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Syndicate 5820 Annual Report & Accounts

As at 31 December 2019

canopius

Contents

Syndicate 5820

Directors and Professional Advisors

MANAGING AGENT:

AmTrust Syndicates Limited (until 1 October 2019)

Directors

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

Registered office
Exchequer Court
33 St Mary Axe
London, EC3A 8AA

Managing Agent's registration No. 04434499

FCA firm registration No. 226696

SYNDICATE:

Run-off Management

Director responsible:

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

Run-off manager:

G Ross	Resigned 01/10/2019

Directors and Professional Advisors

MANAGING AGENT:
Canopius Managing Agents Limited (from 1 October 2019)

Directors

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

Registered office
Gallery 9
One Lime Street
London
EC3M 7HA

Managing Agent's registration No. 01514453

FCA firm registration No. 204847

Run-off Management

Executive responsible:
S Lacy Appointed 01/10/2019

Run-off manager:
A Howarth Appointed 01/10/2019

Bankers
Lloyds Bank PLC
Citibank N.A.
Royal Bank of Canada

Investment Manager
AII Insurance Management Limited

Statutory Auditor
Ernst & Young LLP ("EY")
25 Churchill Place, Canary Wharf, London, E14 5EY

Report of the Directors of the Managing Agent

The directors of Canopius Managing Agents Limited (‘CMA’), the managing agent for Syndicate 5820, present the annual report and audited financial statements for the Syndicate for the year ended 31 December 2019.

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, “The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland” (“FRS102”), Financial Reporting Standard 103, “Insurance Contracts” and the Companies Act 2006. Furthermore, these financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Review of the business

Syndicate 5820’s principal activity continued to be the transaction of general insurance and reinsurance business as the Syndicate runs-off its business. This follows the previous managing agent’s decision to consolidate all of its non-life underwriting activities into Syndicate 1861, another Syndicate now managed by CMA and previously managed by AmTrust Syndicates Limited (‘ASL’), for the 2018 year of account onwards.

Significant events

With effect from 1 October 2019, as part of Canopius’ acquisition of AmTrust’s non-life Lloyd’s operations, the managing agency of the Syndicate was novated from ASL to CMA. At the same time, the Syndicate’s sole capital provider Flectat 2 Ltd (formerly AmTrust Corporate Member Limited) was acquired by the Canopius Group. During the third quarter, and in preparation for this transaction, the retained loss of £10.8m on the 2017 year of account at 31 December 2018 was called.

The Syndicate has been operating under a run-off closure plan since 1 January 2018 following ASL’s decision to concentrate its non-life underwriting in Syndicate 1861 for the 2018 year of account onwards. At 31 December 2018 the 2016 & Prior years of account of the Syndicate closed by way of an external reinsurance to close transaction with Syndicate 2008, a syndicate managed by Starstone Underwriting Limited. This left the 2017 year of account as the sole remaining business of the Syndicate.

At 31 December 2019, in line with the run-off closure plan, the 2017 year of account of the Syndicate closed by way of a reinsurance to close transaction into the 2018 year of account of Syndicate 1861 thus concluding the business of Syndicate 5820.

Report of the Directors of the Managing Agent

Key performance indicators ('KPIs')

The CMA Board monitors the progress of the Syndicate by reference to the following KPIs:

	2019 £m	2018 £m
Gross premiums written	5.2	69.5
Earned premiums, net of reinsurance	44.1	185.4
Investment return	2.3	0.3
(Loss) / profit for the year	-2.6	3.3
Gross claims ratio[1]	46.8%	32.0%
Net claims ratio[2]	45.8%	35.3%
Expense ratios[3]		
- Acquisition ratio	57.4%	59.9%
- Administrative Expense ratio	7.3%	3.4%
Combined operating ratio[4]	110.5%	98.6%
Investment return, on average invested balances[5]	3.6%	0.3%

[1]The gross claims ratio is the ratio of gross claims incurred to gross premiums earned gross of reinsurance and acquisition costs
[2]The net claims ratio is the ratio of net claims incurred to premiums earned net of reinsurance and gross of acquisition costs
[3]The expense ratios are the ratios of the acquisition cost and operating expenses to earned premiums net of reinsurance and gross of brokerage and commissions.
[4]The combined ratio is the ratio of net claims incurred, acquisition costs and net operating expenses to net premiums earned
[5]Investment return is calculated as the combined investment income for the period divided by the average of the opening and closing investments, cash and overseas deposit balances.

Results and performance

The results of the Syndicate for the year are set out on pages 11 and 12. In 2019, Syndicate 5820 recorded a loss of £2.6m (2018: £3.3m profit) with a combined ratio of 110.5% (2018: 98.6%). The main drivers of the Syndicate's performance were:

- An underwriting loss before expenses, investment income and foreign exchange of £1.4m (2018: profit of £8.8m) following adverse actual vs expected claims experience in the period. In particular the Motor Warranty book within the Consumer Products portfolio experienced an increase in attritional claims activity and the 1861-led Casualty consortium was impacted by an increase in the number of large losses reported.

- A 3.9% increase in the expense ratio following a large reduction in net earned premiums and a significant element of non-variable costs incurred in running off the business.

  Net earned premiums were £44.1m for the year (2018: £185.4m) reflective of the 2017 year of account being in its third year of development whilst operating expenses were £3.2m (2018: £6.3m).

- The acquisition ratio has reduced by 2.5% from 2018 as a result of changes to the mix of business earning in the period - the 2018 results included the 2016 & Prior years of account which underwrote some particularly high acquisition ratio business. The Syndicate's acquisition ratio is significantly higher than other Property & Casualty syndicates, driven by the Consumer Products classes which make up the majority of the business of the Syndicate

- The Syndicate benefited from the reversal of previous period mark-to-market losses on its fixed income debt portfolio in generating overall investment income of £2.3m (2018: £0.3m) despite the considerable reduction in investible assets following the reinsurance to close of the 2016 & Prior years of account at 31 December 2018.

- The 2017 year of account of Syndicate 5820 closed with a reported loss of £13.4m representing a loss of stamp of 10.2%.

Strategy

The strategy for the Syndicate has been to manage the run-off of the 2017 year of account in line with the run-off closure plan overseen by Lloyd's Open Year Management. The strategy was successfully implemented during the period culminating in the closure of the Syndicate at 31 December 2019.

Future developments

Following the conclusion of a reinsurance to close arrangement with Syndicate 1861's 2018 year of account at 31 December 2019, the Syndicate's liabilities have been transferred and consequently the Syndicate has ceased to exist. Final loss collections of £2.6m will be called in April 2020.

Principal risks and uncertainties

Until 1 October 2019 the Syndicate was subject to the risk management framework of ASL. Following novation, the Syndicate operated under CMA's risk management framework.

The process of risk acceptance and risk management is addressed through a framework of policies, procedures and internal controls. Risk management is an on-going process providing for the systematic analysis, handling and reporting of risks and their comparisons with risk appetites, effectiveness of controls, risk events and near misses as well as emerging risks. This process also includes setting and monitoring actions to mitigate risk and to return metrics to within appetite.

All policies are subject to Board approval and ongoing review by management, risk management and internal audit. The Audit Committee is responsible for satisfying itself that an effective internal control framework exists to manage financial risks and that controls operate effectively.

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

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

Going concern

Following the closure of the final year of account at 31 December 2019 into Syndicate 1861's 2018 year of account, the Syndicate ceased to exist. Accordingly these accounts have been prepared on a basis other than going concern. This has had no impact on the carrying value of the Syndicate's assets and liabilities.

Directors

The directors of the managing agent who served from 1 January 2019 to the date of this report are shown on pages 2 & 3. None of the directors had an allocated premium limit on the Syndicate, on either an unlimited or limited liability basis, for any of the 2016 to 2017 years of account.

Statement of disclosure of information to auditors

In the case of each of the persons who are directors of the managing agent at the time the report is approved:

- So far as the director is aware, there is no relevant audit information, being information needed by the Syndicate's auditor in connection with the auditor's report, of which the auditor is unaware; and

Report of the Directors of the Managing Agent

- Having made enquiries of fellow directors of the agency and the Syndicate's auditor, 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 auditor is aware of that information.

Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the directors of the managing agent to prepare syndicate annual accounts each year which give a true and fair view, in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice, of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing those financial statements, the managing agent is required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate accounts; and
- Prepare the syndicate accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to do so.

The managing agent confirms that it has complied with the above requirements in preparing the syndicate accounts. The directors of the managing agent are responsible for keeping proper accounting records that disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the syndicate accounts comply with the 2008 Regulations. The managing agent 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.

Independent Auditors

During the year the managing agent appointed Ernst & Young LLP as the auditors for the Syndicate.

Following the completion of the reinsurance to close arrangement and closure of the Syndicate, Ernst & Young LLP will resign as the Syndicate's auditor.

By order of the Board of the managing agent.

