made no material impact to the financial statements and no provision has been made for future expenses.

These financial statements are prepared under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value.

The financial statements are prepared in US Dollars which is the functional and presentational currency of the Syndicate and rounded to the nearest $'000.

2. Accounting policies

Use of 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.

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 annual accounts.

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 ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future.

Accounting policies continued

Whilst the directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Significant accounting policies

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

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in misstatements of revenue recorded in the financial statements.

The main assumption underlying future premium, is that past premium development can be used to project future premium development.

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, 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. They are recognised on the date on which the policy commences.

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the balance sheet date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. 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 the business accepted and assessments of underwriting conditions. An element of IBNR also relates to specific large losses, such as catastrophe events.

Accounting policies continued

The reinsurers' share of provisions for claims is based on calculated 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 and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates where relevant.

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

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, ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Adjustments to the amounts of claims provisions established in prior years are reflected in the financial statements for the period in which the adjustments are made. The methods used, and the estimates made, are reviewed regularly.

Provisions for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. In respect of general insurance business, written premiums are recognised as earned over the period of the policy on a time apportionment basis having regard where appropriate, to the incidence of risk. The proportion attributable to subsequent periods is deferred as a provision for unearned premiums.

Unearned reinsurance premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. Unearned reinsurance premiums are deferred over the term of the underlying insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

A provision for unexpired risks is made where claims and related expenses are likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

At the 31 December 2019 the Syndicate had a $1.0m (2018: $9.6m) net unexpired risk provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio. It is not the Syndicate's policy to reallocate a portion of indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies, to acquisition costs.

Accounting policies continued

Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods.

Deferred acquisition costs are amortised over the period in which the related premiums are earned.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence as a result of an event that occurred after initial recognition of the reinsurance asset that the Syndicate may not receive all outstanding amounts due under the terms of the contract and the event has a reliably measurable impact on the amounts that the Syndicate will receive from the reinsurer. The impairment loss is recorded in the income statement.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2019 or 2018

Insurance and reinsurance receivables

Insurance and reinsurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. 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 not recognised when the de-recognition criteria for financial assets have been met.

Insurance and reinsurance payables

Insurance and reinsurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency and presentational currency is US Dollars.

Accounting policies continued

Transactions denominated in currencies other than the functional currency are initially recorded in the functional currency at the exchange rate ruling at the date of the transactions. Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisition costs) denominated in foreign currencies are retranslated into the functional currency at the exchange rate ruling on the reporting date.

Exchange differences are recorded in the non-technical account.

The following balance sheet rates of exchange have been used in the preparation of these accounts:

	2019	**2018**
	Year End	**Year End**
GBP	0.758	0.787
CAD	1.303	1.370
EUR	0.894	0.874
AUD	1.424	1.425
JPY	109.038	110.094

Financial assets and liabilities

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

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

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

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

A financial asset or financial liability is measured initially at fair value plus, for a financial liability at amortised cost, transaction costs that are directly attributable to its acquisition or issue.

Accounting policies continued

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

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

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

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

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

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

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business.

Accounting policies continued

Fair value measurement of investments

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

The Syndicate uses the following hierarchy for determining the fair value of financial instruments by valuation technique:

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using quoted prices in an active market.
- Deposits with credit institutions are included at cost plus accrued income.
- Money Market Funds are valued on a stable net asset value (NAV) basis. Money Market Funds are readily convertible into cash, 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.

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Currency derivatives and bond futures are included at market price.
- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.
- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data.

Accounting policies continued

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 managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Syndicate operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed Syndicates, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicates are apportioned between the Managing Agent and the Syndicates depending on the amount of work performed, resources used, and volume of business transacted.

3. Segmental analysis

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

2019	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Direct						
Casualty	25,066	28,839	(20,229)	(4,058)	(6,304)	(1,752)
Engineering & MPE	11,508	13,443	(17,768)	(1,892)	1,370	(4,847)
Financial Institutions	14,206	15,378	(5,109)	(2,164)	(6,295)	1,810
International Property	184	1,370	302	(193)	(952)	527
Marine	13,825	16,097	(7,194)	(2,265)	(5,636)	1,002
Onshore Energy	6,297	6,679	(6,643)	(940)	(448)	(1,352)
Operational Power	6,982	5,648	(2,007)	(795)	(2,245)	601
Professional Indemnity	41,941	46,522	(15,088)	(6,547)	(19,235)	5,652
US Property	47,573	48,347	(54,243)	(6,804)	(64)	(12,764)
	167,582	182,323	(127,979)	(25,658)	(39,809)	(11,123)
Reinsurance						
Prior Year Loss Portfolio Transfer	-	6,014	(20,757)	-	(4,908)	(19,651)
Other Reinsurance	23,393	39,728	(40,246)	(6,437)	4,944	(2,011)
	23,393	45,742	(61,003)	(6,437)	36	(21,662)
Total	190,975	228,065	(188,982)	(32,095)	(39,773)	(32,785)

