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W. R. Berkley Syndicate 1967 Annual Report and Financial Statements

For the year ended 31 December 2019

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2019

MANAGING AGENT'S CORPORATE INFORMATION

DIRECTORS AND ADMINISTRATION

Managing Agent

W. R. Berkley Syndicate Management Limited

DIRECTORS

William Robert Berkley – Chairman [1]
William Robert Berkley Jr [1]
Alastair Blades
James Bronner
Robert Chase [2]
Edward Creasy [2]
Jacqueline Hedges
Ira Lederman
Andrew Mitchell
Michael Smith [2]
Steven Taylor
Heather McKinlay

[1] *Directors of ultimate parent company W. R. Berkley Corporation*

[2] *Independent non-Executive Director*

Company Secretary
Clyde & Co Secretaries Limited

Managing Agent's registered office
14th floor, 52 Lime Street
London, EC3M 7AF

Managing Agent's registered number
07712472

Active underwriter
Miriam Goddard

Bankers
Citibank NA
RBC Dexia

Investment manager
Berkley Dean & Company, Inc.

Registered auditor
KPMG LLP

Reporting actuary
Ernst & Young LLP

Directors' interests
None of the Directors of the Managing Agent have any participation in the Syndicate's premium income capacity.

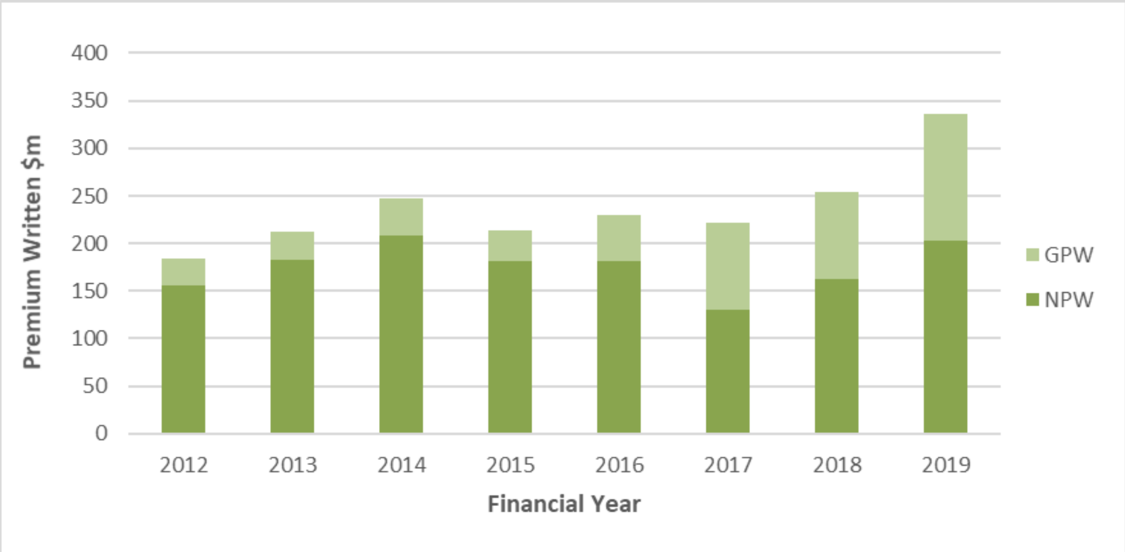
Contents

W/R/B UNDERWRITING | a Berkley Company

HIGHLIGHTS

Financial year	2019	2018	2017	2016	2015	2014	2013
Gross premium written ($m)	335.4	254.5	222.4	229.4	213.2	246.7	211.8
Net premium written ($m)	203.0	162.5	129.6	180.9	181.4	207.9	182.4
Net premium earned ($m)	179.3	155.7	138.1	175.5	192.1	188.8	171.9
Net claims ratio (%)	51.5	66.5	98.0	71.9	56.0	53.4	54.8
Acquisition expense ratio (%)	18.7	21.9	29.7	28.2	25.6	27.1	24.5
Admin expense ratio (%)	17.7	21.9	23.2	17.5	14.2	13.3	14.1
Net combined ratio (%)	**87.9**	**110.3**	**150.9**	**117.6**	**95.8**	**93.8**	**93.4**
Cash and investments ($m)	147.9	112.9	105.6	132.1	141.6	144.1	105.9
Profit / (Loss) for financial year ($m)	**23.4**	**(16.4)**	**(69.8)**	**(26.6)**	**8.9**	**10.9**	**10.6**

Net expense ratio and net combined ratio excludes profit / (loss) on foreign exchange.



Pure underwriting year	2019 F'cast	2018 F'cast	2017 Actual	2016 Actual	2015 Actual	2014 Actual	2013 Actual
Lloyd's stamp capacity ($m)	298.1	286.6	304.4	278.0	277.0	304.6	234.5
Stamp gross premium written ($m)	306.0	253.2	240.1	239.9	197.9	211.4	163.5
Profit / (Loss) for underwriting year ($m)	32.0	(3.6)	(35.3)	(35.6)	1.9	(2.6)	2.2
Return on capacity (%)	**10.7**	**(1.2)**	**(11.6)**	**(12.8)**	**0.7**	**(0.9)**	**0.9**

W/R/B
UNDERWRITING
| a Berkley Company

ACTIVE UNDERWRITER'S REPORT

W. R. Berkley Syndicate 1967 ("the Syndicate") underwrites a diversified portfolio of risks, both Short Tail and Long Tail.

Short Tail business includes Property, Crisis Management, Engineering & Construction classes. Long Tail business includes the Specialty Casualty classes of Professional Indemnity, Directors & Officers and Medical Malpractice, and also comprises the affiliate Berkley lines of business and the Lloyd's China business.

Business is mainly written directly to the Lloyd's platform through London Market intermediaries. However, the Syndicate also makes use of its service company, W. R. Berkley UK Limited, to underwrite certain business and to facilitate its network of affiliated Berkley businesses acting as approved coverholders.