N S Meyer
Chief Financial Officer
London
5 March 2020

Independent Auditor's Report to the Members of Syndicate 5820

for the year ended 31 December 2019

Opinion

We have audited the syndicate annual accounts of syndicate 5820 ('the syndicate') for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Changes in Member's Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 29, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2019 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the syndicate annual accounts section of our report below. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Emphasis of matter – closure of the 2017 year of account

We draw attention to note 1 which explains that the 2017 year of account of syndicate 5820 has closed and all assets and liabilities transferred to the 2018 year of account of syndicate 1861 through a reinsurance to close arrangement at 31 December 2019. Syndicate 5820 has no successor year of account.

As a result, syndicate 5820 is no longer a going concern. The reinsurance to close occurs in the normal course of business for a syndicate year of account at the 36 months stage of development and the Annual Accounts have been prepared on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business.

Our opinion is not modified in respect of this matter.

Other information

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

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

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

We have nothing to report in this regard.

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008

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

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

Matters on which we are required to report by exception

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

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

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

Independent Auditor's Report to the Members of Syndicate 5820

for the year ended 31 December 2019

Responsibilities of the directors of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

Auditor's responsibilities for the audit of the syndicate annual accounts

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

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

Use of our report

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

Michael Purrington (Senior statutory auditor)

for and on behalf of Ernst & Young LLP, Statutory Auditor

London

5 March 2020

Income Statement: Technical Account – General Business

for the year ended 31 December 2019

		2019		2018	
	Notes	**£000**	**£000**	£000	£000
Earned premiums, net of reinsurance					
Gross premiums written	7	5,192		69,457	
Outward reinsurance premiums		(785)		779	
Net premiums written		4,407		70,236	
Change in the provision for unearned premiums:					
Gross amount	24	40,645		122,555	
Reinsurers' share	24	(935)		(7,395)	
Change in the net provision for unearned premiums		39,710		115,160	
Earned premiums, net of reinsurance			44,117		185,396
Allocated investment return transferred from the non-technical account	14		2,300		301
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(29,805)		(93,059)	
Reinsurers' share		3,356		14,847	
Net claims paid		(26,449)		(78,212)	
Change in the provision for claims					
Gross amount	24	8,361		31,629	
Reinsurers' share	24	(2,119)		(18,938)	
Change in the net provisions for claims		6,242		12,691	
Claims incurred, net of reinsurance			(20,207)		(65,521)
Net operating expenses	10, 11		(28,543)		(117,350)
Balance on the technical account for general business			(2,333)		2,826

The Syndicate ceased underwriting with effect from 1 January 2018 and therefore there are no component parts of the business to be separately classified and disclosed as discontinued.

Income Statement: Non-technical Account

for the year ended 31 December 2019

	Notes	2019 £000	2018 £000
Balance on the general business technical account		(2,333)	2,826
Investment income	14	261	2,560
Realised gains / (losses) on investments	14	1,388	(770)
Net unrealised gains / (losses) on investments	14	675	(1,387)
Investment expenses and charges	14	(24)	(102)
Allocated investment return transferred to the general business technical account		(2,300)	(301)
Other income/charges		-	-
(Loss) / profit on exchange	10	(248)	459
Total comprehensive (loss) / profit for the year		(2,581)	3,285

The Syndicate ceased underwriting with effect from 1 January 2018 and therefore there are no component parts of the business to be separately classified and disclosed as discontinued.

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

Statement of Change in Member's Balances

for the year ended 31 December 2019

	2019 £000	2018 £000
Member's balances at 1 January	(19,316)	(29,503)
Adjustment for 2016 & Prior external reinsurance to close	8,088	-
Total comprehensive (loss) / income for financial year	(2,581)	3,285
Amount received from member's personal reserve fund	10,807	6,820
Movement in non-standard personal expenses	401	82
Member's balances at 31 December	**(2,601)**	**(19,316)**

Statement of Financial Position – Assets

at 31 December 2019

		2019		2018	
	Notes	**£000**	**£000**	*£000*	*£000*
Investments					
Other financial investments	15		22,911		90,907
Deposits with ceding undertakings					
Reinsurers' share of technical provisions					
Provision for unearned premiums	24	52		5,753	
Claims outstanding	24	6,088		20,807	
			6,140		26,560
Debtors					
Debtors arising out of direct insurance operations	16	8,189		47,624	
Debtors arising out of reinsurance operations	17	2,369		3,428	
Other debtors	18	121		3,198	
			10,679		54,250
Other assets					
Cash at bank and in hand			3,389		1,462
Overseas deposits	19		1,912		8,882
Prepayments and accrued income					
Deferred acquisition costs	23	28,003		124,907	
Other prepayments and accrued income		225		937	
			28,228		125,844
Total assets			73,259		307,905

Statement of Financial Position – Liabilities

at 31 December 2019

		2019		2018	
	Notes	**£000**	**£000**	£000	£000
Capital and reserves					
Member's balances	2		(2,601)		(19,316)
Technical provisions					
Provision for unearned premiums	24	52,917		224,169	
Claims outstanding	24	19,628		86,423	
			72,545		310,592
Creditors					
Creditors arising out of direct insurance operations	20	1,106		8,894	
Creditors arising out of reinsurance operations	21	1,002		3,178	
Other creditors	22	304		1,632	
			2,412		13,704
Accruals and deferred income			903		2,925
Total liabilities			73,259		307,905

The financial statements on pages 11 to 41 were approved by the Board of CMA on 3 March 2020 and were signed on its behalf by:

N S Meyer
Chief Financial Officer
5 March 2020

Statement of Cash Flows

for the year ended 31 December 2019

	2019		*2018*	
	£000	***£000***	*£000*	*£000*
Cash flows from operating activities				
(Loss) / Profit for the year	(2,581)		3,285	
Decrease in gross technical provisions	(238,047)		(148,855)	
Decrease in reinsurers' share of gross technical provisions	20,420		25,262	
Decrease in debtors	43,571		21,391	
Decrease in creditors	(11,292)		(8,299)	
Movement in other assets/liabilities	95,594		80,579	
Investment return	(2,300)		(301)	
Foreign exchange	47		(48)	
Net cash outflow from operating activities		(94,588)		(26,986)
Cash flows from investing activities				
Purchase of equity and debt instruments	(35,021)		(135,477)	
Sale of equity and debt instruments	101,003		153,432	
Investment income received	1,625		2,473	
Foreign exchange	2,689		(3,175)	
Movement in overseas deposits	6,970		(723)	
Net cash inflow from investing activities		77,266		16,530
Cash flows from financing activities				
Amount received from member's personal reserve fund	18,895		6,820	
Net cash outflows from financing activities		18,895		6,820
Non-standard personal expenses		401		82
Foreign exchange on cash and cash equivalents		(47)		48
Net increase / (decrease) in cash and cash equivalents		1,927		(3,506)
Cash at bank and in hand				
Cash and cash equivalents at beginning of year		1,462		4,968
Cash at bank and in hand				
Cash and cash equivalents at end of year		3,389		1,462

Notes to the Financial Statements

for the year ended 31 December 2019

1. Statement of compliance & basis of preparation

These financial statements have been prepared in compliance with United Kingdom Accounting Standards, including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ("FRS102"), Financial Reporting Standard 103, "Insurance Contracts" 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. Furthermore, these financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

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

Following the conclusion of a reinsurance to close arrangement with Syndicate 1861, another syndicate managed by CMA, effective 31 December 2019, Syndicate 5820 ceased to exist. Accordingly these accounts have been prepared on a basis other than going concern. This has had no impact on the carrying value of the Syndicate's assets and liabilities.

As permitted by FRS 103 the Syndicate continues to apply the existing accounting policies that were applied prior to this standard for its insurance contracts.

Following the novation of the management of the Syndicate from ASL to CMA during the year, the financial statements have been prepared on a basis consistent with CMA's other managed syndicates. As a result certain disclosures differ in their basis of preparation from those presented in the prior year financial statements and consequently the prior year comparatives have been re-presented. All such applicable notes are denoted by '*'.

2. Member's balances and Funds at Lloyd's ("FAL")

The member's balances on the balance sheet shows a deficit of £2.6m (2018: deficit £19.3m). The ability of the Syndicate to meet its obligations as they fall due is underpinned by the member's Funds at Lloyd's and the support provided by the Lloyd's chain of security for any members who are unable to meet their underwriting liabilities. FAL is further explained in Note 29.

3. Summary of significant accounting policies

a. Insurance contracts

Insurance contracts (including inwards reinsurance contracts) are defined as those that transfer significant insurance risk. Insurance risk is considered significant if, and only if, an insured event could cause an insurer to pay significant additional benefits above the premiums received and interest earned thereon, excluding scenarios that lack commercial substance. Such contracts remain insurance contracts until all rights and obligations are extinguished or expire.

