Accounts disclaimer

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

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Coverys Managing Agency Limited

Report and Financial Statements
Syndicate 3330
for the year ended
31 December 2019

Administration

Managing agent
Coverys Managing Agency Limited
One Creechurch Place
London EC3A 5AF

Bankers
National Westminster Bank plc
City of London Office
PO Box 12258
1 Princes Street
London EC2R 8PA 5HP

Investment Managers
Payden & Rygel Global Limited
1 Bartholomew Lane
London EC2N 2AX

Independent Auditors
PKF Littlejohn LLP
Statutory Auditors
15 Westferry Circus
Canary Wharf
London E14 4HD

Managing agent's report

Coverys Managing Agency Limited (trading as "Coverys at Lloyd's") presents its report for syndicate 3330 for the year ended 31 December 2019.

Strategic report

The managing agent's report should be read in conjunction with the strategic report as it includes information required to be disclosed in the managing agent's report. This information is primarily relating to a review of the business and a description of principle risks and uncertainties, although there is more extensive disclosure of risk management on page 20.

Directors

The directors of the managing agent who served during the year ended 31 December 2019 and up to the date of this report were as follows:

E B Bagley	Group non-executive director	
M Bell	Executive director	
C D Charles	Non-executive director	
A G Chopourian	Executive director	
M G Gardiner	Non-executive director	Resigned on 5 July 2019
R E McCoy	Executive director	
T C Mills	Group non-executive director	
D M Reed	Non-executive director	Appointed on 31 July 2019
P M Sloan	Executive director	

Auditors

PKF Littlejohn LLP have indicated their willingness to continue in office as the syndicate's auditor.

Disclosure of information to auditors

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

Approved by order of the board of Coverys at Lloyd's and signed on its behalf:

R E McCoy
Chief Executive Officer
2 March 2020

Strategic report

The directors of Coverys at Lloyd’s present their strategic report for syndicate 3330 for the year ended 31 December 2019.

Review of the business

Activities and future development

Syndicate 3330 is managed by Coverys at Lloyd’s. On 1 January 2017, the 2017 year of account accepted the reinsurance to close (RITC) of the 2014 year of account which consisted of the 2007 year of account of syndicate 1208 and the 2011 year of account of syndicate 102. With effect from 1 January 2018, the 2018 year of account had accepted the RITC of the 2012 – 2014 years of account of syndicate 3334, previously managed by Hamilton Underwriting Limited (HUL).

The board continues to give attention to the future development of the syndicate including active consideration of the business plan going forward.

Business reinsured

Syndicate 1208 wrote a broad spread London market book of Property (including onshore power utility risks), Non Marine Treaty, Brown Water Marine, Marine Energy & Liabilities, General Aviation, Professional Indemnity and General Liability business originally written between 1993 and 2002.

Syndicate 102 wrote a broad spread account of Marine, Non-Marine and other Specialty areas originally written between 1994 and 2003. Although much of the business was short to medium tail, it included significant longer tail exposures particularly within the Creditor, Professional Indemnity, Political Risk and Contingent Cost Insurance (“CCI”) books. The business was written on a world-wide basis both facultative and under delegated authorities. Reinsurance business was also written mainly on an excess of loss treaty basis with a few proportional treaties.

Syndicate 3334 was set up in 2006 as a specialist insurer of sport and leisure risks providing liability, personal accident, property and contingency cover. The entire 2014 and prior book of business has closed into the 2018 year of account of syndicate 3330.

Capacity is provided by R&Q Capital No.1 Limited and DBIO II Capital UK Limited (part of the AXA Group).

Strategic report (continued)

Result for the year

The total recognised loss for the year is £5.6m (2018 loss £3.0m). The key financial performance indicators during the year were as follows:

	Gross written premiums £m	Underwriting loss £m	Investment income £m	Profit/(Loss) on exchange £m	Administrative expenses £m	Total £m
2018 Year	-	(4.3)	0.3	(0.1)	(0.3)	(4.4)
2017 Year	-	(1.1)	-	(0.1)	-	(1.2)

A significant proportion of the loss for the year has arisen on the 2018 year of account from a deterioration in losses on the Sportscover Europe account. A further £2.0m was as a result of higher than expected costs in the year and a resultant strengthening of the indirect claims handling reserve. For the 2017 year of account the claims handling reserve was strengthened by £1.0m as part of the evaluation of costs attributed to handle the claims in the future and the additional costs incurred during the year.

Post balance sheet events

The 2017 year of account has been closed by Reinsurance to Close (RITC) into syndicate 1110 2019 year of account.

Other performance indicators

Staff matters

M Langridge has stepped down as the Syndicate Run Off Manager and has been replaced by S Hennessey (regulatory approval received 24 February 2020).

The managing agent considers its staff to be a key resource and seeks to provide a good working environment for its staff that is rewarding and 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.

Environmental matters

The managing agent does not consider that a business such as a syndicate at Lloyd’s has a large adverse impact upon the environment. As a result, the agent does not manage its business by reference to any environmental key performance indicators.

Approved by order of the board of Coverys at Lloyd’s and signed on its behalf:

R E McCoy
Chief Executive Officer
2 March 2020

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the annual report and the syndicate annual financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 regulations) requires the managing agent to prepare Syndicate Annual Financial Statements at 31 December each year which give a true and fair view of the state of affairs of the syndicate and of its profit or loss for that year.