Segmental analysis continued

2018 restated	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Direct						
Casualty	25,921	10,644	(7,375)	(2,094)	(1,479)	(304)
Engineering & MPE	16,894	5,177	(7,703)	(1,365)	2,953	(938)
Financial Institutions	13,580	5,523	(4,879)	(1,097)	(360)	(813)
International Property	2,426	1,218	(466)	(196)	(110)	446
Marine	13,182	5,763	(7,820)	(1,065)	1,267	(1,855)
Onshore Energy	6,715	3,055	(3,474)	(543)	2,035	1,073
Operational Power	5,169	2,282	(1,537)	(418)	1,926	2,253
Professional Indemnity	49,214	25,478	(21,333)	(3,976)	4,483	4,652
US Property	27,878	9,307	(15,603)	(2,253)	4,529	(4,020)
	160,979	68,447	(70,190)	(13,007)	15,244	494
Reinsurance						
Prior Year Loss Portfolio Transfer	30,368	22,265	(33,848)	-	-	(11,583)
Other Reinsurance	59,890	31,883	(32,860)	(6,089)	(23,408)	(30,474)
	90,258	54,148	(66,708)	(6,089)	(23,408)	(42,057)
Total	251,237	122,595	(136,898)	(19,096)	(8,164)	(41,563)

The Reinsurance balance column has been restated as the figures presented were the incorrect signage. This has changed the 'Total' column balances from -$25,235k to -$41,563k. This error has no impact on the prior year income statement.

All premiums were derived in the UK.

The reinsurance balance is the aggregate total of all those items included in the technical account which relate to reinsurance outwards transactions.

Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2019.

4. Technical provisions

	2019			2018 restated		
	Gross provisions $'000	Reinsurance assets $'000	Net $'000	Gross provisions $'000	Reinsurance assets $'000	Net $'000
Claims outstanding						
Balance at 1 January	221,625	(49,482)	172,143	-	-	-
Portfolio transfer at 1 January	-	-	-	163,213	-	163,213
Change in claims outstanding	72,074	(60,534)	11,540	60,065	(50,424)	9,641
Effect of movements in exchange rates	(2,465)	(365)	(2,830)	(1,653)	942	(711)
Balance at 31 December	**291,234**	**(110,381)**	**180,853**	**221,625**	**(49.482)**	**172,143**
Claims notified	95,580	(24,132)	71,448	83,886	(15,142)	68,744
Claims incurred but not reported	195,654	(86,249)	109,405	137,739	(34,340)	103,399
Balance at 31 December	**291,234**	**(110,381)**	**180,853**	**221,625**	**(49,482)**	**172,143**
Unearned premiums						
Balance at 1 January	127,570	(77,827)	49,743	-	-	-
Change in unearned premiums	(37,090)	26,772	(10,318)	128,642	(78,431)	50,211
Effect of movements in exchange rates	1,418	(800)	618	(1,072)	604	(468)
Balance at 31 December	**91,898**	**(51,855)**	**40,043**	**127,570**	**(77,827)**	**49,743**
Deferred acquisition costs						
Balance at 1 January	35,912	(21,649)	14,263	-	-	-
Change in deferred acquisition costs	(10,128)	7,556	(2,572)	36,190	(21,813)	14,377
Effect of movements in exchange rates	387	(216)	171	(278)	164	(114)
Balance at 31 December	**26,171**	**(14,309)**	**11,862**	**35,912**	**(21,649)**	**14,263**

The change in deferred acquisition costs balance of the Reinsurance assets column has been restated from -$14,964k to -$21,813k as the amount in the prior year's note excluded a proportion of reinsurance deferred acquisition costs. This error has no impact on the prior year income statement and statement of financial position.

5. Net operating expenses

	2019	2018 restated
	$'000	$'000
Acquisition costs	(53,642)	(65,465)
Change in deferred acquisition costs	(10,128)	36,190
RI acquisition costs	28,902	39,968
Change in RI deferred acquisition costs	7,556	(21,813)
Administration expenses	(4,783)	(7,976)
Net operating expenses	(32,095)	(19,096)

Members' standard personal expenses amounting to $2,063k (2018: $3,980k) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contribution and Managing Agency fees.