Contracts that do not transfer significant insurance risk are accounted for as financial transactions. The Syndicate adopts an annual basis of accounting for insurance contracts whereby the incurred cost of claims, commissions and related expenses are charged against the earned proportion of premiums, net of reinsurance.

Gross premiums written, stated gross of acquisition costs and exclusive of premium taxes, relate to business incepted during the year and adjustments to premiums booked in prior years and includes estimates, based on underwriting estimates or past experience, of premiums due but not yet receivable or notified to the Syndicate by intermediaries. Additional or return premiums are treated as a re-measurement of the initial premium.

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated by reference to the expected incidence of risk over the period of cover.

3. Summary of significant accounting policies (continued)

a. Insurance contracts (continued)

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

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

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

The provision for reinsurers' share of unearned premiums represents that part of reinsurance premiums written which is estimated to be earned in the following financial years.

There are a number of different types of business written by the Syndicate, including property, liability and marine business, broadly categorised as either "short tail" or "long tail" business. The Syndicate also writes reinsurance business. The characteristics of this business mirror those of the underlying business ceded to the Syndicate.

The accounting policies for insurance claims and claims settlement expenses are considered in Note 4 (Critical accounting judgements and estimation uncertainty).

Short Tail Business

For "short tail" business there is typically no significant delay between the occurrence of the claim and the claim being reported. The costs of claims notified at the balance sheet date are estimated on a case-by-case basis to reflect the individual circumstances of each claim. The ultimate expected cost of claims, including provisions for claims incurred but not reported ("IBNR"), is projected from this data by reference to statistics, which show how estimates of claims incurred in previous periods have developed over time.

Longer tail business

For longer tail business there is typically a delay between the occurrence of a claim and the claim being reported. Consequently a larger element of the claims provision relates to IBNR claims. Claims estimates for business in this category are derived from a combination of loss ratio based estimates and estimates based upon actual claims experience, using a predetermined formula whereby greater weight is given to actual claims experience as time passes. The initial estimates of the claims provisions are based on the experience of previous years and benchmarks adjusted for factors such as premium rate changes and claims inflation. For liability claims, the assessment of claims is particularly sensitive to the level of court awards and to the development of legal precedent on matters of contract and tort. The liability classes of business are also subject to the emergence of new types of latent claims.

b. Unexpired risk reserves

At each balance sheet date tests are performed to ensure the adequacy of the unearned premium reserve, net of associated deferred acquisition costs, to cover future claims liabilities. In performing these tests, estimates of future premiums and claims cash flows, claims handling expenses and investment income from the assets backing such liabilities are considered and compared to the balances in the unearned premium reserve and deferred acquisition costs. Provision is made for any deficiencies by establishing an unexpired risk reserve.

Unexpired risk surpluses and deficits are offset where business classes are managed together and a provision is made if an aggregate deficit arises. Unexpired risk reserves, where relevant, are included within "claims outstanding" in the balance sheet.

At 31 December 2019 the Syndicate did not have an unexpired risks provision (31 December 2018: £Nil)

3. Summary of significant accounting policies (continued)

c. Deferred acquisition costs

Acquisition costs comprise costs arising from the inception of insurance contracts. They include both direct costs, such as intermediary commissions and indirect costs, such as the administrative expenses associated with the issuing of policies.

Deferred acquisition costs represent the proportion of commission and other acquisition costs relating to policies in force at the period-end, that cover subsequent reporting periods. These are amortised over the period in which the related premiums are earned.

d. Reinsurance to close ("RITC")

Each syndicate's underwriting year of account is normally closed after the end of the third year by means of reinsurance into the following underwriting year of account, which reinsures all liabilities for the closed year in return for a premium determined by the syndicate's managing agent.

Third party RITCs, either inwards or outwards, are not reported as income but recognised as a transfer of assets and liabilities.

e. Outwards reinsurance contracts

Outwards reinsurance contracts are contracts entered into by the syndicate with reinsurers whereby the syndicate may recover a proportion of losses on contracts written by the syndicate. Contracts that do not transfer significant insurance risk are accounted for as financial transactions.

The benefits to which the Syndicate is entitled under its outwards reinsurance contracts are recognised as reinsurance assets. These assets consist of short term balances due from reinsurers as well as longer term receivables that are dependent on the expected claims and benefits arising under the related insurance contracts. These balances are based on calculated amounts of outstanding claims and projections for IBNR, having regard to the reinsurance programme in place for the class of business and the claims experience for the period, net of estimated irrecoverable amounts after assessing the current security rating of the reinsurer involved. Reinsurance liabilities are primarily premiums payable for reinsurance contracts.

The Syndicate assesses its reinsurance assets for impairment. If there is evidence of impairment, then the carrying amount is reduced to its recoverable amount and the impairment loss is recognised in the profit and loss account.

f. Receivables and payables related to insurance contracts

Receivables and payables include amounts due to and from agents, brokers and insurance contract holders. If there is evidence that the insurance receivable is impaired, the Syndicate reduces the carrying amount of the insurance receivable accordingly and recognises that impairment loss in the profit and loss account.

g. Financial assets

The Syndicate states financial assets at fair value.

The Syndicate classifies its financial assets into the following categories: financial assets at fair value through profit and loss, and loans and receivables. The Syndicate does not invest in derivative financial instruments and there are no assets classified as available for sale.

The classification depends on the purpose for which the investments were acquired. Management determines the classification of its investments at initial recognition.

Financial assets and liabilities are offset and the net amount reported in the balance sheet only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

3. Summary of significant accounting policies (continued)

g. Financial assets (continued)

(i) Financial assets at fair value through profit and loss

The Syndicate classifies its investments at fair value through profit and loss.

Purchases and sales of investments are accounted for at their fair values (normally their cost of acquisition or proceeds of disposal) on the trade date, which is the date the Syndicate commits to purchase or sell the assets.

The fair value of quoted investments is based on quoted bid prices. Realised and unrealised gains and losses arising from the changes in fair values are included in investment return in the profit and loss account in the period in which they arise. Unquoted investments are initially carried at cost as the best estimate of fair value, which is adjusted using appropriate valuation techniques and having regard to subsequent events or changes in circumstances.

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

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

(ii) Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market, are not intended to be sold in the short term and do not fall into the other categories of financial assets as described above. Loans and receivables are measured at fair value. Appropriate allowances for estimated irrecoverable amounts are recognised in the profit and loss account when there is objective evidence that the Syndicate will not be able to collect all amounts due according to their original terms. These are reversed if the payment is received. Receivables arising from insurance contracts are classified in this category and are reviewed for impairment as part of the impairment review of loans and receivables.

(iii) Cash and cash equivalents

Cash and cash equivalents includes cash in hand, deposits held at call with banks, other short-term highly liquid investments with original maturities of three months or less and bank overdrafts. Bank overdrafts are shown within borrowings in current liabilities.

Lloyd’s overseas deposits are not included within the balance of cash at bank and in hand on the Balance Sheet. These are recognised separately in their own category within other assets.

h. Foreign currencies

In accordance with FRS102, the functional currency is the currency of the primary economic environment in which the Syndicate operates. The functional currency for Syndicate 5820 is Sterling. The statutory report and accounts are also presented in Sterling. FRS 102 requires all foreign currency transactions to be translated into the functional currency at the transactional rate of exchange. Transactions in US dollars, Canadian dollars, Euros and Australian dollars, the Syndicate’s non-functional settlement currencies, are translated to Sterling at the average rates of exchange for the period. Underwriting transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

At the period end, the monetary foreign currency items are translated to Sterling at the closing rate with any difference being recorded in the non-technical account. For the purposes of applying the requirements of Section 30 Foreign Currency Translation of FRS 102, all assets and liabilities arising from insurance contracts are treated as monetary items.

i. 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.

4. Critical accounting judgements and estimation uncertainty

Insurance claims and claims settlement expenses

Insurance claims and claims settlement expenses comprise claims and related expenses paid in the year and changes in the provisions for outstanding claims, including provisions for IBNR and related expenses, together with any other adjustments to claims from prior years.

Provision is made at the period-end for the estimated cost of claims incurred but not settled at the balance sheet date, including the cost of claims incurred but not yet reported to the Syndicate. The estimated cost of claims includes expenses to be incurred in settling claims and a deduction for the expected value of salvage and other recoveries. There is inherent uncertainty in establishing claims provisions and it is likely that the final outcome will prove to be different from the original estimate of the liability. Adjustments to the amounts of claims provisions established in prior years are included in the financial statements in the period in which the adjustments are made. The claims provisions are reviewed regularly.

Estimating claims IBNR is inherently more uncertain than the cost of claims notified, for which more information about the claim event is generally available.

Classes of business where the IBNR proportion of the total claims provisions is high will typically display greater variations between initial estimates and final outcomes because of the greater degree of difficulty of estimating these reserves. Classes of business where claims are typically reported relatively quickly after the claim event tend to display lower levels of volatility in the claims provisions.