In preparing those syndicate annual financial statements, the managing agent is required to:

- select suitable accounting policies, and apply them consistently except where relevant accounting requirements change;
- make judgments 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 syndicate annual financial statements; and
- prepare the syndicate annual financial statements on a going concern basis, unless it is inappropriate 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 financial statements comply with the 2008 regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of syndicate 3330

Opinion

We have audited the financial statements of syndicate 3330 (the 'syndicate') for the year ended 31 December 2019 which comprise the Statement of Profit or Loss, the Balance Sheet, the Statement of Retained Earnings, the Statement of Cash Flows and notes to the financial statements, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

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

Other information

The other information comprises the information included in the Report and Financial Statements, other than the financial statements and our auditor's report thereon. The managing agent is responsible for the other information. Our opinion on the 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 financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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 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 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 for which the financial statements are prepared is consistent with the financial statements; and
- the managing agent’s report 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 in relation to which the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 requires us to report to you if, in our opinion:

- adequate accounting records have not been kept on behalf of the syndicate; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of managing agent emoluments and other benefits specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities 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 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 financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the managing agent is responsible for assessing the syndicate’s ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the managing agent either intend to cease to operate the syndicate, or has no realistic alternative but to do so.

Auditor’s responsibilities for the audit of the financial statements

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

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

Independent auditor's report to the members of syndicate 3330 (continued)

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with Part 2 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 and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Coulson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

5 March 2020

Statement of profit or loss
Technical account - General business
Year ended 31 December 2019

	Notes	2019 £000	2019 £000	2018 £000	2018 £000
Earned premiums, net of reinsurance					
Gross premiums written	1	(1)		62	
Outward reinsurance premiums		(122)		558	
Net written premiums			(123)		620
Earned premiums net of reinsurance			(123)		620
Allocated investment return transferred from the non-technical account			348		268
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(13,876)		(12,276)	
Reinsurers' share		337		634	
Net claims paid		(13,539)		(11,642)	
Change in the provision for claims					
Gross amount		10,273		9,621	
Reinsurers' share		(2,074)		(2,065)	
Net change in the provision for claims		8,199		7,556	
Claims incurred net of reinsurance			(5,340)		(4,086)
Net operating expenses	3,4,5		(322)		(272)
Balance on the technical account for general business			(5,437)		(3,470)

All business is continuing. The continuing activity of the syndicate is the run-off of insurance liabilities.

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

Statement of profit or loss
Non-technical account
Year ended 31 December 2019

	Notes	*2019* *£000*	*2018* *£000*
Balance on the technical account for general business		(5,437)	(3,470)
Investment income	6	436	245
Realised gains on investments	6	30	8
Unrealised gains on investments	6	82	75
Realised losses on investments	6	(132)	(39)
Unrealised losses on investments	6	(41)	(19)
Investment expenses and charges	6	(27)	(2)
Allocated investment return transferred to technical account – general business		(348)	(268)
Non-technical account income/(charges)		(155)	461
Loss for the financial year		(5,592)	(3,009)

Statement of other comprehensive income for the year ended 31 December 2019

Loss for the financial year	(5,592)	(3,009)
Total comprehensive income for the financial year	(5,592)	(3,009)

Statement of retained earnings

	Notes	2019 £000	2018 £000
Balance due from members at 1 January		(3,061)	(52)
Total comprehensive income for the financial year		(5,592)	(3,009)
Cash call made		3,000	-
Balance due to/(from) members at 31 December	10	(5,653)	(3,061)

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

Balance sheet - Assets
at 31 December 2019

	Notes	***2019*** ***£000***	***2018*** ***£000***
Investments			
Other financial investments	7	8,303	15,003
Reinsurers' share of technical provisions			
Claims outstanding	2	4,538	6,674
Debtors			
Debtors arising out of direct insurance operations	8	340	358
Debtors arising out of reinsurance operations	8	430	124
Other debtors	8	6,612	10,691
		7,382	11,173
Other assets			
Cash at bank and in hand		2,952	5,244
Overseas deposits	9	4,120	4,471
		7,072	9,715
Prepayments and accrued income		297	145
Total assets		27,592	42,710

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

Balance sheet - Liabilities
at 31 December 2019

	Notes	*2019* *£000*	*2018* *£000*
Capital and reserves			
Members' balances	10	(5,653)	(3,061)
Technical provisions			
Claims outstanding	2	29,137	40,197
Creditors			
Creditors arising out of reinsurance operations	11	412	575
Other creditors	11	2,612	3,612
		3,024	4,187
Accruals and deferred income		1,086	1,387
Total liabilities		27,592	42,710

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

The syndicate annual accounts were approved by the board of directors of Coverys at Lloyd's and were signed on its behalf by

R E McCoy
Chief Executive Officer

M Bell
Finance Director
2 March 2020

Statement of cash flows
Year ended 31 December 2019

	2019	*2018*
	£000	*£000*
Cash flow from operating activities		
(Loss) for the financial year	(5,592)	(3,009)
Exclude investment return	(348)	(268)
(Decrease)/increase in gross technical provisions	(11,060)	28,496
Decrease/(increase) in reinsurers' share of technical provisions	2,137	(5,235)
Decrease/(increase) in debtors, prepayments and accrued income	3,638	(2,827)
(Decrease)/increase in creditors	(1,464)	5,130
Net cash generated from operating activities	(12,690)	22,287
Cash flows from investing activities:		
Investment income received	348	268
Purchases of debt and equity instruments	(28,627)	(25,978)
Sales of debt and equity instruments	35,246	8,393
Amount to/(due) from member	11	(90)
Foreign exchange	552	(101)
Net cash generated from investing activities	7,530	(17,508)
Cash flows from financing activities:		
Cash call made	3,000	-
Decrease in amount due on letters of credit	-	87
Net cash generated from financing activities	3,000	87
Net (decrease)/increase in cash and cash equivalents	(2,161)	4,867
Cash and cash equivalents at 1 January	5,244	348
Foreign exchange on cash and cash equivalents	(131)	29
Cash and cash equivalents at 31 December	2,952	5,244

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

Statement of accounting policies

General information
Syndicate 3330 is a Lloyd's syndicate domiciled in England and Wales. It is managed by Coverys at Lloyd's, a private company limited by shares that was incorporated in England and whose registered office is One Creechurch Place, London EC3A 5AF. The syndicate is a specialist syndicate underwriting Lloyd's legacy business. It accepted the reinsurance to close (RITC) contract of syndicate 1208 into its 2012 year of account subsequently closed into the 2014 year of account, and syndicate 102 into its 2014 year of account. At its natural close after 36 months, the 2014 year of account was reinsured to close into the 2017 year of account. It has also accepted the RITC contract of syndicate 3334 into its 2018 year of account. Capacity for the 2018 year of account is provided 10% by R&Q Capital No.1 Limited and 90% by DBIO II Capital UK Limited (part of the Axa Group). 2017 was supported 100% by R&Q Capital No.1 Limited.