The Syndicate has taken action to cease underwriting in non-performing classes where it did not believe that a sustainable cross cycle return was achievable. In July 2018, the Syndicate exited from the Aviation class of business, and in 2017 the Syndicate exited the Marine class of business. In 2019, the Syndicate has exited Asset Protection and the Crisis Management sub-class of Accident and Health. These classes are now in run-off.

The Lloyd's stamp capacity for 2019 was unchanged at £225.0 million, or US$298.1 million (2018: £225.0 million, or US$286.6 million). Capacity for the 2020 underwriting year has increased to £325 million, or US$430.5 million.

UNDERWRITING RESULTS

Calendar year result

The 2019 calendar year GAAP result is a profit of US$23.4m (2018: a loss of US$16.4m) and a combined ratio of 87.9% (2018: 110.3%).

The result for each individual underwriting year is included below.

Closed years

There were improvements on our closed years (2009-2016), and these years produced a surplus of US$9.2 million which contributed to both the calendar year result and the closing 2017 year result.

2017 Year

This year of account will close in the first half of 2020 at a loss of $35.6 million (£26.6 million). The year was significantly affected by Hurricanes Harvey, Irma and Maria, as well as the two Mexican earthquakes with net ultimate claims of $41.8 million across these events.

2018 Year

Our forecast result for the 2018 is a loss of $3.8 million (£2.8 million). Catastrophe losses of $15.0 million, primarily from Hurricanes Florence and Michael have contributed to the overall loss on the year offset by rate growth . The year has seen improvement in the financial year with a net profit of $9.0m.

2019 Year

Throughout 2019 we have seen strong rate improvements and growth across certain classes of business primarily Property, Engineering & Construction, Specialty Casualty and some of the Berkley classes of business. This growth was offset by Accident & Health and Asset Protection classes which entered run-off and the continuing run off of Aviation and Marine classes. The forecast result for 2019 is a profit of $33.3 million (£25.1 million). In the financial year 2019 has already produced a positive return of $0.3m (£0.2m).

W/R/B UNDERWRITING | a Berkley Company

ACTIVE UNDERWRITER'S REPORT (CONT.)

OUTLOOK

2020 presents the opportunity to capitalise on careful cycle management over recent years, as the market sees improving rates and customers return to the Lloyd's market. Syndicate 1967 is well placed to take advantage of market conditions and opportunities to target profitable growth in key classes through its increased capacity in the 2020 year.

The Syndicate believes that by being a part of W. R. Berkley Corporation ("WRBC") it has the ability to attract top-quartile talent and the investments in people, policies, technology and systems made to date put the Syndicate in a position to capitalise on the coming year.

M. GODDARD

DIRECTOR OF UNDERWRITING

5 MARCH 2020

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors of W. R. Berkley Syndicate Management Limited ("WRBSML" or "the Managing Agent") present their report in respect of the Syndicate for the year ended 31 December 2019.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland* ("FRS102") and Financial Reporting Standard 103 *Insurance Contracts* ("FRS103").

RESULTS

The result for the year ended 31 December 2019 is a profit of $23.4 million (2018: loss of $16.4 million).

PRINCIPAL ACTIVITIES

The principal activity of the Syndicate is the transaction of general insurance and reinsurance business in the Lloyd's market, in accordance with the risk appetite agreed by the Board of Directors of the Managing Agent ("the Board").

The Syndicate specialises in its chosen classes of Property, Crisis Management (which comprises of: Political Risk, Political Violence and Contingency), Engineering and Construction, and Specialty Casualty (which comprises of: Professional Indemnity, Directors and Officers and Medical Malpractice). The Syndicate also provides an international underwriting platform for member companies of WRBC and writes a limited level of treaty and facultative reinsurance through Lloyd's China. The Syndicate also manages the run off of its closed Marine, Aviation, Accident and Health and Asset Protection classes.

W/R/B UNDERWRITING | a Berkley Company

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONT.)

BUSINESS REVIEW AND KEY PERFORMANCE INDICATORS

The table below sets out our key performance indicators. Gross premium written increased by 31.8%, largely as a result of an increase across Short Tail classes of 39.8% and 55.3% growth in Specialty Casualty lines. This was partly offset by decreases from classes now in run-off; Aviation, Marine, Asset Protection and Accident and Health. Net claims ratio was significantly improved, compared to previous years, impacted by a significant reduction in cat losses. The net expense ratio of 36.4% has improved over the past few years driven by a reduction in operating expenses and commissions.

	2019 $'000	2018 $'000	2017 $'000
Gross premium written	335,430	254,500	222,360
Profit/(Loss) for the financial year	23,441	(16,440)	(69,836)
Net Claims ratio	51.5%	66.5%	98.0%
Net Expense ratio	36.4%	43.8%	52.9%
Net Combined ratio	**87.9%**	**110.3%**	**150.9%**

The following table further details the gross premium written by class of business.

Gross premium written	2019 $'000	2018 $'000	2017 $'000
Property	124,496	87,108	56,227
Crisis management	35,140	25,277	26,851
Consortia	536	653	666
Engineering + Construction	46,534	24,213	20,524
Short Tail	**206,706**	**137,251**	**104,268**
Specialty Casualty	59,877	38,551	25,144
Reinsurance China	9,565	7,167	2,942
W. R. Berkley Business	44,078	40,466	28,229
Long Tail	**113,520**	**86,184**	**56,315**
Run-off (Aviation, Marine A+H & Asset Protection)	15,204	31,065	61,777
Total	**335,430**	**254,500**	**222,360**

The Active Underwriter's report on page 2 also provides a review of business for the year.

Total investment return after expenses and unrealised gains/losses was $3.2 million (2018: $1.8 million). Investment return is monitored against industry 1 – 3 year benchmarks and the portfolios have performed in line with these benchmarks.

W/R/B UNDERWRITING | a Berkley Company

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONT.)

FUTURE DEVELOPMENTS

The capacity for the 2020 year of account has increased to £325.0 million ($430.5 million), compared with the 2019 year of account of £225.0 million ($304.4 million).

Future at Lloyd's is a market-wide transformation programme that is focussed on combining data, technology and new ways of working with existing strengths to transform the Lloyd's market and its culture. The first 'Blueprint One' priorities have been published to inform the strategy and business planning processes of market participants.