Where possible the Syndicate adopts multiple techniques to estimate the required level of claims provisions. This assists in giving greater understanding of the trends inherent in the data being projected. The projections given by the various methodologies also assist in setting the range of possible outcomes. The most appropriate estimation technique is selected taking into account the characteristics of the business class and the extent of the development of each underwriting year of account.

Allowance is made for changes or uncertainties which may create distortions in the underlying statistics or which might cause the cost of unsettled claims to increase or reduce when compared with the cost of previously settled claims including:

- changes in the business environment or processes which might accelerate or slow down the development and/or recording of paid or incurred claims compared with the statistics from prior periods;
- changes in the legal environment;
- the effects of inflation;
- changes in the mix of business;
- the impact of large losses; and
- movements in industry benchmarks.

A component of these estimation techniques is usually the estimation of the cost of notified but not paid claims. In estimating the cost of these the Syndicate has regard to the claim

4. Critical accounting judgements and estimation uncertainty (continued)

circumstance as reported, any information available from loss adjusters and information on the cost of settling claims with similar characteristics in previous periods.

Large claims and catastrophe events impacting each relevant business class are generally assessed separately, being measured on a case-by-case basis or projected separately in order to allow for the possible distortive effect of the development and incidence of these large claims.

Claims provisions are calculated gross of any reinsurance recoveries. A separate estimate is made of the amounts that will be recoverable from reinsurers. An assessment is also made of the recoverability of reinsurance recoveries having regard to available data on the financial strength of each of the reinsurance companies.

Claims reserved as non-life annuities are discounted for investment earnings that may be expected to arise in the future on funds retained to meet the future liabilities. All other claims provisions are undiscounted.

Premium estimates

Gross written premiums include an estimate of the total premiums expected to be received under each insurance and reinsurance contract. Revenue recognised on policies written through contracts with third parties, such as binding authorities and line slips, is calculated based on the estimated underlying inception profile of each contract and, therefore, this premium recognition is judgmental. Further adjustments to estimates from previous years are also included in the reported premiums for the relevant underwriting years.

Reinstatement premiums are estimated in accordance with the contract terms and recorded based upon paid losses and claims reserves.

Premium estimation uses expert judgement, the quality of the estimate being influenced by the nature and maturity of the portfolio, availability of timely data, relevant underwriting input to the estimating process and management review. Gross written premium estimates are reviewed regularly using underwriter estimates and actuarial projections.

Financial investments

The Syndicate uses prices provided by third party suppliers, investment managers and counterparty banks in determining the fair value of financial assets. Depending on the methods and assumptions used, for example, in the fair valuation of Level 2 and Level 3 financial assets, the fair valuation can be subject to estimation uncertainty. These methods and assumptions are described in Note 5 below.

5. Management of risk

The Syndicate has identified the principal risks and uncertainties arising from its activities and has established policies and procedures to manage these items in accordance with its risk appetite. The sections below explain how the Syndicate defines and manages each category of risk.

As a consequence of the final year of account of the Syndicate reinsuring to close into another syndicate, the residual risks to the members on the closed year have been minimised. The risk disclosure requirements of section 34 of FRS 102 are included below although the risks have been transferred to the Syndicate accepting the reinsurance to close. It should, however, be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter.

a. Insurance risk

Insurance risk is defined as the risk of fluctuations in the timing, frequency and severity of insured events and claims settlements, relative to expectations. Syndicate 5820’s exposure to insurance risk arises from underwriting/pricing, insurance concentrations, reserving and reinsurance. The Board of CMA seeks to mitigate insurance risk by analysing historical pricing and claims

5. Management of risk (continued)

a. Insurance risk (continued)

experience, setting a tolerance to concentration risk, monitoring performance, and conducting in-house actuarial reviews of claims provisions, independent of the underwriting teams.

The Syndicate has formal controls in place to ensure that business is underwritten in a controlled environment by reference to both the annual business plan and in line with underwriting policy. Preventative controls include underwriting authority limits which are agreed and signed off by the Active Underwriter, divisional and Group underwriting guidelines and benchmark ratings for all underwriting divisions. Detection controls include exception reports where authority limits are exceeded, expert review procedures, peer reviews and internal audit reviews.

Syndicate 5820 is exposed to potentially significant losses arising from natural catastrophe events such as windstorm, earthquake or flood. CMA quantifies catastrophe risk exposures using proprietary modelling software in conjunction with the principal underwriting systems to assess and model catastrophe exposures. The modelling tools are used in conjunction with CMA's knowledge of the business, historical loss information and geographic accumulations to monitor aggregation and to simulate catastrophe losses. The range of scenarios considered includes natural catastrophe, property, marine, liability and terrorism events.

CMA's capital setting methodology enables modelling to be performed in a sophisticated, but practical, manner particularly in determining the correlations between catastrophe exposed classes of business. Stochastic models use event tables which capture directly the different geographic distributions of risk in the various lines of business.

Effective risk management in non core areas and from non modelled perils is ensured using a suite of exposure accumulation and aggregation monitoring techniques and proprietary deterministic models.

As a guide to the level of concentration of exposure the Syndicate writes, the following table shows the Syndicate's 1:100 probabilistic modelled exposure to its three largest natural catastrophe perils during 2019:

Peril	Gross Loss £m	Final Net Loss £m
North Atlantic Hurricane	1.7	0.6
Caribbean Earthquake	0.6	0.6
North America Tornado	0.1	0.1

The managing agent manages insurance risks on behalf of the Syndicate, including the following:

- inappropriate underwriting activities and cycle management;
- inadequate catastrophe exposure management; and
- inadequate or insufficient reinsurance protection.

The underwriters, supported by the actuarial pricing team, use their expertise and experience to determine the likely claims cost and, therefore, the premium that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and to produce an acceptable profit in line with the agreed business plan.

Due to the nature of insurance risk, however, the premium charged may not be sufficient to cover the cost of claims. The shortfall may result from insufficient premium being calculated and charged or from an unexpected or unprecedented high level of claims.

A number of controls are employed to limit insurance exposures. Each year a business plan is prepared and agreed by the Board which sets the premium income targets and exposures to be written in total and for each class of business. Progress against this plan is monitored by the Board during the year.

Insurance liabilities are assumed through individual risk acceptances, reinsurance treaties or binding authorities. Binding authorities delegate underwriting authority to other underwriters, or

5. Management of risk (continued)

a. Insurance risk (continued)

agents acting as coverholders, who use their judgement to write risks on Syndicate 5820's behalf under clear authority levels. In such situations, the coverholders' activities are closely monitored and reviewed, and periodic on-site audits are carried out to ensure that the terms of the delegated authorities are being adhered to.

The Syndicate is also exposed to the risk of:

- inappropriate claims reserves;
- inappropriate payment of claims.

All claims arising are reserved upon notification. The entire portfolio of business is subject to a quarterly reserving process whereby levels of paid and outstanding claims are reviewed. Potential future claims are assessed with a provision for IBNR claims being made. The quarterly review process is overseen by the Reserving Committee. Whilst a detailed and disciplined reserving exercise is carried out, known claims can develop beyond the level of reserves held.

Furthermore, there is increased uncertainty around the provision for IBNR claims. Consequently, there is a possibility that claims may arise which in aggregate exceed the reserve provision established. In the event that claims do not develop in line with expectations, the Reserving Committee will seek to release any redundant reserves.

The Syndicate purchases specific reinsurances to protect against single risk losses. The Syndicate also purchases general excess of loss reinsurance to protect from severe losses.

The structure of the programme and type of protection bought will vary from year to year depending on risk appetite and the availability and price of cover.

(i) Development of claims

The claims provisions established can be more or less than adequate to meet eventual claims. The level of uncertainty varies from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR. The impact on profit of a 1% improvement/deterioration in the total net claims reserves would be a £0.1m gain/loss (2018 including the 2016 & Prior years which RITC'd externally: £0.6m gain/loss, 2018 excluding these years: £0.2m gain/loss).

(ii) Claims development tables

The development of insurance liabilities provides a measure of the Syndicate's ability to estimate the ultimate value of claims. Historic development includes a mix of prior year releases and deteriorations, and in 2019 gross and net deteriorations occurred.

The tables below are presented at the exchange rates prevailing at 31 December 2019.

At 31 December 2019	**Gross of reinsurance**	**Net of reinsurance**	**[1]Gross of reinsurance including unearned premium**	**[1]Net of reinsurance including unearned premium**
2017 Year of Account	**£'000**	**£'000**	**£'000**	**£'000**
At end of underwriting year	39,717	18,583	128,785	104,477
One year later	69,073	51,743	113,968	95,420
Two years later	90,310	71,792	115,906	97,336
Gross ultimate claims on premium earned to date	90,310	71,792	-	-
Cumulative payments	(70,682)	(58,252)	-	-
Estimated balance to pay	19,628	13,540	-	-

[1]Claims development is expected over the first 3 years of a year of account as the business written, and as yet unwritten, writes and earns. This analysis includes unearned and unwritten premiums net of acquisition costs, together with earned claims, to provide a comparison of development to ultimate. A reduction would be expected over time reflecting the underwriting profit earning on unearned and unwritten business.