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 the historical cost basis, except for financial assets at fair value through the profit or loss which are measured at fair value.

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.
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 report of the directors. In addition the risk management section of the report of the directors provides details of the financial risks the syndicate is exposed to and how those risks are managed.

The directors have a reasonable expectation that the syndicate has adequate resources including the Funds at Lloyd's of the members supporting the syndicate (as detailed in note 12), to continue in operational existence for the foreseeable future. The syndicate continues to underwrite RITC for syndicates in run-off as the opportunity arises. The directors believe this activity will continue for the foreseeable future. Accordingly, the going concern basis has been adopted in the preparation of the financial statements.

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 as follows:

Premiums written
Premiums written comprise adjustments made in the year to premiums on contracts incepted in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

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

Statement of accounting policies (continued)

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

The provision for large claims outstanding is assessed and aggregated with other claims reserves that are assumed using development factor methods based on historic paid and incurred claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. 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 most critical assumption as regards claims provisions is that the past is a reasonable predictor of the likely level of claims development.

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

A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account, transfers, normally to the following year of account, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

Net operating expenses
Net operating expenses are accounted for on the accruals basis.
Employee costs include the cost of all employee benefits to which employees have become entitled as a result of service rendered to the entity during the reporting period, which the managing agent considers to be attributable to this syndicate.

Distribution of profits and collection of losses
Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

Foreign currencies
The presentational and functional currency of the syndicate is Sterling.
Transactions in US dollars, Euros and Canadian dollars 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.

Statement of accounting policies (continued)

Foreign currencies (continued)

In accordance with FRS 102 all monetary balance sheet assets and liabilities are translated into the Sterling functional currency at the rates of exchange at the balance sheet date. The profit or loss arising on the retranslation of balances to the closing rate of exchange is dealt with through the statement of comprehensive income – non technical account.

Financial assets and liabilities classification
The full provisions of FRS 102 have been applied to the treatment of financial instruments. The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the profit or loss or other comprehensive income. These classifications are made at initial recognition and subsequent reclassification is only permitted in restricted circumstances.

Investments in shares and other variable yield securities and unit trusts and debt securities and other fixed income securities are classified as fair value through profit or loss as they are managed on a fair value basis. cash at bank, deposits with credit institutions, debtors and accrued interest are classified as held at amortised cost.

Recognition
Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset after deducting all of its liabilities.

Initial measurement
All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement
Non-current debt instruments are subsequently measured at amortised cost using the effective interest method. Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Investments in shares and other debt instruments are measured at fair value through profit or loss. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in previous calendar years in respect of the investment disposed of in the current period.

De-recognition of financial assets and liabilities
Financial assets are derecognised when and only when, a) the contractual rights to the cash flow from the financial asset expire or are settled, b) the syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

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

Statement of accounting policies (continued)

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

Impairment of financial instruments measured at amortised cost or cost
For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.
For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

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

Offsetting
Debtors/creditors arising from insurance/reinsurance operations shown in the balance sheet include the totals of all outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicate and each of its counterparty insureds, reinsurers or intermediaries as appropriate.

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

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

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

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

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

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

Pension costs
Coverys MA Services Limited, a wholly owned subsidiary of Coverys at Lloyd's, operates a defined contribution scheme on behalf of the managing agency**.** Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses and other acquisition costs.

Statement of accounting policies (continued)

CCI business disclosure
During 1999-2003 reinsured syndicate 102 underwrote policies which insured viatical companies mostly domiciled in the United States. For a lump sum viatical companies acquire the rights of individual policyholders to death benefits under life policies entered into by the policyholder with life Insurers. The syndicate insured the viatical companies against the risk that the individual policyholder would survive beyond a pre-determined date.

In the event of a policyholder surviving beyond the agreed date, the syndicate is required to pay to the viatical company an amount equivalent to the death benefit that the viatical company would otherwise have received. Such payments are accounted for as paid claims. There are no further amounts to pay out in respect of deaths that have been advised as at 31 December 2019.

In the case of each claim, the syndicate typically exercises its right to take an assignment of the death benefit under the underlying life policy, to pay the applicable premiums, and to receive the death benefit when the policyholder dies. These death benefit recoveries are accounted for as claims recoveries and the premiums to be paid are accounted for as claims recovery expenses.

The net discounted expected claims recoveries, less expected claims recovery expenses, relating to paid claims are included in other debtors.

Key accounting judgements and estimation uncertainties

Of the various accounting judgements, assumptions and estimates made in the preparation of these financial statements those relating to the determination of the technical provisions and investment valuations are considered to be those most critical to understanding the syndicate's results and financial position.

Technical provisions
The accounting policy for technical provisions is described on page 16 and the related risks are described on page 20-21. The net technical provisions after the reinsurers' share is £24,599k (2018: £33,523k).