Brexit including Part VII Transfer to Lloyd's Brussels: following the UK's withdrawal from the EU on 31 January 2020 a transition period is in place to last until at least 31 December 2020. From 1 January 2019 onwards, it continues to be Lloyd's policy that all non-life EEA insurance risks are written by Lloyd's Brussels. Like other managing agents, WRBSML's authority to write EEA business is provided by Lloyd's Brussels. To achieve contract continuity, Lloyd's is transferring all remaining in scope policies written by the Lloyd's market between 1993 and 2020 to Lloyd's Brussels. A Part VII transfer of this business that includes relevant policies written by Syndicate 1967 is scheduled to take place before the end of 2020.

PRINCIPAL RISKS AND UNCERTAINTIES

Risk management is a core tenet of the Managing Agent and in accordance with its culture and philosophy, the Syndicate's individual and aggregate risk exposures are managed proactively with a strong balance sheet, including a high-quality investment portfolio. The Board is responsible for managing all risks facing the business. The Board sets risk appetite as part of the business planning and capital planning processes. A 'three lines of defence' governance model is in place that promotes and enables an effective system of risk management and internal control across the Managing Agent. The Board has an established Risk & Capital Committee ("RCC") and Risk Management function.

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

- Insurance risk;
- Credit risk;
- Liquidity risk;
- Market risk;
- Operational risk including Regulatory risk; and
- Group Risk.

Note 4 to the Financial Statements – Risk and Capital Management provides a further explanation of how these risks are addressed.

POLITICAL AND CHARITABLE DONATIONS

The Syndicate made no charitable donations during the year nor in the prior year. There were no political donations made this year nor in the previous year.

W/R/B UNDERWRITING | a Berkley Company

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (CONT.)

DIRECTORS SERVING IN THE YEAR

The Directors of the Managing Agent, who served during the year, were as follows:

William Robert Berkley – Chairman [1]
William Robert Berkley Jr [1]
Alastair Blades
James Bronner
Robert Chase [2]
Edward Creasy [2]
Jacqueline Hedges
Ira Lederman
Andrew Mitchell
Michael Smith [2]
Steven Taylor
Heather McKinlay

[1] *Directors of ultimate parent company W. R. Berkley Corporation*

[2] *Independent non-Executive Director*

DISCLOSURE OF INFORMATION TO THE AUDITOR

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

AUDITOR

Pursuant to Section 14 of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor has been reappointed and KPMG LLP will therefore continue in office.

On behalf of the Board

A. BLADES
DIRECTOR

5 MARCH 2020

W/R/B UNDERWRITING | a Berkley Company

STATEMENT OF MANAGING AGENT'S DIRECTORS' RESPONSIBILITIES

The Directors of the Managing Agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and regulations.

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

Under the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the Directors of the Managing Agent must not approve the annual accounts unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these annual accounts, the Directors of the Managing Agent are required to:

— Select suitable accounting policies and then apply them consistently;

— Make judgements and estimates that are reasonable and prudent;

— State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and

— Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and

— Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The Directors of the Managing Agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the company and to prevent and detect fraud and other irregularities.

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

On behalf of the board

A. BLADES
DIRECTOR

5 MARCH 2020

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF W. R. BERKLEY SYNDICATE 1967

OPINION

We have audited the Syndicate annual accounts of Syndicate 1967 for the year ended 31 December 2019 which comprise the Statement of Profit or Loss: Technical account – General business, Statement of Profit or Loss: non-technical account, Balance Sheet – Assets, Balance Sheet – Liabilities, Statement of Changes in Members' Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate annual accounts:

- give a true and fair view of the state of the Syndicate's affairs as at 31 December 2019 and of its profit for the year then ended;
- have been properly prepared in accordance with UK accounting standards, including FRS 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland*; and
- have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

BASIS FOR OPINION

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

GOING CONCERN

The Directors of the Managing Agent have prepared the Syndicate annual accounts on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Syndicate annual accounts ("the going concern period").

We are required to report to you if we have concluded that the use of the going concern basis of accounting is inappropriate or there is an undisclosed material uncertainty that may cast significant doubt over the use of that basis for a period of at least a year from the date of approval of the Syndicate annual accounts. In our evaluation of the directors' conclusions, we considered the inherent risks to the syndicate's business model, including the impact of Brexit, and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period. We have nothing to report in these respects.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the absence of reference to a material uncertainty in this auditor's report is not a guarantee that the Syndicate will continue in operation.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF W. R. BERKLEY SYNDICATE 1967

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The Directors are responsible for the Report of the Directors of the Managing Agent. Our opinion on the Syndicate annual accounts does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the Directors of the Managing Agent and, in doing so, consider whether, based on our Syndicate annual accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate annual accounts or our audit knowledge. Based solely on that work we have not identified material misstatements in that report.

In our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts.

MATTERS ON WHICH WE ARE REQUIRED TO REPORT BY EXCEPTION

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, we are required to report to you if, in our opinion:

- adequate accounting records have not been kept, or returns adequate for our audit have not been received by us; or
- the Syndicate annual accounts are not in agreement with the accounting records and returns; or
- certain disclosures of Directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

RESPONSIBILITIES OF THE DIRECTORS OF THE MANAGING AGENT

As explained more fully in their statement set out on page 8, the Directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts that are free from material misstatement, whether due to fraud or error; assessing the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and using the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

AUDITOR'S RESPONSIBILITIES

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

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBER OF W. R. BERKLEY SYNDICATE 1967

THE PURPOSE OF OUR AUDIT WORK AND TO WHOM WE OWE OUR RESPONSIBILITIES

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

Karen Orr (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square London,
E14 5GL