5. Management of risk (continued)

b. Financial risk

The Syndicate is exposed to a wide range of financial risks, the key financial risk being that the proceeds from its assets are not sufficient to fund the obligations arising from its insurance contracts. An analysis of the Syndicate's exposure to the significant components of financial risk is given below split between:

(i) Market risk (including interest rate risk);
(ii) Credit risk (including Fair Value Hierarchy);
(iii) Currency risk; and
(iv) Liquidity risk.

(i) Market risk

Market risk arises from fluctuations in values of, or income from, assets or in interest or exchange rates and is derived primarily from the Syndicate's investment of trust fund monies and from currency exposures. The Board has agreed an investment strategy commensurate with the Syndicate's risk appetite.

Interest rate risk

CMA manages sensitivity to market conditions by reference to interest rate risk. Since the majority of the Syndicate's investments comprise cash, overseas deposits and fixed income securities, the fair value of the portfolio is inversely correlated to movements in interest rates. If interest rates fall, the fair value of the Syndicate's fixed income securities tends to rise and vice versa. The fair value of fixed income investments in the Syndicate's balance sheet at 31 December 2019 was £22.3m (2018: £89.1m) with an average duration of around 2.9 years (2018: 3.9 years). If interest rates were to rise/(fall) by 50 basis points at the balance sheet date, the fair value and therefore the profit for the financial year and member's balances would decrease/(increase) by approximately £0.3m (2018: £1.7m).

The Syndicate manages interest rate risk by investing in financial investments, cash and overseas deposits with an average duration of less than four years. The Investment Committee monitors the duration of these assets on a regular basis.

Outstanding claims provisions are not sensitive to the level of interest rates as they are undiscounted and contractually non-interest bearing.

(ii) Credit risk

Credit risk is the risk that the Syndicate becomes exposed to loss if a counterparty fails to perform its contractual obligations. Credit risk could, therefore, impact upon the Syndicate's ability to meet its claims as they fall due. The Syndicate has in place policies and procedures designed to manage its credit risk exposures.

The primary sources of credit risk for the Syndicate are:

- amounts due from reinsurers,
- amounts due from insurance intermediaries, and
- counterparty risk with respect to investments including cash and cash equivalents.

The credit risk in respect of reinsurance debtors is primarily managed by review and approval of reinsurance security by CMA's Reinsurance Security Committee, prior to the purchase of reinsurance contracts. Guidelines are set and monitored, that limit the purchase of reinsurance based on Standard & Poor's or appropriate alternative ratings for each reinsurer. The credit risk in respect of reinsurers is primarily managed by CMA's reinsurance support team. Provisions are made against the amounts due from certain reinsurers, depending on the current rating assigned to the reinsurer. Some reinsurers provide collateral, either through deposits held in designated trust accounts or through letters of credit, to protect the Syndicate in the event of non-payment of debt. As this collateral effectively guarantees the debt, these reinsurers are zero-rated for bad debt provisions. The recovery of debt from reinsurers is administered by the credit management team.

The credit risk in respect of insurance intermediaries is managed by the credit management function with the aid of the underwriting support team and a dedicated binder management team.

5. Management of risk (continued)

(ii) Credit risk (continued)

To transact business with the Syndicate the insurance intermediary must first comply with internal guidelines that include approval (where relevant) by both the PRA and Lloyd's, to have a satisfactory credit rating and to have in place a terms of business agreement or a binding authority agreement with the Syndicate. The position is then monitored through ongoing review of the amount of debt outstanding to terms, and by regular cover-holder audits.

The Finance Group regularly reviews inwards premiums debtors and reinsurance debtors by reference to the age of the debt. The objective of the Finance Group is to ensure robust balance sheet management, financial accounting and regulatory reporting oversight and to maintain a strong governance and control framework.

Debts from insurance intermediaries fall due according to the terms of trade; debts from reinsurers crystallise in line with the reinsurance contract terms.

An analysis of amounts past due from insurance intermediaries and reinsurers by age is presented below.

At 31 December 2019	***Neither past due nor impaired***	***Up to 3 months***	***3 – 6 months***	***6 – 12 months***	***More than 12 months***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***
Debtors arising out of direct insurance operations	8,141	48	-	-	-	8,189
Due from intermediaries under reinsurance business	-	-	-	-	-	-
Reinsurance recoverables on paid claims	-	824	1,467	78	-	2,369
Total	8,141	872	1,467	78	-	10,558

At 31 December 2018	***Neither past due nor impaired***	***Up to 3 months***	***3 – 6 months***	***6 – 12 months***	***More than 12 months***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***
Debtors arising out of direct insurance operations	45,623	131	85	1,713	72	47,624
Due from intermediaries under reinsurance business	715	-	-	-	-	715
Reinsurance recoverables on paid claims	-	787	734	362	830	2,713
Total	46,338	918	819	2,075	902	51,052

Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by setting minimum credit worthiness of investments and ensuring diversification of the holdings.

5. Management of risk (continued)

(ii) Credit risk (continued)

An analysis of the Syndicate's major exposure to counterparty credit risk and credit risk with the investment funds and cash, based on Standard & Poor's or equivalent rating, is presented below. These assets are neither overdue nor impaired.

At 31 December 2019	***AAA***	***AA***	***A***	***BBB/ BB***	***Other/Not rated***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***
Reinsurers' share of claims outstanding	-	470	4,793	-	825	6,088
Debt and other fixed income securities	1,068	8,928	2,793	9,469	-	22,258
Shares and other variable yield securities and units in unit trusts	653	-	-	-	-	653
Overseas deposits	1,596	77	147	86	6	1,912
Cash	-	-	3,389	-	-	3,389
Total	3,317	9,475	11,122	9,555	831	34,300

At 31 December 2018	***AAA***	***AA***	***A***	***BBB/ BB***	***Other/Not rated***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***	***£000***
Reinsurers' share of claims outstanding	-	2,448	16,696	-	1663	20,807
Debt and other fixed income securities	7,208	20,343	17,333	41,150	3,111	89,145
Shares and other variable yield securities and units in unit trusts	1,762	-	-	-	-	1,762
Overseas deposits	2,228	3,641	443	323	2,247	8,882
Cash	-	-	1,462	-	-	1,462
Total	11,198	26,432	35,934	41,473	7,021	122,058

The carrying values represent the maximum exposure to credit risk at the balance sheet date in respect of the above assets. The analysis above does not include insurance debtors from direct insurance operations as the majority of these assets are in respect of premiums for which the information is not readily available. Those reinsurance reserves with unrated counterparties are fully collateralised.

Fair Value Hierarchy

The Syndicate has classified its financial instruments in accordance with the requirements of paragraph 16 to the March 2016 amendment to FRS102 and has adopted an approach consistent with IFRS13, Fair Value Measurement. The fair value hierarchy classifies financial instruments into Level 1 to 3 based on the significance of the inputs used in measuring their fair value.

The levels within the fair value hierarchy are defined as follows:

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

5. Management of risk (continued)

(ii) Credit risk (continued)

At 31 December 2019	***Level 1***	***Level 2***	***Level 3***	***Total***
	£000	***£000***	***£000***	***£000***
Shares and other variable yield securities	178	475	-	653
Debt and other fixed income securities	909	21,349	-	22,258
Other financial investments	1,087	21,824	-	22,911
Overseas Deposits	1,397	515	-	1,912
Total	2,484	22,339	-	24,823

At 31 December 2018	***Level 1***	***Level 2***	***Level 3***	***Total***
	£000	***£000***	***£000***	***£000***
Shares and other variable yield securities	984	778	-	1,762
Debt and other fixed income securities	26,167	62,978	-	89,145
Other financial investments	27,151	63,756	-	90,907
Overseas Deposits	6,943	1,939	-	8,882
Total	34,094	65,695	-	99,789

The level within the hierarchy that a financial instrument is placed is based on the lowest level of any input that is significant to its fair value measurement. Quoted prices for corporate bonds are based on a limited number of transactions for those securities and as such are considered to meet the definition of level 2 assets.

(iii) Currency risk

Policyholders' assets are held in five settlement currencies (Sterling, Euros, US dollars, Canadian dollars and Australian dollars) which represent the vast majority of the Syndicate's liabilities by currency. A significant proportion of the Syndicate's business is transacted in non-Sterling settlement currencies. Its functional and presentation currency is Sterling and, therefore, foreign exchange risk also arises when non-Sterling profits are converted into Sterling.

CMA has a group policy to mitigate foreign exchange risk and this policy is managed by the Finance team and overseen by the Finance Group which is headed by the CFO.