The most uncertain element within these technical provisions is the amount for claims outstanding which covers amounts where either the claim has been notified to the syndicate or where there has not yet been a notification or although notified there has been insufficient information to date to be certain regarding its ultimate costs. This amounted to £29,137k (2018: £40,197k). As described in the risk note there is a thorough review process of claims notifications and reserving estimates, including detailed actuarial evaluation of past claims development. There is however a risk that past performance may not be a good indicator of the future developments. This is however mitigated by a mixed spread of different types of business from a number of geographical areas across several years that should reduce the risk of a common trend of adverse development occurring. The uncertainty within technical provisions may be mitigated by the element of reinsurers' share, although there are also uncertainties in calculating that.

Investment valuations
All investments are shown at their fair value as described in the accounting policies on page 18 and details of the risks relating to investments are disclosed on page 21. All investments are highly rated securities and regularly traded on major stock exchanges so that the risks in their valuations are reduced.

Risk management

Coverys approach to syndicate risk management

The syndicate's activities expose it to a variety of financial and non-financial risks. The syndicate's core business is to accept significant insurance risk, whilst the appetite for other risks is low. The managing agent is responsible for understanding and managing the syndicate's exposure to such risks, and does this through the deployment of its risk management framework.

The Coverys at Lloyd's risk management framework includes an annual review, setting and board approval of risk appetite for the syndicate as a part of the syndicate business planning and capital setting process. The risk management function regularly assess the risks to which the syndicate is exposed, and where deemed necessary, ensure that controls and procedures are in place to mitigate the effects of such risk to an acceptable level. A risk and capital committee meets regularly to monitor performance against the approved risk appetite using a set of key risk indicators, and provide oversight and challenge to ensure the syndicate operates in a robust control environment.

Critical to the risk management of the syndicate is ensuring sufficient capital is in place to meet the solvency needs of the syndicate. An internally developed capital model (Coverys at Lloyd's internal model) is used to quantify the syndicate's capital requirements based on the assessment of the risks impacting the syndicate's business and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. As described in note 12, the managing agent is required to prepare a Solvency Capital Requirement (SCR) return to Lloyd's annually, using the results of the internal model, to agree capital requirements of the syndicate with Lloyd's.

Syndicate risk exposures

The following provides a summary of the types of risks to which the syndicate is exposed, the materiality of the risk to the syndicate and their key drivers, and the risk management tools and procedures in place to mitigate these risks.

Insurance risk

The very nature of the syndicate's business exposes it to the possibility that claims will arise on business written. Insurance risk is the principal risk the syndicate faces and arises from the inherent uncertainties in the occurrence, amount and timing of insurance liabilities. The main insurance risk which affects the syndicate is reserving risk as described below. Insurance risk is quantified in the internal model using the plan data and projections (informed by syndicate experience and discussions with business owners) in relation to the key drivers of the risk.

Reserving risk

There are a number of drivers of reserving risk.

Reserves are established for earned premium income, there is no unearned premium as the syndicate is in its final year. The reserves in relation to the former are claims reserves. In relation to the latter, as there is no unearned premium reserve there is no unexpired risk provision. A reserve for unallocated loss adjustment expenses (ULAE) has been established and an allowance made for bad debt.

In order to mitigate reserving risk, the Coverys at Lloyd's actuarial function uses a number of actuarial techniques, to project gross and net premiums and gross and net insurance liabilities on a best estimate basis. The results of these techniques are then subject to formal peer review. This is an iterative process where the internal and external actuaries meet to discuss data, models, methods and assumptions. This involves a considerable amount of challenge.

Risk management (continued)
Reserving risk (continued)

Once both sets of actuaries have completed their view of reserves, the results of the external actuary's projections are then compared to those proposed by the Coverys at Lloyd's actuarial function. The chief actuary will then present the proposed reserves for scrutiny by the audit committee who then make a reserve recommendation to the board.

The level of booked reserves requires formal approval by the board and is subject to an external audit and further actuarial opinion. The independent reserve assessment is presented in a Statement of Actuarial Opinion (SAO) to confirm the adequacy of the reserves and is provided annually to Lloyd's.

	2019	***2018***
	£000	***£000***
Gross outstanding claims provision	29,137	40,197
Net outstanding claims provision	24,599	33,523
1% movement in net outstanding claims	(246)	(335)

The above assumes that the reinsurers share pro-rata in any deterioration in outstanding claims which may not be the case.

Investment risk
The syndicate's asset holdings expose it to investment risk, driven by the following sub-risk types: spread risk, currency and interest rate risks.

The syndicate's investment policy is established by the board following recommendations by the Coverys at Lloyd's investment committee and/or panel. In order to mitigate market risk, the board assesses reports from finance to monitor the economic situation and to seek to anticipate any future interest rate movements and to take appropriate action to mitigate its effect on the value of syndicate assets. At the time of writing this report, the investment committee's terms of reference and scope were being reviewed as a result of the recent Coverys at Lloyd's governance review.

Market risk is quantified in the internal model using the syndicate's asset holdings positions and an economic scenario generator (ESG) to simulate the impact of the risks below to the asset portfolio.

Liquidity risk
To mitigate liquidity risk the board regularly reviews cash flow projections and maintains cash levels consistent with the needs of the syndicate. The syndicate maximises the inflow of funds from reinsurance recoveries and controls costs through the reporting of the expense budget. Due to the CCI assets still being unrealisable, syndicate 3330 2017 year of account has a £2.5m (2018: £4.0m) inter syndicate loan from syndicate 1110 to manage liquidity.

Death benefit recoveries are received by the syndicate when a policyholder dies or at a contractual maturity date.

The following is an analysis of the estimated timing of net cash flows for the net claims liabilities held at the end of the year and at the previous year-end. These forecasts are based upon current estimates and historic trends and the actual timings of these future settlements may differ materially from the estimates on the next table.

Risk management (continued)

Liquidity risk (continued)

	Within one year £000	*Between one and three years £000*	*Between three and five years £000*	*Over five years £000*	*Total £000*
2019 net claims liabilities	9,626	10,729	3,314	930	24,599
2018 net claims liabilities	12,579	13,583	5,648	1,713	33,523

The increase in the near term liabilities is a reflection of the reinsurance to close of the syndicate 3334 business.