5 MARCH 2020

STATEMENT OF PROFIT AND LOSS ACCOUNT: TECHNICAL ACCOUNT - GENERAL BUSINESS FOR THE YEAR ENDED 31 DECEMBER 2019

		2019		2018	
	Notes	$'000	$'000	$'000	$'000
Earned premiums, net of reinsurance					
Gross premium written	*5*	335,430		254,500	
Outwards reinsurance premium		(132,386)		(91,979)	
Net premium written			203,044		162,521
Change in the provision for unearned premiums					
Gross amount	*17*	(45,909)		(8,568)	
Reinsurers' share	*17*	22,142		1,765	
Change in the net provision for unearned premiums			(23,767)		(6,803)
Earned premiums, net of reinsurance			**179,277**		**155,718**
Allocated investment return transferred from the non-technical account			3,238		1,752
Claims incurred, net of reinsurance					
Claims paid					
Gross amount		(139,559)		(153,341)	
Reinsurers' share		45,652		35,929	
Net claims paid			(93,907)		(117,412)
Change in the provision for claims					
Gross amount	*17*	(17,934)		(16,299)	
Reinsurers' share	*17*	19,542		30,093	
Change in the net provision for claims			1,608		13,794
Claims incurred, net of reinsurance	*6*		(92,299)		(103,618)
Net operating expenses	*7*		(65,223)		(68,240)
Total technical charges			(157,522)		(171,858)
Balance on the technical account – general business			**24,993**		**(14,388)**

All the amounts above are in respect of continuing operations.

The notes on pages 18 to 44 form part of these financial statements.

W/R/B UNDERWRITING | a Berkley Company

STATEMENT OF PROFIT AND LOSS ACCOUNT: NON-TECHNICAL ACCOUNT FOR THE YEAR ENDED 31 DECEMBER 2019

	Notes	**2019 $'000**	**2018 $'000**
Balance on the technical account – general business		24,993	(14,388)
Investment income	*10,11*	2,649	2,137
Realised gains and losses on investments	*10*	(109)	(758)
Unrealised gains and losses on investments	*10*	819	478
Investment expenses and charges	*10*	(121)	(105)
Allocated investment return transferred to technical account - general business		(3,238)	(1,752)
Other income		-	(78)
Loss on foreign exchange		(1,552)	(1,974)
Profit/(Loss) for the financial year		**23,441**	**(16,440)**

All the amounts above are in respect of continuing operations.

There are no recognised gains and losses for the current period other than those included in the profit and loss account above and therefore no statement of other comprehensive income has been presented.

The notes on pages 18 to 44 form part of these financial statements.

W/R/B UNDERWRITING | a Berkley Company

BALANCE SHEET AS AT 31 DECEMBER 2019

		2019		2018	
Assets	*Notes*	**$'000**	**$'000**	**$'000**	**$'000**
Investments					
Financial investments	*12,13*		122,752		85,465
Reinsurers' share of technical provisions					
Provision for unearned premiums	*17*	58,720		36,154	
Claims outstanding	*4, 17*	118,965		98,728	
			177,685		134,882
Debtors					
Debtors arising out of direct insurance operations	*14*	98,765		72,959	
Debtors arising out of reinsurance operations	*15*	16,711		13,460	
Other debtors		7,076		-	
			122,552		86,419
Other assets					
Cash at bank and in hand		5,304		7,577	
Overseas deposits	*13*	19,828		19,720	
			25,132		27,297
Prepayments and accrued income					
Accrued interest and rent		797		485	
Deferred acquisition costs		35,345		26,419	
Other prepayments and accrued income		1,330		5,229	
			37,472		32,133
Total assets			**485,593**		**366,196**

The notes on pages 18 to 44 form part of these financial statements.

BALANCE SHEET AS AT 31 DECEMBER 2019 (CONT.)

		2019		2018	
Liabilities	***Notes***	**$'000**	**$'000**	**$'000**	**$'000**
Capital and reserves					
Member's balances			(40,966)		(76,708)
Technical provisions					
Provision for unearned premiums	*17*	175,899		126,662	
Claims outstanding	*4, 17*	278,823		258,153	
			454,722		384,815
Creditors					
Creditors arising out of direct insurance operations	*18*	1,513		1,684	
Creditors arising out of reinsurance operations – due within one year	*19*	49,484		41,676	
Other creditors		2,976		7,648	
			53,973		51,008
Accruals and deferred income			17,864		7,081
Total liabilities, capital and reserves			**485,593**		**366,196**

The financial statements on pages 12 to 44 were approved on 5 March 2020 and were signed on behalf of the Board of W. R. Berkley Syndicate Management Limited by:

A. BLADES

DIRECTOR

The notes on pages 18 to 44 form part of these financial statements.

W/R/B UNDERWRITING | a Berkley Company

STATEMENT OF CHANGES IN MEMBER'S BALANCES FOR YEAR ENDED 31 DECEMBER 2019

	2019 $'000	2018 $'000
Member's balances brought forward	(76,708)	(80,972)
Profit / (Loss) for the financial year	23,441	(16,440)
Cash call	12,301	20,704
Member's balances carried forward at 31 December	**(40,966)**	**(76,708)**

Members participate in the Syndicate by reference to years of account and their ultimate results. Assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year.

The notes on pages 18 to 44 form part of these financial statements.

STATEMENT OF CASH FLOW FOR THE YEAR ENDED 31 DECEMBER 2019

	2019		2018	
	$'000	$'000	$'000	$'000
Profit/(Loss) for the financial year	23,441		(16,440)	
Increase in technical provisions	69,907		18,200	
(Increase) in reinsurers' share of technical provisions	(42,803)		(29,518)	
(Increase) / Decrease in debtors	(41,472)		6,346	
Increase in creditors	13,748		7,901	
Investment return	(3,238)		(1,752)	
Realised/ Unrealised foreign exchange losses	1,552		214	
Net cash flow from operating activities		**21,135**		**(15,049)**
Cash flows from investing activities				
Purchase of equity and debt instruments	(96,642)		(62,848)	
Sale of equity and debt instruments	62,652		63,880	
Purchase of shares and other variable yield securities	(2,204)		(9,894)	
Investment income received	2,418		1,274	
Realised / unrealised foreign exchange (losses) / gains	(2,091)		2,826	
Unrealised (gains) / losses	158		479	
Cash flows from financing activities		**(35,709)**		**(4,283)**
Cash call		12,301		20,704
Net (decrease)/increase in cash and cash equivalents		**(2,273)**		**1,372**
Cash and cash equivalents at the beginning of the year		7,577		6,205
Cash at bank and in hand	5,304		7,577	
Cash and cash equivalents at 31 December		**5,304**		**7,577**

The notes on pages 18 to 45 form part of these financial statements.