The Syndicate is exposed to foreign exchange risk primarily with respect to mismatches between the currencies in which assets and liabilities are denominated. The Syndicate mitigates this risk by endeavouring to match assets and liabilities in foreign currency. The managing agent's Finance Group reviews currency matching quarterly.

In certain circumstances, the syndicate is exposed to a subsidiary foreign exchange risk where regulators demand that the syndicate holds US dollar and Canadian dollar currency assets to match liabilities measured on a regulatory basis, rather than best estimate.

For the avoidance of doubt, the Syndicate is not positioned to take speculative currency positions to make gains; the purpose of its foreign exchange risk policy is to protect against the downside.

5. Management of risk (continued)

The profile of the Syndicate's assets and liabilities, categorised by currency, was as follows:

At 31 December 2019	***Sterling***	***US dollar***	***Euro***	***OTH***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***
Financial investments	5,143	5,192	11,101	1,475	22,911
Overseas deposits	106	301	-	1,505	1,912
Reinsurers' share of technical provisions	203	5,902	13	22	6,140
Insurance and reinsurance receivables	2,729	5,706	1,576	547	10,558
Cash and cash equivalents	2,214	901	163	111	3,389
Other assets	24,191	681	3,091	386	28,349
Total assets	34,586	18,683	15,944	4,046	73,259
Technical provisions	(40,591)	(17,292)	(11,787)	(2,875)	(72,545)
Insurance and reinsurance payables	(20)	(1,762)	(264)	(62)	(2,108)
Other creditors	(411)	(772)	(21)	(3)	(1,207)
Total liabilities	(41,022)	(19,826)	(12,072)	(2,940)	(75,860)

At 31 December 2018	***Sterling***	***US dollar***	***Euro***	***OTH***	***Total***
	£000	***£000***	***£000***	***£000***	***£000***
Financial investments	18,465	44,438	23,973	4,031	90,907
Overseas deposits	2,239	2,440	-	4,203	8,882
Reinsurers' share of technical provisions	1,427	21,331	3,762	40	26,560
Insurance and reinsurance receivables	10,099	14,757	25,111	1,085	51,052
Cash and cash equivalents	126	851	23	462	1,462
Other assets	104,817	4,948	18,397	880	129,042
Total assets	137,173	88,765	71,266	10,701	307,905
Technical provisions	(156,844)	(75,842)	(70,555)	(7,351)	(310,592)
Insurance and reinsurance payables	(4,224)	(5,207)	(2,477)	(164)	(12,072)
Other creditors	(2,227)	(2,175)	(112)	(43)	(4,557)
Total liabilities	(163,295)	(83,224)	(73,144)	(7,558)	(327,221)

5. Management of risk (continued)

(iv) Liquidity risk

Liquidity risk arises where insufficient financial resources are maintained to meet liabilities as they fall due.

All valid claims must be paid as they fall due and, therefore, it is essential that the Syndicate maintains an appropriate level of liquidity at all times. As a consequence, cash is managed closely by the Treasury team. The Syndicate is exposed to daily calls on its available cash resources, principally from claims arising from its insurance activities.

The Syndicate's policy is to manage its liquidity position so that it can reasonably meet a significant individual or market loss event. This means that the Syndicate maintains sufficient liquid assets, or assets that can be quickly converted into liquid assets, without any significant capital loss, to meet estimated cash flow requirements. The availability of liquidity in the event of a major disaster is regularly tested using internal cash flow forecasts and realistic disaster scenarios.

The majority of the Syndicate's investments are in highly liquid assets which could be converted into cash promptly and at minimal expense. Cash and overseas deposits are generally bank deposits and money market funds.

In addition, the duration of assets is maintained at a level to manage liability durations and in recognition of the Syndicate's catastrophe exposures. Greater levels of cash and/or liquid assets may be held when determined by market conditions and is considered appropriate by the Chief Investment Officer.

The tables below show the maturity profile of the Syndicate's financial liabilities.

At 31 December 2019	*No stated maturity*	*0-1 year*	*1-3 years*	*3-5 years*	*>5 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Creditors	-	2,412	-	-	-	2,412
Claims outstanding	-	8,094	4,124	4,562	2,848	19,628
Total	-	10,506	4,124	4,562	2,848	22,040

At 31 December 2018	*No stated maturity*	*0-1 year*	*1-3 years*	*3-5 years*	*>5 years*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Creditors	-	13,704	-	-	-	13,704
Claims outstanding	-	39,962	19,685	20,216	6,560	86,423
Total	-	53,666	19,685	20,216	6,560	100,127

(iv) Liquidity risk (continued)

c. Group risk

Group risk arises from the potential impact of risk events, of any nature, arising in or from membership of a corporate group. CMA is part of Canopius Group Limited ("CGL"), a global underwriter of insurance and reinsurance business transacted both through direct channels and via delegated underwriting. CGL has established a risk management framework to protect the Group's stakeholders, including Syndicate members from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. Management recognises the critical importance of having efficient and effective risk management systems in place.

A clear organisational structure is in place with delegated authorities and clear responsibilities. A Group policy framework is in place which sets out the risk management, internal control and business conduct standards for the Group's operations. Group risk management policies set out the identification of risk and its interpretation, limit its structure to ensure the appropriate quality and diversification of assets, align underwriting and reinsurance strategy to the corporate goals, and specify reporting requirements. Each policy has a member of senior management charged with overseeing compliance throughout the Group and the CGL Board meet regularly to approve any commercial, regulatory and organisational requirements of such policies.

d. Operational risk

Operational risk is the risk of inadequate or failed internal processes, people systems, or external events that have an adverse impact on the business. The Syndicate manages these risks through a framework of robust systems and controls. CMA's objective for operational risk management is to identify, assess, manage, monitor and report risks and to prevent or reduce any failures or inadequacies in systems and controls. To this end, CMA has established key policies and controls that include:

- regular meetings of the Board of directors at which key aspects of the managing agent's and Syndicate's businesses are reviewed, including review of reports from various sub-committees of the Board
- underwriting procedures guidelines
- claims management policies and guidelines
- risk registers which are reviewed and signed off by the risk and control owners on a regular basis
- a suite of risk policies for major risk categories relating to the activities of the Syndicate
- an internal audit function whose audit plan is aligned with CMA's risk framework
- human resources policies and guidelines designed to ensure that the operations are adequately resourced by sufficiently skilled and trained people, who are appropriately remunerated
- financial policies and controls that cover:
    - maintaining segregated funds for the Syndicate's assets
    - investment of funds
    - expense management
    - establishing adequate provisions for unpaid claims
    - credit risk, including debt collection and managing counter-party exposures
    - cash flow and other financial projections
    - regular review and reconciliation of the entity's financial records.

In addition, the managing agent has an established and integrated capital and planning cycle. This provides an assessment of the significant financial and non-financial risks, as identified by the managing agent's risk management framework. The capital requirement is assessed in accordance with applicable requirements through the use of deterministic and stochastic modelling and further challenged using a comprehensive validation process which includes the use of stress and scenario tests. This process assesses the capital required to meet a 1 in 200 level extreme outcome from the aggregation of all recognised sources of risk.

5. Management of risk (continued)

e. Regulatory risk

Regulatory risk is the risk that the Syndicate fails to meet the regulatory requirements of the Prudential Regulatory Authority ("PRA"), the Financial Conduct Authority ("FCA"), Lloyd's and those of overseas regulators in jurisdictions where Lloyd's syndicates are licensed to trade.

Regulatory risk is a key area of focus for the risk and compliance teams to ensure legislative and regulatory changes are understood and observed.

6. Capital setting, capital management policies and objectives

The Syndicate's objectives in managing its capital are to:

- satisfy the requirements of its policyholders and regulators; and
- allocate capital efficiently to support strategic objectives.

The Society of Lloyd's applies capital requirements at member level and in aggregate to ensure that Lloyd's complies with all regulatory requirements such as Solvency II, whilst meeting 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 Syndicate 5820 is not disclosed in these financial statements.

The PRA and Lloyd's oversee the capital setting regime that requires syndicates to calculate their own capital requirements through a Solvency Capital Requirement ("SCR"). The SCR 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 share of underwriting liabilities on the syndicate(s) on which it participates 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 a 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'.

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 all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the statement of financial position on page 13, are included in resources available to meet members' and Lloyd's capital requirements.

The Syndicate maintains models in accordance with this regime, and also operates an Own Risk & Solvency Assessment ("ORSA") process which it reports on at least annually.

6. Capital setting, capital management policies and objectives (continued)

Key elements of CMA's capital methodology include:

- risk identification;
- the articulation of risk bearing capacity and establishment of risk appetite;
- identification of capital requirement for all significant risks;
- sensitivity analysis and 'reasonableness checks';
- aggregation and correlation of risks;
- comparison with other benchmarks e.g. prior years' internal SCRs, standard formula SCR results, the PRA published calculations based on industry SCR submissions and market surveys/studies; and
- Board review and challenge.