The following table summarises the maturity profile of the syndicate's gross financial liabilities.

As at 31 December 2019	*Within one year £000*	*Between one and three years £000*	*Between three and five years £000*	*Over five years £000*	*Total £000*
Outstanding claims liabilities	11,403	12,708	3,925	1,101	29,137
Creditors	3,024	-	-	-	3,024
As at 31 December 2018					
Outstanding claims liabilities	14,071	16,719	7,101	2,306	40,197
Creditors	4,187	-	-	-	4,187

Currency risk

The main exposure to foreign currency risk arises from insurance liabilities originating overseas. The syndicate attempts to fully match assets with liabilities on a regular basis. The syndicate is exposed to changes in the unmatched value of assets and liabilities due to movements in foreign exchange rates. The syndicate deals in five main currencies, UK sterling, Canadian dollars, Euros, Australian dollars and US dollars. Transactions also take place in other currencies, although these are immediately converted to UK sterling. A 10% fall in the in the value of all overseas net assets would lead to a £547k loss (2018: £425k loss) with US dollar net assets being the largest element of that at £511k (2018: £516k loss). The syndicate monitors these currency balances and aims to ensure excessive balances above accumulated profits do not accrue beyond those necessary to meet overseas trust fund requirements. The syndicate has not taken out any transactions to hedge these balances.

The table on the next page, all expressed in sterling shows that the total net assets held by the syndicate designated in US dollars at the year-end represented 89% (2018: 186%) of all currencies.

Risk management (continued)
Currency risk (continued)

At 31 December 2019	***Sterling £000***	***US Dollar £000***	***CAD £000***	***Euro £000***	***Aus Dollar £000***	***Total £000***
Financial investments	2,059	737	860	3,071	1,576	8,303
Overseas deposits	838	201	61	-	3,020	4,120
Reinsurers' share of technical provisions	2,881	1,069	145	-	443	4,538
Insurance and reinsurance debtors	549	215	6	-	-	770
Cash at bank and in hand	253	2,206	198	101	194	2,952
Other assets	408	5,956	104	511	(160)	6,819
Total assets	6,988	10,384	1,374	3,683	5,073	27,502
Technical provisions	14,649	4,920	188	5,690	3,690	29,137
Insurance and reinsurance creditors	205	113	2	-	92	412
Other creditors	3,349	237	(2)	-	114	3,698
Total liabilities	18,203	5,270	188	5,690	3,896	33,247
Surplus/(deficiency) of assets	(11,215)	5,114	1,186	(2,007)	1,177	(5,745)

At 31 December 2018	***Sterling £000***	***US Dollar £000***	***CAD £000***	***Euro £000***	***Aus Dollar £000***	***Total £000***
Financial investments	6,942	812	1,151	4,460	1,638	15,003
Overseas deposits	839	206	136	-	3,290	4,471
Reinsurers' share of technical provisions	4,462	1,459	149	-	604	6,674
Insurance and reinsurance debtors	265	211	6	-	-	482
Cash at bank and in hand	2,254	215	262	1,568	945	5,244
Other assets	389	9,810	112	940	(415)	10,836
Total assets	15,151	12,713	1,816	6,968	6,062	42,710
Technical provisions	18,437	6,661	599	7,977	6,523	40,197
Insurance and reinsurance creditors	88	121	2	364	-	575
Other creditors	4,360	249	(7)	261	136	4,999
Total liabilities	22,885	7,031	594	8,602	6,659	45,771
Surplus/(deficiency) of assets	(7,734)	5,682	1,222	(1,634)	(597)	(3,061)

Interest rate risk
The syndicate's main exposure to fluctuation in interest rates arises from its effect on the valuation of funds invested in bonds and equities. In order to mitigate this risk, the board, advised by its external investment managers, monitors the economic situation to seek to anticipate any future interest rate movement and to take appropriate action to mitigate its effect on the value of investments held.

Risk management (continued)
Interest rate risk (continued)

The large element of the syndicate's investments is comprised of fixed income securities. The fair value of the investment in fixed income securities is inversely correlated to the movement in market interest rates. If market rates fall, the fair value of the syndicate's fixed interest investments would tend to rise and vice versa. Fixed income assets are predominantly invested in high quality corporate and government securities. The investments typically have relatively short durations and terms to maturity.

	2019	***2018***
	£000	***£000***
Impact of a 50 basis point increase in interest rates on result	(48)	(91)
Impact of a 50 basis point decrease in interest rates on result	48	91
Impact of a 50 basis point increase in interest rates on net assets	(48)	(91)
Impact of a 50 basis point decrease in interest rates on net assets	48	91

Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the syndicate are:

- **Reinsurers:** Whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the syndicate.
- **Brokers and intermediaries:** Whereby counterparties fail to pass on premiums collected or claims paid on behalf of the syndicate.
- **Financial instruments:** Whereby issuer default results in the syndicate losing all or part of the value of a financial instrument.

Reinsurance credit risk

The syndicate is in run-off and many of the external reinsurance programs in place would have been purchased some time ago. Reinsurance aged debt and risk of default are monitored by R&Q and AXA who report to Coverys at Lloyd's through the syndicate management committee. There are a number of ways in which the syndicate considers and monitors reinsurance counterparty financial strength. The Coverys at Lloyd's internal model calculates the effect of reinsurer default on the syndicate's ability to make reinsurance recoveries. The methodology is captured in the model documentation.

Financial instruments risk

The syndicate has debtors, creditors, bank balances and investments in various currencies in the normal course of its business. The risks with regard to these transactions are detailed above and none of these financial instruments are considered to present any risks that are exceptional in their nature for their type of instrument. The syndicate does not actively enter into derivatives, hedging or other uses of financial instruments as part of its financial risk management. The following tables analyse the syndicate's major exposures to counterparty credit risk excluding loans and receivables, based on Standard & Poor's or equivalent rating at 31 December 2019.