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS

1. BASIS OF PREPARATION

Lloyd's Syndicate 1967 ('the Syndicate') underwrites insurance business in the London Market. It is managed by W.R. Berkley Syndicate Management Limited ("the Managing Agent"). The address of the Managing Agent is 14th floor, 52 Lime Street, London, EC3M 7AF.

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards and applicable law (UK Generally Accepted Accounting Practice, "UK GAAP"), including Financial Reporting Standard 102, *The Financial Reporting Standard Applicable in the United Kingdom and Republic of Ireland* ("FRS 102") and Financial Reporting Standard 103, *Insurance Contracts* ("FRS 103").

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

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

2. USE OF JUDGEMENTS AND ESTIMATES

In preparing these financial statements, the Directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported ("IBNR") to the Syndicate.

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Managing Agent's in house actuaries and reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced and for more recent underwriting, having regard to variations in business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of business accepted and assessments of underwriting conditions.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in the sensitivity analysis note 4.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES

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

Premium written

Gross premium written comprises premiums on contracts incepted during the year. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Premiums include estimates for pipeline premiums, representing amounts due to the Syndicate but not yet received or notified.

Outwards reinsurance premiums are accounted for in the period in which they incept.

Unearned Premium

The provision for unearned premiums comprises the proportion of premiums written which is estimated to be earned in the following or subsequent financial period. It is computed using a daily pro rata method.

Written premium is earned according to the risk profile of the policy and computed using a daily pro rata method.

Acquisition costs

Acquisition costs include direct costs such as brokerage and commission and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. Costs incurred in acquiring general insurance contracts are deferred, whereby the deferred acquisition cost asset represents the proportion of acquisition cost which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

Claims provisions and related recoveries

Claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous periods.

The provision for claims outstanding is an aggregate of estimates made on an individual case basis and the estimated ultimate cost of these case reserves not settled as at the balance sheet date, together with a provision for related claims handling costs. The provision also includes the estimated cost of IBNR at the balance sheet date. This is calculated through statistical methods. These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced.

For the most recent periods, where a high degree of volatility arises from projections, estimates may be based in part on output from rating models and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the period and the current security rating of the reinsurance companies involved. A number of statistical methods are used to assist in making these estimates.

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

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

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

Unexpired risks provision

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

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

Foreign currencies

The functional and presentational currency of the Syndicate is US Dollars. Income and expenditure in foreign currencies are translated at the average rates of exchange for the period. Monetary assets and liabilities denominated in foreign currencies are translated at the rate of exchange at the balance sheet date or if appropriate at the forward contract rate. Non-monetary assets and liabilities are translated at the rate of exchange ruling at the date of transaction. All differences arising on translation of foreign currency amounts are included in the profit and loss account.

Financial assets and liabilities

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

Financial assets and liabilities are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. The Syndicate considers financial assets and liabilities to include debtors and creditors and are stated at cost which is deemed to be fair value.

Classification

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the statement of profit or loss account and other comprehensive income. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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

Deposits with credit institutions are classified as financial investments and debtors and accrued interest are classified as receivables, and are held at amortised cost. For this purpose investments are stated at market value (bid value) and deposits with credit institutions are stated at amortised cost.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Recognition

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

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

Measurement

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with fair value changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest income. The investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business account to reflect the investment return on funds supporting underwriting business.

Debtors, cash and cash equivalents and non-derivative financial liabilities are measured at amortised cost.

Identification and measurement of impairment

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

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

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

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

Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the balance sheet when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

3. SIGNIFICANT ACCOUNTING POLICIES (CONT.)

Fair Value Hierarchy

The Syndicate utilises a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for similar assets in active markets. Level 3 inputs are unobservable inputs for the asset or liability. Unobservable inputs may only be used to measure fair value to the extent that observable inputs are not available. The fair value of the majority of the Syndicate's portfolio is based on observable data (other than quoted prices) and, accordingly, is classified as Level 2.

In classifying particular financial securities in the fair value hierarchy, the Syndicate uses its judgement to determine whether the market for a security is active and whether significant pricing inputs are observable. The Syndicate determines the existence of an active market by assessing whether transactions occur with sufficient frequency and volume to provide reliable pricing information. The Syndicate determines whether inputs are observable based on the use of such information by pricing services and external investment managers, the uninterrupted availability of such inputs, the need to make significant adjustments to such inputs and the volatility of such inputs over time. If the market for a security is determined to be inactive or if significant inputs used to price a security are determined to be unobservable, the security is categorised in Level 3 of the fair value hierarchy.

Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the balance sheet.

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 the Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

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

Pension costs

W. R. Berkley Syndicate Limited ("WRBSL") and W. R. Berkley London Staff, Limited ("WRBLSL") operate defined contribution schemes. No pension contributions, relating to staff employed by WRBSL or WRBLSL, were paid directly by the Syndicate.

Profit commission

A profit commission is not charged by the Managing Agent.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT

Introduction and overview

This note presents information about the nature and extent of insurance, financial and non-financial risks to which the Managing Agent and the Syndicate are exposed, and the objectives and approach for managing risk and capital. For the purposes of this note, the Managing Agent and the Syndicate either individually or collectively are hereinafter referred to as "the Managing Agent" and "the Syndicate".

Risk Management Framework, Governance and Oversight

Risk management is a core tenet of the Managing Agent and in accordance with its culture and philosophy, the Syndicate's individual and aggregate risk exposures are managed proactively with a strong balance sheet, including a high-quality investment portfolio. The Board is responsible for managing all risks facing the business. The Board sets risk appetite as part of the business planning and capital planning processes. A 'three lines of defence' governance model is in place that promotes and enables an effective system of risk management and internal control across the Managing Agent. An enterprise risk management framework has been developed and implemented to provide the structure through which the Managing Agent identifies, assesses, monitors, measures, prioritises, reports and controls the risks posed to the achievement of strategic and business plan objectives. The enterprise risk management framework is articulated and set out in a comprehensive suite of policy, process and procedural documentation that is subject to a regular cycle of review and enhancement in accordance with business standards and needs; on-going changes in the risk environment; evolving good practice on risk management and governance; and applicable regulatory/supervisory requirements. The Managing Agent's internal control system supports and enables the management of risks and the undertaking of appropriate related actions on a timely basis. The Board delegates certain day-to-day management and oversight to its sub-committees. Further information is set out below on certain Board sub-committees in accordance with the purpose of this note.