In the prior year the effect of some of the reinsurance arrangements was presented net in the RI Commission line. As a result, the RI acquisition costs have been restated from $26,539 to $39,968, offset by reduction of RI Commission from $6,580 to nil and the change in RI deferred acquisition costs from $14,964 to $21,813.

6. Auditors' remuneration

	2019	2018
	$'000	$'000
Audit of the Financial Statements	(182)	(152)
Other services pursuant to Regulations and Lloyd's Byelaws	(136)	(247)
Other services (Actuarial review)	(147)	-
	(465)	(399)

Auditors' remuneration is included as part of the administrative expenses in note 5 to the financial statements.

7. Emoluments of the directors of Asta Managing Agency Ltd

The aggregate emoluments of the directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of J. M. Tighe, S.P.A. Norton, D.J.G. Hunt and L Harfitt. J.M. Tighe and S.P.A Norton's remuneration is disclosed in the financial statements of Asta Capital Ltd and the remuneration of D.J.G. Hunt and L Harfitt is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate. The emoluments of the Active Underwriter are borne by Pioneer Group and recharged to the Syndicate.

No other compensation was payable to key management personnel.

8. Investment Return

	2019	2018
	$'000	$'000
Income from other financial investments	2,641	722
Net gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	296	27
Total investment income	2,937	749
Net unrealised gains on investments		
- Financial instruments at fair value through profit and loss	370	234
Investment expenses and charges	(42)	-
Total investment return	3,265	983

Average amount of funds available for investing during the year:		
Sterling	1,638	1,872
United States dollars	112,966	83,660
Canadian dollars	13,028	9,839
Euro	1,983	3,387
Australian dollars	9,397	1,135
Japanese yen	39,341	15,164
Combined in USD	134,041	98,449

Gross calendar year investment yield:		
Sterling	10	10
United States dollars	3,180	859
Canadian dollars	46	129
Australian dollar	58	16
Combined in USD	3,265	983

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each quarter during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate.

9. Financial Investments

	2019		
	Carrying value	Purchase price	Listed
	$'000	$'000	$'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	19,743	19,743	19,743
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	96,406	95,651	95,700
Overseas deposits as investments			
- Designated at fair value through profit or loss	14,379	14,379	14,379
	130,528	129,773	129,822

The difference between the Carrying value and Purchase price does not agree to note 8 unrealised gains as that balance is net of the whole account quota share.

	2018		
	Carrying value	Purchase price	Listed
	$'000	$'000	$'000
Shares and other variable yield securities and units in unit trusts			
- Designated at fair value through profit or loss	24,839	24,839	24,839
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	56,272	56,039	56,540
Overseas deposits as investments			
- Designated at fair value through profit or loss	1,867	1,867	1,867
	82,978	82,745	83,246

Amounts included within Shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These have the attributes of a cash instrument with the carrying value and purchase price being the same.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period.

The following table shows financial investments recorded at fair value analysed between the three levels in the fair value hierarchy.

Financial investments continued

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2019				
Shares and other variable yield securities and units in unit trusts	6,036	13,159	548	19,743
Debt securities and other fixed income securities	16,203	80,203	-	96,406
Overseas deposits as investments	1,849	12,530	-	14,379
Total	24,088	105,892	548	130,528

	Level 1 $'000	Level 2 $'000	Level 3 $'000	Total $'000
31 December 2018				
Shares and other variable yield securities and units in unit trusts	14,955	9,884	-	24,839
Debt securities and other fixed income securities	18,379	37,893	-	56,272
Overseas deposits as investments	258	1,609	-	1,867
Total	33,592	49,386	-	82,978

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.

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.

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, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

10. Debtors arising out of direct insurance operations

	2019	2018
	$'000	**$'000**
Due from intermediaries within one year	44,472	67,999
	44,472	67,999

11. Debtors arising out of reinsurance operations

	2019	2018
	$'000	**$'000**
Due from ceding insurers within one year	18,913	30,330
Due from ceding insurers after one year	79	-
	18,992	30,330

12. Other assets

Other assets comprise solely of VAT receivable from HMRC $278k, (2018 $199k).

13. Creditors arising out of direct operations

	2019	2018
	$'000	**$'000**
Due to intermediaries within one year	369	-
	369	-

14. Creditors arising out of reinsurance operations

	2019	2018
	$'000	**$'000**
Reinsurance accepted within one year	15,526	**-**
Reinsurance ceded within one year	44,588	51,446
Reinsurance ceded after one year	-	1,950
	60,114	53,396

15. Cash and cash equivalents

	2019	2018
	$'000	$'000
Cash at bank and in hand	3,034	39,162
Shares and other variable yield securities and units in unit trusts	19,743	24,839
Exclude Syndicate Loan to Central Fund	(548)	-
	19,195	24,839
	22,229	64,001

Shares and other variable yield securities and units in unit trusts are investments in nature but are treated as Cash and cash equivalents for cash flow purposes, so therefore are included in both Financial investments and Cash and cash equivalents.