Risk management (continued)

Financial instruments risk (continue)

At 31 December 2019	*AAA £000*	*AA £000*	*A £000*	*BBB £000*	*Other/ non rated £000*	*Total £000*
Variable yield securities and unit trusts	-	-	413	-	-	413
Debt securities	-	2,866	1,795	898	-	5,559
Investment pools	-	-	2,058	-		2,058
Deposits with credit institutions	-	-	-	273	-	273
Reinsurers' share of outstanding claims	21	433	4,090	10	(16)	4,538
Reinsurance debtors	21	134	176	65	34	430
Cash at bank and in hand	-	237	2,715	-	-	2,952
Overseas deposits	-	4,074	-	46	-	4,120
Total	42	7,744	11,246	1,292	18	20,342

At 31 December 2018	*AAA £000*	*AA £000*	*A £000*	*BBB £000*	*Other/ non rated £000*	*Total £000*
Variable yield securities and unit trusts	-	-	916	-	-	916
Debt securities	1,959	4,280	4,728	2,825	-	13,792
Investment pools	-	-	-	-	-	-
Deposits with credit institutions	-	-	-	295	-	295
Reinsurers' share of outstanding claims	22	598	6,044	10	-	6,674
Reinsurance debtors	22	-	30	3	69	124
Cash at bank and in hand	-	676	4,383	185	-	5,244
Overseas deposits	-	4,423	-	48	-	4,471
Total	2,003	9,977	16,101	3,366	69	31,516

Insurance receivables and other debtors are not shown above but would be categorised as 'unrated' as a majority of the balance relates to insurance broker debt which falls outside credit rating requirements.

Operational risk

Much of the effect of the syndicate's exposure to operational risks is reflected in the various other risk headings above, and is mitigated and managed through the exercise of the management controls and actions described above. The main additional exposures are in relation to business continuity, i.e. the risk that the ability of the syndicate to continue in business will be affected by events not reflected under other headings, for example the impact of terrorist activity, and in the management of relationships and arrangements with key individuals. In relation to the former, the managing agent maintains a business continuity plan (BCP) which sets out the main anticipated risks, including those relating to the robustness and sustainability of IT infrastructure and business applications, and the arrangements in place to mitigate those risks. The BCP is monitored and updated regularly. In relation to the latter, the managing agent has established arrangements designed to achieve an appropriate commonality of interest between the syndicate and the individuals concerned, and these arrangements are reviewed periodically. In addition, to mitigate the risk of loss of key staff, the managing agent seeks to maintain a sufficient personnel resource with appropriate experience and expertise to reduce the dependence on any one individual so far as is practicably possible. Operational risk is monitored via regular risk and control assessments and tested for adequate risk mitigation in place through scenario assessments; the insight from these processes is used to quantify operational risk in the internal model.

Risk management (continued)

Regulatory risk
The managing agent is required to comply, inter alia, with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Failure to comply with applicable regulations could result in a variety of sanctions, the most extreme being a withdrawal of the right to underwrite business. The managing agent has established a business ethos in which best practice is the required standard for all operations, both in the commercial interests of the business and to ensure regulatory compliance. Management has also put in place appropriate monitoring structures to mitigate the risk of failing to meet this standard. The Coverys at Lloyd's compliance committee monitors regulatory developments to ensure the managing agent remains compliant. In addition the risk management function monitors the position. The internal audit function supports the monitoring process, and directly reports into the Coverys at Lloyd's audit committee, itself comprised of non-executive directors of the managing agent.

Regulatory risk is quantified under operational risk in the internal model.

Solvency risk
The board sets the risk appetite in line with its strategy and ensures that sufficient capital resources are raised to cover those risks in line with Regulatory and Lloyd's capital setting processes. The Coverys at Lloyd's risk and capital committee monitors risk appetite and tolerances on behalf of the board.

In the event of extreme adverse claims experience, it is possible that the syndicate may not be able to settle its claim liabilities out of its own funds. In that event, the capital structure underpinning the syndicate is such that any deficits can be called from the syndicate's capital providers (members) in accordance with Lloyd's rules. In the event of any member being unable to fulfil its share of such a call, Lloyd's Central Guarantee Fund may, at Lloyd's discretion, be applied to make good any deficits for the benefit of policyholders.

CCI asset
As explained in the statement of accounting policies, the syndicate has exercised its right under certain CCI policies written to receive the death benefit when the policyholder dies. In order to maintain this right, the syndicate is required to continue to pay premiums under the original life policy.

An annual estimate is made of the amount expected to be recoverable as death benefits from the original life policies less any annual premiums payable under those policies. The net estimated discounted amount recoverable by the syndicate at 31 December 2019 was £5,076 (2018: £8,917) and is shown under debtors in note 8.

The estimate of the net amount recoverable is sensitive to assumptions used relating to the estimated date of death, for each policy holder, and interest rate used to discount the expected receipts and payments arising from those policies. The current estimates are based on the information currently available to the syndicate, but changes in the above assumptions may materially change the value of the assets eventually recoverable by the syndicate.

Brexit
The UK formally left the EU on the 31 January 2020. Lloyd's Insurance Company SA has been established to mitigate this risk on EU business for all Lloyd's syndicates. The creation of a regulated, capitalised insurance company in Europe enables us to retain access to the EU underwriting market.