Risk and Capital Committee

The RCC provides oversight of the enterprise risk management framework including the own risk and solvency assessment ("ORSA") process and reporting on behalf of the Board. The RCC reviews and challenges risk profile information and escalates any issues to the Board. The RCC considers the adequacy of available capital and assesses capital requirements based on risk based calculations and proposes relevant actions to be taken by the Board. The RCC is chaired by an independent non-executive Director.

Actuarial Reserving Committee

The Actuarial Reserving Committee ("ARC") provides oversight of the process for the determination of GAAP reserves on behalf of the Board. The ARC is responsible for recommending appropriate policies, procedures, methodologies and assumptions to the Board for determining the appropriate levels of ultimate and "earned" reserves to be held by the Syndicate in conjunction with external actuarial and audit sign off where appropriate. The ARC is chaired by an independent non-executive Director.

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Audit Committee

The Audit Committee ("AC") operates independently from other committees and make recommendations directly to the Board. The AC reviews and considers internal audit and external audit reports on the effectiveness of internal control systems and financial reporting. The AC reviews and makes recommendations to the Board on audited financial statements and returns. The AC is chaired by an independent non-executive Director.

Risk Profile

The Managing Agent is focused on generating superior risk-adjusted returns over the insurance cycle based on a real understanding of the amount of risk being assumed and the proactive management of risk exposures. The Managing Agent manages insurance, financial and non-financial risks on an ongoing basis in keeping with its approved risk appetite and system of internal controls.

Insurance Risk

Insurance risk is the risk of any deviation from anticipated risk adjusted returns due from underwriting, claims, reserving or reinsurance activities including inherent uncertainties as to the occurrence, amount and timing of insurance liabilities. In transacting general insurance and reinsurance business in the Lloyd's market, the Syndicate is subject to various risks and uncertainties, including but not limited to: the cyclical nature of the property casualty industry; the impact of significant competition, including new alternative entrants to the industry; the long-tail and potentially volatile nature of the insurance and reinsurance business; product demand and pricing; claims development and the process of estimating reserves; the effects of emerging claim and coverage issues; the uncertain nature of damage theories and loss amounts; natural and man-made catastrophic losses, including as a result of terrorist activities; and the impact of climate change, which may increase the frequency and severity of catastrophe events. The Managing Agent has established controls for managing its underwriting, pricing, exposure management, reinsurance, claims and reserving activities, processes and deliverables. In possible circumstances, where insurance risk exposure moves outside of approved risk appetite, tolerances and limits; action is to be taken to manage the insurance risk exposure back to within the approved risk appetite, tolerances and limits in accordance with the Managing Agent's insurance risk policy.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Concentration of insurance risk

The following table provides an analysis of the geographical breakdown of gross premiums written by class of business:

Year 2019	Property	Crisis Management	Consortia	Engineering + Construction	Reinsurance China	W.R. Berkley Business	Casualty	Marine	Accident + Health	Aviation	Asset Protection	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000	$'000
UK	564	4,700	527	2,951	-	9,220	45,111	(76)	1,610	(100)	8,135	72,642
Europe	1,765	12,756	-	676	-	7,328	7,238	(3)	460	(149)	2,156	32,227
North America	102,638	7,480	9	19,508	-	23,811	1,304	294	2,018	(144)	1,849	158,767
Central America	4,224	1,257	-	456	-	1,011	947	(5)	10	(25)	55	7,930
South America	4,439	109	-	791	-	14	172	-	-	(49)	36	5,512
Australasia	5,470	665	-	19,259	-	1,165	1,704	-	10	(270)	283	28,286
Asia	2,530	2,045	-	1,649	9,565	367	359	18	63	(138)	293	16,751
Middle East	2,550	3,177	-	772	-	975	2,923	77	-	(1,181)	31	9,324
Africa	316	2,951	-	472	-	187	119	-	-	(55)	1	3,991
Total	**124,496**	**35,140**	**536**	**46,534**	**9,565**	**44,078**	**59,877**	**305**	**4,171**	**(2,111)**	**12,839**	**335,430**

W / R / B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Concentration of insurance risk (cont.)

The following table provides an analysis of the geographical breakdown of gross written premiums by class of business for the prior period.

Year 2018	Property $'000	Crisis Management $'000	Consortia $'000	Engineering + Construction $'000	Reinsurance China $'000	W.R. Berkley Business $'000	Marine $'000	Accident + Health $'000	Aviation $'000	Asset Protection $'000	Casualty $'000	Total $'000
UK	1,173	4,206	644	2,883	-	5,546	332	5,114	3,943	6,235	30,977	61,053
Europe	1,314	7,240	-	847	-	7,424	(933)	365	1,824	2,290	4,717	25,088
North America	69,628	7,640	9	6,574	-	22,728	280	2,865	444	2,749	357	113,274
Central America	4,559	1,141	-	233	-	592	88	(2)	32	107	337	7,087
South America	3,220	94	-	1,556	-	26	(32)	187	(511)	51	42	4,633
Australasia	3,952	532	-	8,598	-	2,270	6	-	1,266	1,465	726	18,815
Asia	1,582	2,253	-	1,336	7,167	259	(54)	192	597	558	171	14,061
Middle East	1,184	1,315	-	2,172	-	629	55	(39)	861	578	1,185	7,940
Africa	496	856	-	14	-	992	(63)	3	187	25	39	2,549
Total	**87,108**	**25,277**	**653**	**24,213**	**7,167**	**40,466**	**(321)**	**8,685**	**8,643**	**14,058**	**38,551**	**254,500**

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates in IBNR. A five per cent increase or decrease in ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date.