The SCR represents the equivalent of minimum regulatory capital, as is required by the PRA and Lloyd's, and does not represent the amount of economic capital required to support and maintain Lloyd's ratings. The SCR process produces a result that is uplifted by Lloyd's to the capital required to maintain their rating, currently 'A+ (strong)' by Standard & Poor's.

To improve the risk management capability, and the assessment of capital requirements, CMA has developed a stochastic model to analyse the potential performance of its main underwriting operations. Stress and scenario analysis is also performed for those risks that cannot be easily modelled quantitatively and where more subjective judgement is required (for example, operational risk) as well as to challenge the output of the stochastic model.

Using its detailed measurement of risk exposures, the Syndicate allocates capital to support the business according to the risk appetite and expected returns. The Syndicate has complied with all capital requirements during the year.

CMA regularly reviews and enhances its risk management processes and their enabling governance structures to ensure that CMA can demonstrate continuous compliance with regulatory and Lloyd's requirements.

7. Segmental analysis

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

2019	*Gross written premiums*	*Gross premiums earned*	*Gross claims incurred*	*Net operating expenses*	*Re-insurance Balance*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Direct Insurance:						
Accident and health	(527)	(483)	287	121	(103)	(178)
Motor (third party liability)	(324)	77	(251)	(343)	-	(517)
Motor (other classes)	(967)	34	(129)	(59)	-	(154)
Energy	(28)	83	(1,120)	(312)	530	(819)
Marine, Aviation & Transport	(3)	(2)	2	-	(1)	(1)
Fire & other damage to property	1,702	14,868	(5,802)	(11,612)	53	(2,493)
Third party liability	(260)	1,679	(698)	(438)	(1,014)	(471)
Credit and Suretyship	5,670	29,649	(13,760)	(15,983)	(101)	(195)
Total direct	5,263	45,905	(21,471)	(28,626)	(636)	(4,828)
Reinsurance inwards	(71)	(68)	27	83	153	195
Total	5,192	45,837	(21,444)	(28,543)	(483)	(4,633)

7. Segmental analysis (continued)

*2018**	*Gross written premiums*	*Gross premiums earned*	*Gross claims incurred*	*Net operating expenses*	*Re-insurance Balance*	*Total*
	£000	*£000*	*£000*	*£000*	*£000*	*£000*
Direct Insurance:						
Accident and health	18,612	3,927	1,629	(3,418)	(149)	1,989
Motor (third party liability)	1,916	2,434	(455)	(1,235)	(2)	742
Motor (other classes)	3,094	5,496	(2,180)	(2,466)	(1)	849
Energy	(238)	101	(36)	15	(124)	(44)
Marine, Aviation & Transport	(197)	28	8	4	(13)	27
Fire & other damage to property	5,853	96,752	(27,376)	(67,884)	(9,976)	(8,484)
Third party liability	980	7,187	(374)	(1,988)	(965)	3,860
Credit and Suretyship	36,287	70,496	(28,186)	(40,773)	158	1,695
Total direct	66,307	186,421	(56,970)	(117,745)	(11,072)	634
Reinsurance inwards	3,150	5,591	(4,460)	395	365	1,891
Total	69,457	192,012	(61,430)	(117,350)	(10,707)	2,525

The reinsurance balance represents the (charge)/credit to the technical account from the aggregate of all items relating to reinsurance outwards. All premiums were concluded in the United Kingdom.

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

	2019 ***£000***	*2018** *£000*
UK	2,781	31,348
EU countries	2,291	31,883
US	-	5,768
Other	120	458
Total	5,192	69,457

8. Currency rates of exchange

	31 Dec 19	***Average for 2019***	*31 Dec 18*	*Average for 2018*
US $	1.32	1.28	1.28	1.33
Euro	1.18	1.14	1.11	1.13
Canadian $	1.72	1.69	1.74	1.73
Australian $	1.88	1.84	1.81	1.79

9. Net claims outstanding

The Syndicate has applied a similar approach at the current year end to that applied at the previous year end in establishing the technical provisions for claims outstanding reserves and reinsurers' share thereof. Included within net claims incurred of £20.2m (2018: £65.5m) is a deterioration of £1.2m (2018: improvement of £4.6m) to claims reserves established at the prior year end principally due to unfavourable developments on a number of classes with partially offsetting favourable developments on the Pecuniary Loss and Casualty classes.

10. Net operating expenses

	2019 £000	*2018 £000*
Commissions on direct business	2,173	30,688
Other acquisition costs	596	1,636
Change in deferred acquisition costs	22,562	78,717
Administrative expenses	3,264	6,310
Personal expenses (see note 11)	(52)	(1)
Total expenses – technical account	28,543	117,350
Loss / (profit) on exchange – non technical account	248	(459)
Total expenses	28,791	116,891

Administrative expenses include:

	2019 £000	*2018 £000*
Auditors' remuneration		
Audit of syndicate accounts	130	133
Other services pursuant to Regulations and Lloyd's Byelaws	114	57
Other non-audit services	24	-
Total audit and non-audit fees	268	190

11. Personal Expenses

	2019 £000	*2018 £000*
Member's standard personal expenses	(52)	(1)
Total	(52)	(1)

12. Staff numbers and costs

All staff are employed by a group service company and associated costs charged to the Syndicate. Prior to novation staff costs were charged from AmTrust Management Services Limited and following novation on 1 October 2019 from ASL to CMA, staff costs were charged from Canopius Services Limited ('CSL'). The following amounts were recharged to the syndicate in respect of salary costs:

	2019	*2018*
	£000	*£000*
Wages and salaries	2,283	3,037
Social security costs	334	404
Pension contributions to money purchase schemes	154	191
Total	2,771	3,632

The average number of employees employed by the managing agent working on the Syndicate's affairs during the year was as follows:

	2019	*2018*
Underwriting	2	8
Insurance Services	7	8
Other	13	16
Total	22	32

13. Emoluments of the directors of the Managing Agent

The directors of CMA and ASL, excluding the run-off manager, received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2019	*2018*
	£000	*£000*
Emoluments	84	194
Pension contributions to money purchase schemes	2	4
Total	86	198

Retirement benefits are accruing to 9 directors (2018: 6) under money purchase schemes.

The run-off manager received the following remuneration charged as a syndicate expense:

	2019	*2018*
	£000	*£000*
Emoluments	18	37
Total	18	37

Pension contributions amounting to £0k were charged to Syndicate 5820 on behalf of the run-off manager in 2019. (2018: nil).

14. Net investment income recognised in profit or loss

	2019 £000	*2018 £000*
Interest and similar income		
From financial instruments designated at fair value through profit or loss	229	2,470
Interest on cash at bank	32	90
Investment expenses	(24)	(102)
Total interest and similar income	237	2,458
Other income from investments designated at fair value through profit or loss		
Realised gain / (loss) on investments	1,388	(770)
Unrealised gain / (loss) on investments	675	(1,387)
Total other gain / (loss)	2,063	(2,157)
Net investment return	2,300	301

	2019 £000	*2018 £000*
Average amount of syndicate funds available for investment during the year	53,760	121,288
Gross aggregate investment return for the calendar year in Sterling	2,300	301
Gross calendar year investment yield	4.34%	0.26%

The Syndicate classifies its investments at fair value through profit and loss. Financial assets classified into this category form a portfolio of financial assets which may be sold to meet the cash flow requirements of the Syndicate or as investment conditions change. Amounts presented above are net of £1,441k of net investment return on assets held and subsequently disbursed during the period as partial consideration for the reinsurance to close of the 2016 & Prior years of account to a third party.

15. Other financial investments

	Fair value		**Cost**		**Listed**	
	2019 £000	*2018 £000*	***2019 £000***	*2018* £000*	***2019 £000***	*2018* £000*
Shares and other variable yield securities and units in unit trusts	653	1,762	653	1,762	653	1,762
Debt and other fixed income securities	22,258	89,145	21,721	90,680	22,258	89,145
Total	22,911	90,907	22,374	92,442	22,911	90,907

16. Debtors arising out of direct insurance operations

	2019 £000	2018 £000
Due within one year		
Intermediaries	8,189	47,552
	8,189	47,552
Due after more than one year and within five years		
Intermediaries	-	72
Total	8,189	47,624

17. Debtors arising out of reinsurance operations

	2019 £000	2018* £000
Due within one year		
Ceding insurers and intermediaries under reinsurance business	-	714
Reinsurance recoverable on paid claims net of bad debt provision	2,369	2,714
	2,369	3,428

18. Other debtors

	2019 £000	2018 £000
Due within one year		
Amounts due from group undertakings	121	1,970
Other	-	1,228
	121	3,198

19. Overseas deposits

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

20. Creditors arising out of direct insurance operations

	2019 £000	2018 £000
Due within one year		
Intermediaries	1,106	8,894
	1,106	8,894

21. Creditors arising out of reinsurance operations

	2019 £000	2018 £000
Due within one year		
Reinsurance ceded	1,002	3,178
	1,002	3,178

22. Other creditors

	2019 **£000**	*2018* *£000*
Due within one year		
Amounts due to group undertakings	304	1,632
	304	1,632

23. Deferred acquisition costs

The reconciliation of opening and closing deferred acquisition costs is as follows:

	2019 **£000**	*2018* *£000*
At 1 January	124,907	203,072
RITC adjustment[1]	(74,100)	-
Adjusted 1 January	50,807	203,072
Change in deferred acquisition costs	(22,562)	(78,717)
Foreign exchange	(242)	552
At 31 December	28,003	124,907

[1]At 31 December 2018 the 2016 & Prior years of account closed by way of an external reinsurance to close agreement. This was recorded as a balance sheet transaction in line with standard practice for a Lloyd's syndicate. An adjusted opening position has been presented to remove the brought forward technical provisions in relation to the 2016 & Prior years of account.