Notes to the annual financial statements at 31 December 2019

1. Analysis of underwriting results

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

	Gross written premiums £000	*Gross premiums earned £000*	*Gross claims incurred £000*	*Gross operating expenses £000*	*Reinsurance balance £000*	*Total £000*
2019						
Direct insurance:						
Accident and health	-	-	(323)	(12)	86	(249)
Marine, aviation and transport	-	-	459	(8)	(374)	77
Fire and other damage to property	-	-	(99)	(5)	(31)	(134)
Third party liability	3	3	(1,597)	(295)	(1,873)	(3,762)
Credit and suretyship	-	-	-	-	-	-
Pecuniary loss	-	-	(339)	-	2	(337)
Motor	-	-	(1,232)	(1)	51	(1,183)
	3	3	(3,131)	(321)	(2,139)	(5,588)
Reinsurance	(4)	(4)	(472)	(1)	280	(197)
	(1)	(1)	(3,603)	(322)	(1,859)	(5,785)
2018						
Direct insurance:						
Accident and health	1	1	(54)	(6)	(21)	(80)
Marine, aviation and transport	-	-	(1,213)	(6)	329	(890)
Fire and other damage to property	1	1	(11)	(6)	(5)	(21)
Third party liability	58	58	(188)	(246)	(1,193)	(1,569)
Credit and suretyship	-	-	-	-	-	-
Pecuniary loss	-	-	(1,259)	(8)	-	(1,267)
Motor	5	-	(7)	-	22	15
	60	60	(2,732)	(272)	(868)	(3,812)
Reinsurance	2	2	77	-	(6)	73
	62	62	(2,655)	(272)	(874)	(3,739)

2. Claims incurred net of reinsurers' share

	2019 £000	*2018 £000*
Gross technical provisions	29,137	40,197
Reinsurers' share of technical provisions	(4,538)	(6,674)
Net technical provisions	24,599	33,523

Notes to the annual financial statements (continued)
at 31 December 2019

2. Claims incurred net of reinsurers' share (continued)

Reconciliation of movements in year

2019	Gross £000	Reinsurers' share £000	Net £000
At 1 January 2019	40,197	(6,674)	33,523
Movement in technical account	(10,273)	2,075	(8,198)
Foreign exchange	(787)	61	(726)
At 31 December 2019	29,137	(4,538)	24,599

2018	Gross £000	Reinsurers' share £000	Net £000
At 1 January 2018	11,701	(1,440)	10,261
Movement in technical account	(9,621)	2,065	(7,556)
RITC received from syndicate 3334	37,650	(7,222)	30,428
Foreign exchange	467	(77)	390
At 31 December 2018	40,197	(6,674)	33,523

During the comparative year the syndicate accepted the reinsurance to close (RITC) for syndicate 3334, as detailed on page 4.

Claims development triangulations

Gross claims development as at 31 December 2019

Pure Underwriting year Estimate of gross claims incurred	*2011* *£000*	*2012* *£000*	*2018* *£000*	*Total* *£000*
After one year	53,018	18,454	244,154	
After two years	58,681	13,191	237,945	
After three years	63,758	10,015		
After four years	57,039	9,332		
After five years	58,247	11,483		
After six years	57,210	11,501		
After seven years	55,731	11,688		
After eight years	54,606	10,401		
Less gross claims paid	47,562	9,016	217,237	
Gross reserves	7,044	1,385	20,708	29,137

Notes to the annual financial statements (continued)
at 31 December 2019

Claims development triangulations (continued)

Net claims development as at 31 December 2019

Pure Underwriting year Estimate of gross claims incurred	***2011*** ***£000***	***2012*** ***£000***	***2018*** ***£000***	***Total*** ***£000***
After one year	37,898	10,673	224,383	
After two years	43,956	7,249	220,404	
After three years	49,514	6,926		
After four years	43,544	8,955		
After five years	45,603	9,046		
After six years	44,610	9,156		
After seven years	43,010	7,463		
After eight years	42,042			
Less net claims paid	36,068	6,553	202,689	
Net reserves	5,974	910	17,715	24,599

The above analysis is shown in Sterling. Paid claims have been accounted for at historical exchange rates for each calendar year with the reserves at each year end retranslated using the latest reporting date exchange rate so as to prevent foreign exchange fluctuations obscuring the view of the claims development.

3. Net operating expenses

	2019 ***£000***	***2018*** ***£000***
Administrative expenses	322	272

Administrative expenses include:		
Fees payable to the syndicate auditors for:		
Audit of the syndicate accounts	132	95
Other services relating to regulations and Lloyd’s byelaws	20	15

Administrative expenses, where they relate to unallocated loss adjustment expenses (ULAE), are treated as paid claims and charged against the ULAE reserve.

4. Employees

The following amounts were recharged to the syndicate in respect of salary and related costs:

	2019 ***£000***	***2018*** ***£000***
Wages and salaries	1,124	1,036
Social security costs	165	137
Other pension costs	82	75
	1,371	1,248

Salaries and related costs, where they relate to ULAE, are treated as paid claims and charged against the ULAE reserve.

4. Employees (continued)

The average number of employees working for the syndicate during the year was as follows:

	2019	***2018***
Administration and finance	8	5
Claims	-	1
	8	6

5. Directors' and run-off managers' emoluments

The following amounts in respect of emoluments paid to the directors of the managing agent and the run-off manager, M Langridge, were charged to the syndicate during the year:

	2019 ***£000***	***2018*** ***£000***
Run-off managers' emoluments	25	17
Other directors' emoluments	102	121
	127	138

M Langridge has stepped down as the Syndicate Run Off Manager and has been replaced by S Hennessey (regulatory approval received 24 February 2020).