A five percent increase or decrease in total claims liabilities would have the following effect on profit or loss and equity before application of reinsurance:

	2019		2018	
	5 per cent increase	**5 per cent decrease**	**5 per cent increase**	**5 per cent decrease**
	$'000	$'000	**$'000**	**$'000**
Property	(3,457)	3,457	(3,136)	3,136
Crisis Management	(1,015)	1,015	(971)	971
Consortia	(204)	204	(226)	226
Engineering + Construction	(909)	909	(589)	589
Marine	(888)	888	(1,783)	1,783
Accident + Health	(402)	402	(620)	620
Aviation	(618)	618	(954)	954
Reinsurance	(378)	378	(285)	285
Asset Protection	(388)	388	(439)	439
W. R. Berkley Business	(3,705)	3,705	(2,476)	2,476
Casualty	(1,977)	1,977	(1,427)	1,427
Total	**(13,941)**	**13,941**	**(12,906)**	**12,906**

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Gross and Net claims development triangles

The below tables illustrate the development of the estimates of cumulative claims for the Syndicate on an underwriting year basis. All tables have been revalued to reflect the current year closing rate of exchange and are prepared on an undiscounted basis.

Gross Claims Development

Estimate of cumulative claims	**2011 $'000**	**2012 $'000**	**2013 $'000**	**2014 $'000**	**2015 $'000**	**2016 $'000**	**2017 $'000**	**2018 $'000**	**2019 $'000**
At end of underwriting year	74,622	39,281	77,271	68,770	52,997	65,416	105,507	60,626	66,994
One year later	104,047	57,890	100,558	109,100	105,573	157,315	182,225	143,424	-
Two years later	105,516	65,759	111,178	132,407	117,003	179,015	199,604	-	-
Three years later	115,484	74,666	112,357	131,035	117,476	182,161	-	-	-
Four years later	119,270	77,583	113,026	147,723	112,189	-	-	-	-
Five years later	119,265	77,889	111,618	146,132	-	-	-	-	-
Six years later	118,932	76,588	112,300	-	-	-	-	-	-
Seven years later	118,931	76,449	-	-	-	-	-	-	-
Eight years later	118,782	-	-	-	-	-	-	-	-
Cumulative payments	117,566	73,591	108,320	126,217	100,750	138,157	140,989	61,790	11,935
Estimated balance to pay	1,216	2,858	3,980	19,915	11,439	44,004	58,615	81,634	55,059
Gross estimated balance to pay									
2010 and prior									103
Grand total									**278,823**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Net Claims Development

Estimate of cumulative claims	2011 $'000	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000
At end of underwriting year	74,526	39,221	76,661	67,913	50,888	59,434	66,843	41,813	47,917
One year later	100,823	55,304	92,265	106,295	99,934	122,155	117,386	93,172	-
Two years later	102,238	63,879	101,244	122,468	109,745	137,618	123,975	-	-
Three years later	109,885	74,316	102,624	121,310	110,625	133,170	-	-	-
Four years later	112,235	77,225	104,045	120,630	106,450	-	-	-	-
Five years later	111,947	77,504	103,958	119,844	-	-	-	-	-
Six years later	111,716	76,482	104,219	-	-	-	-	-	-
Seven years later	111,953	76,384	-	-	-	-	-	-	-
Eight years later	111,813	-	-	-	-	-	-	-	-
Cumulative payments	110,826	73,536	100,356	112,569	96,940	109,262	98,174	44,600	10,917
Estimated balance to pay	987	2,848	3,863	7,274	9,510	23,908	25,801	48,572	37,000
Net estimated balance to pay									
2010 and prior									95
Grand total									**159,858**

In the calendar year there was a prior accident year adverse development of claims incurred of $5.1 million (2018: $5.1 million adverse).

Credit risk

Credit risk is the risk of loss as a result of the failure by another party or counterparty to meet its contractual obligations or its failure to perform them in a timely manner. The Syndicate is exposed to a variety of types of credit risk that include but are not limited to: reinsurer credit risk; credit risk from intermediaries such as brokers and coverholders; credit risk from third party claims administrators; credit risk associated with the Syndicate's investments; and credit risk from other third parties including banks. The Managing Agent has established controls to manage its credit risk and mitigate the potential impact of its credit risk exposures to counterparties arising out of its business activities. In possible circumstances, where credit risk exposure moves outside of approved risk appetite, tolerances and limits, action is to be taken to manage the credit risk exposure back to within the approved risk appetite, tolerances and limits in accordance with the Managing Agent's credit risk policy.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Exposure to credit risk

The table below analyses the credit rating of the assets held at the reporting date:

2019	AAA	AA	A	BBB	<BBB	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Shares and other variable yield securities	-	-	15,604	-	-	-	15,604
Debt securities	51,881	54,387	-	-	-	-	106,268
Loans with credit institutions	-	-	880	-	-	-	880
Overseas deposits as investments	10,568	2,558	1,714	1,116	283	3,589	19,828
Reinsurers' share of claims outstanding	-	6,502	98,670	-	-	13,793	118,965
Reinsurers' debtors	-	2,795	12,390	-	-	1,526	16,711
Cash at bank and in hand	-	-	5,304	-	-	-	5,304
Total credit risk	**62,449**	**66,242**	**134,562**	**1,116**	**283**	**18,908**	**283,560**

2018	AAA	AA	A	BBB	<BBB	Not Rated	Total
	$'000	$'000	$'000	$'000	$'000	$'000	$'000
Shares and other variable yield securities	-	-	13,118	-	-	-	13,118
Debt securities	39,788	32,559	-	-	-	-	72,347
Overseas deposits as investments	8,014	1,933	1,367	828	38	7,540	19,720
Reinsurers' share of claims outstanding	-	8,206	82,766	-	-	7,757	98,728
Reinsurers' debtors	-	1,493	8,000	-	-	3,195	12,688
Cash at bank and in hand	-	-	7,577	-	-	-	7,577
Total credit risk	**47,802**	**44,191**	**112,828**	**828**	**38**	**18,492**	**224,178**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Financial assets