16. Related parties

Asta provides services and support to Syndicate 1980 in its capacity as Managing Agent. During the year, Managing Agency fees of $946k (2018: $1,672k) were charged to the Syndicate. Asta also recharged $2,402k (2018: $2,747k) worth of service charges in the year and as at 31 December 2019 an amount of $617k (2018: $512k) was owed to Asta in respect of this service.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Bylaw provisions. All transactions are entered on an arm's length basis.

Syndicate 1980's coverholder is Pioneer Underwriters, whose ultimate parent is Minova insurance Holdings Ltd. The syndicate has paid $32,639k (2018: $42,361k) MGA commissions to Pioneer Underwriting.

Liberty provides 100% of the Syndicates insurance capacity.

17. Disclosure of interests

Managing Agent's interest

During 2019 Asta was the Managing Agent for ten Syndicates and four Special Purpose Arrangements. Syndicate 1729, 1897,1980, 2357, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 1892, 6123, 6126, and 6131 were managed on behalf of third party capital providers.

On 01 July 2019, Asta took on management of Special Purpose Arrangement 1892.

On 11 October 2019, Syndicate 2357 migrated to Nephila Syndicate Management Ltd.

On 01 January 2020 Asta took on management of Syndicate 2288.

Disclosure of interests continued

The Agency also provides administrative services to Syndicates and Special Purpose Arrangements and undertakes a number of ancillary roles for clients.

The financial statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

18. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's (FAL). These 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 financial statements by way of such capital resources. However, the managing agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

19. Off-balance sheet items

The Syndicate has not been party to an arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

20. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Syndicate Board, its committees and sub committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta Managing Agency board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

The Syndicate board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. These policies define the identification of risk and its interpretation to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the Syndicate goals, and specify reporting requirements. The Syndicate board places significant emphasis on the assessment and documentation of risks and controls, including the articulation of the Syndicate's risk appetite.

Risk management continued

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000.

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 apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Pioneer Syndicate1980 is not disclosed in these financial statements.

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), 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. Accordingly, the ending members balances reported on the Statement of Financial Position on page 15, represent resources available to meet members' and Lloyd's capital requirements.

Risk management continued

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-term claims. Therefore, 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 areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. The Syndicate's reinsurance program is predominantly covered by a whole account, non-proportional losses occurring during policy which covers the calendar year. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Sub committees of the Syndicate board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate board.

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

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: once-off occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

Other key circumstances affecting the reliability of assumptions include variation in interest rates, delays in settlement and changes in foreign currency rates.

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions, such as legislative changes, uncertainty in the estimation process.

Risk management continued

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	2019	2018
	Loss/(Profit)	**Loss/(Profit)**
Gross	**$'000**	**$'000**
Five percent increase in claim liabilities	14,562	11,082
Five percent decrease in claim liabilities	(14,562)	(11,082)
Net		
Five percent increase in claim liabilities	9,043	8,608
Fiver percent decrease in claim liabilities	(9,043)	(8,608)

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

Underwriting year	**2018**	**2019**
	$'000	**$'000**
Estimate of cumulative gross claims incurred:		
At end of first underwriting year	302,533	53,174
One year later	435,357	
Less cumulative gross paid	(192,230)	(5,067)
Liability for gross outstanding claims	243,127	48,107
Total gross outstanding claims		**291,234**

Risk management continued

Underwriting year	2018	2019
	$'000	$'000
Estimate of cumulative net claims incurred:		
At end of first underwriting year	246,052	24,594
One year later	309,874	
Less cumulative net paid	(151,139)	(2,476)
Liability for net outstanding claims	158,735	22,118
Total net outstanding claims		**180,853**

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus. This is particularly so for large catastrophe claims where uncertainly is initially great.

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

The following policies and procedures are in place to mitigate the exposure to credit risk:

- Investment guidelines are established setting out the quality of investments to be included within the Syndicates portfolio. The policy is monitored by the Syndicate Board.

- Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Syndicate Board.

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 mitigation through collateral agreements and the use of credit derivatives.