6. Investment return

	2019 ***£000***	***2018*** ***£000***
Income from financial investments	436	245
Realised gains on investments	30	8
Unrealised gains on investments	82	75
Investment income	548	328
Realised losses on investments	(132)	(39)
Unrealised losses on investments	(41)	(19)
Investment expenses and charges	(27)	(2)
Allocated investment return transferred to the technical account from the non-technical account.	348	268

This can also be presented as follows:

Interest and similar income		
Interest from financial instruments designated at fair value	436	245
Other income from investments designated at fair value		
Realised gains and losses	(102)	(31)
Unrealised gains and losses	41	56
Other Investment income	-	-
Investment management expenses, including interest	(27)	(2)
	(88)	23

Notes to the annual financial statements (continued)
at 31 December 2019

7. Other financial investments

	2019	*2019*	*2018*	*2018*
	Cost	*Market value*	*Cost*	*Market value*
	£000	*£000*	*£000*	*£000*
Listed securities				
Shares and other variable yield securities	413	413	916	916
Debt securities and other fixed income securities	5,559	5,236	13,735	13,792
Participation in investment pools	2,058	2,000	-	-
Deposits with credit institutions	273	273	295	295
	8,303	7,922	14,946	15,003

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

	Level 1	*Level 2*	*Level 3*	*Total*
	£000	*£000*	*£000*	*£000*
Year ended 31 December 2019				
Shares and other variable yield securities and units in unit trusts	413	-	-	413
Debt securities and other fixed income securities	5,559	-	-	5,559
Participation in investment pools	273	-	-	273
Loans and deposits with credit institutions	273	-	-	273
Total	8,303	-	-	8,303
Year ended 31 December 2018				
Shares and other variable yield securities and units in unit trusts	-	916	-	916
Debt securities and other fixed income securities	-	13,792	-	13,792
Participation in investment pools	-	-	-	-
Loans and deposits with credit institutions	295	-	-	295
Total	295	14,708	-	15,003

In accordance with FRS 102 paragraph 11.27 the above financial instruments have been classified using three levels to estimate their fair values, with Level 1 being the most reliable. The levels within the fair value hierarchy are defined as follows:

Level 1: The unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (ie. developed using market data), for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (ie. for which market data is unavailable) for the asset or liability.

Notes to the annual financial statements (continued)
at 31 December 2019

8. Debtors

	2019	***2018***
Debtors due within one year	***£000***	***£000***
Due from intermediaries		
Amounts arising out of direct insurance operations	340	358
Amounts arising out of reinsurance operations	430	124
Other debtors	1,536	1,774
	2,306	2,256
Debtors due after one year		
CCI Asset valuation	5,076	8,917
	7,382	11,173

9. Overseas Deposits

	2019	***2018***
	£000	***£000***
Amounts advanced in other countries as a condition of carrying on business there, in particular Australia	3,020	4,471

10. Reconciliation of members' balances

	£000	***£000***
Members' balances at 1 January	(3,061)	(52)
Cash call made	3,000	-
Total comprehensive income for the financial year	(5,592)	(3,009)
Members' balances carried forward at 31 December	(5,653)	(3,061)

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

11. Creditors

	2019	***2018***
Creditors due within one year	***£000***	***£000***
Amounts arising out of:		
Reinsurance operations	412	575
Inter-syndicate loan (S1110)	2,500	3,500
Other creditors including taxation	112	112
	3,024	4,187

12. Regulatory capital requirements

Funds at Lloyd's

Every member of Lloyd's is required to hold additional capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are required primarily in case syndicate assets prove insufficient to meet members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. FAL is not hypothecated to any specific syndicate participation by a member, therefore there are no specific funds available to a syndicate which can be precisely identified as its capital.

In addition to the FAL and any additional funds a member may introduce to meet losses, there is a Central Guarantee Fund controlled by Lloyd's which they may utilise to meet any syndicate liabilities that are not met by a member.

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the financial services and markets Act 2000 and in accordance with Solvency II requirements.

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of syndicate 3330 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's capital and planning group. A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is 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 2018 was 35% of the member's SCR 'to ultimate'.

Notes to the annual financial statements (continued)
at 31 December 2019

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 (FAL), 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. There are no funds in syndicate held for this syndicate, accordingly all of the assets less liabilities of the syndicate, as represented by the member's balances reported on the balance sheet represent resources available to meet members' and Lloyd's capital requirements.

13. Derivatives
During the year, the syndicate has not held or purchased any derivative contracts.

14. Off-balance sheet items
The syndicate has not been party to an arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the syndicate.

15. Related parties
(i) A number of executive directors of Coverys at Lloyd's were also directors and approved persons of other UK subsidiaries of the Coverys Group (see note 16).
(ii) During the year Coverys MA Services Limited (CMAS), a UK subsidiary of the Coverys Group, was paid £1,687k (2018: £1,003k) by the syndicate for services provided. This amount has been charged at arms-length based on time spent by individuals. CMAS also provided a number of services to syndicate 3330 including Accommodation and Human Resources.
(iii) R McCoy, P Sloan and M Bell are directors of CMAS.
(iv) In 2018, syndicate 3330 borrowed funds from syndicate 1110. The closing balance was £2.5m (2018: £3.5m). Interest has been charged by syndicate 1110 on commercial terms. S1110 was managed by Coverys MA Services Limited and transferred to Capita Managing Agency on 25 October 2019.
(v) During the year funds relating to the 2018 year of account have been managed by AXA Investment Managers UK Limited (AXAIM) under an investment management agreement. The amount charged by AXAIM was £25k (2018: £12.5k) for the year.
(vi) During the year R&Q Central Services Limited was paid £1,252k by the syndicate for services provided. They provided IT for both years of account and claims handling and RI services to the 2017 year of account.

16. Controlling Party – Coverys Group
The ultimate Parent undertaking is Medical Professional Mutual Insurance company, a company registered in Massachusetts, USA.

The immediate parent undertaking is Coverys UK Holding Co. Limited which is registered in England and Wales.

Group Financial Statements are prepared by the immediate parent undertaking, Coverys UK Holding Co. Limited, a company registered in England & Wales, and can be obtained from Coverys UK Holding Co. Limited, 6th Floor, One Creechurch Place, London, EC3A 5AF.