24. Reconciliation of insurance balances

The reconciliation of opening and closing unearned premium provision is as follows:

	Gross		***Reinsurers' share***	
	2019 **£000**	*2018* *£000*	**2019** **£000**	*2018* *£000*
At 1 January	224,169	344,469	5,753	13,043
RITC adjustment[1]	(129,629)	-	(4,749)	-
Adjusted 1 January 2019	94,540	344,469	1,004	13,043
Movement in provision	(40,645)	(122,555)	(935)	(7,395)
Foreign exchange	(978)	2,255	(17)	105
At 31 December	52,917	224,169	52	5,753

The reconciliation of opening and closing provision for claims is as follows:

	Gross		***Reinsurers' share***	
	2019 **£000**	*2018* *£000*	**2019** **£000**	*2018* *£000*
At 1 January	86,423	114,978	20,807	38,779
RITC adjustment[1]	(56,744)	-	(12,439)	-
Adjusted 1 January 2019	29,679	114,978	8,368	38,779
Movement in provision	(8,361)	(31,629)	(2,119)	(18,938)
Foreign exchange	(1,690)	3,074	(161)	966
At 31 December	19,628	86,423	6,088	20,807

[1]At 31 December 2018 the 2016 & Prior years of account closed by way of an external reinsurance to close agreement. This was recorded as a balance sheet transaction in line with standard practice for a Lloyd's syndicate. An adjusted opening position has been presented to remove the brought forward technical provisions in relation to the 2016 & Prior years of account.

25. Post balance sheet events

On 13th February 2020 the Board of the managing agent authorised the closure of the 2017 year of account by way of reinsurance to close contract with the 2018 year of account of Syndicate 1861. The net reinsurance to close premium payable by the member of the 2017 year of account is £38.4m.

On the closure of the 2017 year of account an amount of £2.6m will be called from the member.

26. Pensions

Both ASL, until novation, and CSL, following novation, operated defined contribution pension schemes for the employees working on the Syndicate's affairs during the year. The assets of the schemes are held separately from those of ASL and CSL in independently administered funds. The amounts recharged to the Syndicate in respect of pensions are disclosed in Note 12.

27. Related parties

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

In 2019 and 2018 a large proportion of the expenses incurred in operating the Syndicate were incurred by group service companies and were then recharged under intragroup service agreements, with ASL until 1 October 2019 and with CMA from this date, on a basis that reflected the Syndicate's usage of resources.

Group recharges are charged on a cost basis and predominantly represent recharges of staff costs for employees working on Syndicate business as well as associated other administrative expenses including accommodation, professional fees and information technology. These recharges, included within amounts disclosed as net operating expenses, acquisition costs and claims incurred were as follows:

	2019	*2018*
	£000	*£000*
AmTrust Central Bureau of Services Limited ('CBS')	71	6,274
AmTrust Management Services Limited ('AMSL')	2,342	-
AmTrust Syndicate Holdings Limited ('ASH')	-	56
Canopius Services Limited ('CSL')	842	-
Total expenses recharged	**3,255**	**6,330**

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

	2019	*2018*
	£000	*£'m*
CBS	33	(2,022)
AMSL	(39)	-
ASL	-	2,511
ASH	-	(59)
CSL	(265)	-
Total amount outstanding in relation to group recharges	**(271)**	**430**

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

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

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

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

Member's expenses, being agent's fees and profit commission payable to the managing agent, and subscriptions and central fund contributions payable to Lloyd's, are charged on an underwriting year of account, rather than on a calendar year basis. The Syndicate does not have a 2019 or 2018 underwriting year of account, consequently no management fees were charged by ASL or CMA in the current year (2018: £0.0m).

The Syndicate is a member of a number of consortia on which Syndicate 1861 is the consortium leader with the managing agent acting as the consortium manager. Syndicate 1861 was also managed by ASL until novation to CMA on 1 October 2019, and shares 100% commonality of capital with 5820 through Flectat 2 Ltd ('F2L'), known as AmTrust Corporate Member Limited ('ACML') until 25 October 2019.

Until 1 October 2019, ACML and ASL were both subsidiaries of AmTrust Lloyd's Holdings Limited ('ALH') itself is a 100% indirect subsidiary of Evergreen Parent, L.P., the ultimate parent company of the AmTrust Group. On 1 October 2019 Fortuna Holdings Limited (Jersey) ('FHL'), a 100% indirect parent of CMA, acquired 100% of the share capital of ACML. AmTrust International Insurance Limited (Bermuda) ('AIIL'), a 100% indirect subsidiary of Evergreen Parent, became a significant minority shareholder in Fidentia Fortuna Holdings Limited (Cayman Islands), an indirect majority shareholder of FHL, as part of this transaction.

Immediately prior to the sale of F2L on 1 October 2019, 100% quota share reinsurance contracts were put in place ceding the company's syndicate participations on the 2017 and 2018 years of account of Syndicate 1861, as well as the 2017 years of account of Syndicates 5820 and 1206, to AIIL. At 31 December these contracts were novated to a third party.

During the period £0.8m (2018: £8.7m) was written by the Syndicate under the 1861 led consortia. Fees are charged by the consortium manager to the consortium members on behalf of Syndicate 1861. At 31 December 2019 the Syndicate had accrued fees and profit commission payable of £0.9m (2018: £2.1m) due to Syndicate 1861 in this respect.

The following directors of ASL during the period were also directors of F2L and ALH during the period: P Dewey (resigned from F2L on 2 October 2019) and J E Cadle (resigned from F2L on 2 October 2019).

The following directors of CMA during the period were also directors of F2L during the period: M C Watson (appointed to F2L on 3 October 2019), M P Duffy (appointed to F2L on 3 October 2019) and N S Meyer (appointed to F2L on 3 October 2019).

At the Statement of Financial Position date, the Syndicate has amounts due to / from AmTrust Group companies, which are included as follows in 'Other debtors' or 'Other creditors' on the Statement of Financial Position:

	2019	*2018*
	£000	*£000*
Other debtors		
AmTrust Syndicates Ltd	-	1,969
AmTrust Central Bureau of Services Ltd	33	-
	33	1,969
Other creditors		
AmTrust Central Bureau of Services Ltd	-	1,586
AmTrust Management Services Limited	39	-
AmTrust Syndicate Holdings Ltd	-	46
	39	1,632

At the Statement of Financial Position date, the Syndicate has amounts due to Canopius Group companies / other syndicates managed by CMA, which are included as follows in 'Other debtors' or 'Other creditors' on the Statement of Financial Position:

	2019	*2018*
	£000	*£000*
Other debtors		
Syndicate 1861	88	-
	88	-
Other creditors		
Canopius Services Limited	265	-
	265	-

Cash Calls

On 12 September 2019 and in preparation for the sale of F2L and novation of the syndicate management, ASL authorised a cash calls of £10.8m representing the retained loss at 31 December 2018 on the 2017 year of account to be made from the Syndicate's 100% capital provider F2L.

Directors' interests

None of the directors nor the run-off manager participate on the Syndicate.

Reinsurance to Close

The Board of CMA authorised the closure of the 2017 years of account of Syndicate 5820 by way of a reinsurance to close arrangement into Syndicate 1861's 2018 year of account.

Investment Managers

The Syndicate's investment managers until 31 December 2019 were AII Insurance Management Limited ('AIIM'). AIIM is a 100% indirect subsidiary of Evergreen Parent L.P. During the period fees of £24.4k were levied for investment management services (2018: £101.8k).

28. Immediate and ultimate parent undertaking and controlling party

As at 31 December 2019, Syndicate 5820 was managed by CMA. CMA's immediate UK parent is CHUKL, which is registered in England and Wales. CHUKL is part of CGL which is registered in Jersey. CMA's registered office is Gallery 9, One Lime Street, London EC3M 7HA.

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

29. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as 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 a member is required to maintain is determined by CMA and Lloyd's based on compliance with PRA requirements. The determination of the FAL requirement has regard to a number of factors including the nature and amount of insurance contracts to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since the assets in FAL are not owned by the Syndicate, 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.