Risk management continued

2019	$'000			
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	19,743	-	-	19,743
Debt and fixed income securities	96,406	-	-	96,406
Reinsurers' share of claims outstanding	110,381	-	-	110,381
Debtors arising out of direct insurance operations	44,472	-	-	44,472
Debtors arising out of reinsurance operations	18,992	-	-	18,992
Cash at bank and in hand	3,034	-	-	3,034
Overseas deposits as investments	14,379	-	-	14,379
Other debtors	78,762	-	-	78,762
Total	386,169	-	-	386,169

2018	$'000			
	Neither past due or impaired	Past due	Impaired	Total
Shares and other variable yield securities	24,839	-	-	24,839
Debt and fixed income securities	56,272	-	-	56,272
Reinsurers' share of claims outstanding	49,482	-	-	49,482
Debtors arising out of direct insurance operations	67,999	-	-	67,999
Debtors arising out of reinsurance operations	30,330			30,330
Cash at bank and in hand	39,162	-	-	39,162
Overseas deposits as investments	1,867	-	-	1,867
Other debtors	115,509	-	-	115,509
Total	385,460	-	-	385,460

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2019 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated.

Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

Risk management continued

2019	$'000						
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	19,743	-	-	-	19,743
Debt and fixed income securities	31,064	27,089	38,253	-	-	-	96,406
Reinsurers' share of claims outstanding	-	31,126	71,137	-	-	8,118	110,381
Debtors arising out of reinsurance operations	-	301	18,691	-	-	-	18,992
Cash at bank and in hand	-	-	3,034	-	-	-	3,034
Overseas deposits as investments	8,846	1,783	1,348	938	758	706	14,379
Total	39,910	60,299	152,206	938	758	8,824	262,935

2018	$'000						
	AAA	AA	A	BBB	BBB or less	Not Rated	Total
Shares and other variable yield securities	-	-	24,839	-	-	-	24,839
Debt and fixed income securities	18,230	19,167	18,875	-	-	-	56,272
Reinsurers' share of claims outstanding	-	-	49,482	-	-	-	49,482
Debtors arising out of reinsurance operations	-	-	30,330	-	-	-	30,330
Cash at bank and in hand	-	-	39,162	-	-	-	39,162
Overseas deposits as investments	1,146	260	194	100	32	135	1,867
Total	19,376	19,427	162,882	100	32	135	201,952

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

Risk management continued

Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations.

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.

2019			**$'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	86,370	111,939	51,947	40,978	291,234
Creditors	-	60,483	-	-	-	60,483
Total	-	146,853	111,939	51,947	40,978	351,717

2018			**$'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	74,433	94,375	35,288	17,529	221,625
Creditors	-	51,446	1,950	-	-	53,396
Total	-	125,879	96,325	35,288	17,529	275,021

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. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

a) Currency risk

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

The Syndicate's functional currency is US Dollar and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro, Canadian, Australian dollars and Japanese Yen. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Risk management continued

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

2019				**$’000**			
	GBP	**USD**	**EUR**	**CAD**	**AUD**	**JPY**	**Total**
Total Assets	42,892	322,279	3,733	16,861	(261)	665	386,169
Total Liabilities	(180,381)	(256,842)	(11,358)	(14,165)	3,948	(731)	(459,529)
Net Assets	(137,489)	65,437	(7,625)	2,696	3,687	(66)	(73,360)

2018				**$’000**			
	GBP	**USD**	**EUR**	**CAD**	**AUD**	**JPY**	**Total**
Total Assets	3,312	359,173	7,494	14,107	1,011	363	385,460
Total Liabilities	(78,997)	(312,559)	(16,424)	(12,159)	(4,272)	(652)	(425,063)
Net Assets	(75,685)	46,614	(8,930)	1,948	(3,261)	(289)	(39,603)

The Syndicate matches its currency position, so it holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates. As a result, the Syndicate holds a significant proportion of its assets in foreign currency adjustments.

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of the US dollar against the value of Sterling and all other currencies simultaneously. The analysis is based on the information as at 31st December 2019.

	Impact on profit and member’s balance	
	2019 **$’000**	**2018** **$’000**
US Dollar weakens		
10% against other currencies	(13,880)	(8,622)
20% against other currencies	(27,759)	(17,243)
US Dollar strengthens		
10% against other currencies	13,880	8,622
20% against other currencies	27,759	17,243

b) Interest rate risk

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

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore are not exposed to interest rate risk.

Risk management continued

The table below shows an indication of the potential impact on the Syndicate's result and net assets if interest rates had been 50 basis points higher or lower in the year.

	2019	2018
	$'000	$'000
Interest Rate Risk		
Impact of 50 basis point increase on result	(688)	(445)
Impact of 50 basis point decrease on result	696	450
Impact of 50 basis point increase on net assets	(688)	(445)
Impact of 50 basis point decrease on net assets	696	450

The method used for deriving sensitivity information and significant variables did not change from the previous period.

21. Post balance sheet events

There are no post balance sheet events to disclose.