An analysis of the carrying amounts of financial assets is presented in the table below:

	Neither past due nor impaired	Financial assets that are past due but not impaired				Financial assets that have been impaired	Total
		up to 3 months	3 to 6 months	6 to 12 months	greater than 1 year		
2019	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Shares and other variable yield securities and unit trusts	15,604	-	-	-	-	-	15,604
Debt securities	106,268	-	-	-	-	-	106,268
Loans to credit institutions	880	-	-	-	-	-	880
Overseas deposits as investments	19,828	-	-	-	-	-	19,828
Reinsurers' share of claims outstanding	118,965	-	-	-	-	-	118,965
Reinsurance debtors	16,711	-	-	-	-	-	16,711
Insurance debtors	69,271	20,592	7,372	1,530	-	-	98,765
Other assets	103,268	-	-	-	-	-	103,268
Cash at bank and in hand	5,304	-	-	-	-	-	5,304
Total credit risk	**456,099**	**20,592**	**7,372**	**1,530**	**-**	**-**	**485,593**

There have been no impairments or write off of financial assets in the year (2018: Nil).

	Neither past due nor impaired	Financial assets that are past due but not impaired				Financial assets that have been impaired	Total
		up to 3 months	3 to 6 months	6 to 12 months	greater than 1 year		
2018	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**	**$'000**
Shares and other variable yield securities and unit trusts	13,118	-	-	-	-	-	13,118
Debt securities	72,347	-	-	-	-	-	72,347
Overseas deposits as investments	19,720	-	-	-	-	-	19,720
Reinsurers' share of claims outstanding	98,728	-	-	-	-	-	98,728
Reinsurance debtors	12,688	-	-	-	-	-	12,688
Insurance debtors	50,771	12,555	3,035	2,494	4,106	-	72,961
Other assets	69,057	-	-	-	-	-	69,057
Cash at bank and in hand	7,577	-	-	-	-	-	7,577
Total credit risk	**344,006**	**12,555**	**3,035**	**2,494**	**4,106**	**-**	**366,196**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Liquidity risk

Liquidity risk is the risk that the Syndicate, although solvent, does not have sufficient readily realisable financial resources available including liquid assets in the correct currency to enable it to meet its obligations as they fall due, or can only meet them at excessive cost, in both normal market conditions and in severe but plausible stressed situations. The Syndicate is exposed to a variety of types of liquidity risk that include but are not limited to: funding liquidity risk; intraday liquidity risk; and the potential impact to liquidity following a large market-wide insurable event such as a severe natural catastrophe. The Managing Agent has established controls to mitigate the potential impact from liquidity risk exposures arising out of its business activities. In possible circumstances, where liquidity risk exposure moves outside of approved risk appetite, tolerances and limits, action is to be taken to manage the liquidity risk exposure back to within the approved risk appetite, tolerances and limits in accordance with the Managing Agent's liquidity risk policy.

The maturity of liabilities and expected settlement profile for claims liabilities held at the reporting date is shown in the table below:

2019	Not stated maturity $'000	0-1 year $'000	1-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total $'000
Claims outstanding	-	87,885	115,235	46,305	29,398	278,823
Creditors	-	53,973	-	-	-	53,973

2018	Not stated maturity $'000	0-1 year $'000	1-3 years $'000	3-5 years $'000	Greater than 5 years $'000	Total $'000
Claims outstanding	-	116,679	91,689	33,204	16,582	258,154
Creditors	-	51,007	-	-	-	51,007

The maturity of the assets held by the Syndicate match the liabilities held as they fall due.

Market risk

Market risk is the risk of fluctuations in the value of the Syndicate's assets, the amount of its liabilities, or the income from its assets, as a result of market movements. Market movements include but are not limited to changes in interest rates, credit spreads, volatility of equities and stock market indices, foreign exchange rates, commodity prices, and inflation. Such macro-economic factors could also lead to possible systemic risk affecting the entire financial system. As set out above, there is also credit risk associated with the investment of the Syndicate's assets. The Managing Agent has established controls to mitigate the potential impact of its market risk exposures arising out of its business activities. In possible circumstances, where market risk exposure moves outside of approved risk appetite, tolerances and limits, action is to be taken to manage the market risk exposure back to within the approved risk appetite, tolerances and limits in accordance with the Managing Agent's market risk policy.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

The table on the following page summarises the assets and liabilities at the reporting date split by currency:

2019	USD $'000	GBP $'000	EUR $'000	CAD $'000	AUD $'000	Total $'000
Financial investments	97,591	880	1,305	16,326	6,650	122,752
Overseas deposits	2,700	3,883	-	4,109	9,136	19,828
Reinsurers' share of technical provisions	119,101	27,191	12,462	6,997	11,934	177,685
Insurance and reinsurance receivables	68,203	44,964	(8,580)	3,309	7,579	115,475
Cash and cash equivalents	5	1,853	1,807	938	701	5,304
Other assets	17,712	13,561	6,607	3,767	2,902	44,549
Total assets	**305,312**	**92,332**	**13,601**	**35,446**	**38,902**	**485,593**
Technical provisions	(279,798)	(96,401)	(32,839)	(20,646)	(25,038)	(454,722)
Insurance and reinsurance payables	(33,147)	(12,569)	(2,415)	(440)	(2,426)	(50,997)
Other creditors	(9,686)	(5,592)	(1,583)	(1,681)	(2,298)	(20,840)
Total liabilities	**(322,631)**	**(114,562)**	**(36,837)**	**(22,767)**	**(29,762)**	**(526,559)**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

2018	USD $'000	GBP $'000	EUR $'000	CAD $'000	AUD $'000	Total $'000
Financial investments	66,607	-	5,941	8,080	4,837	85,465
Overseas deposits	3,337	7,542	-	2,270	6,571	19,720
Reinsurers' share of technical provisions	93,638	17,576	15,673	3,719	4,276	134,882
Insurance and reinsurance receivables	49,415	39,467	(5,134)	229	2,443	86,420
Cash and cash equivalents	4	4,028	1,531	690	1,324	7,577
Other assets	14,810	11,786	3,163	1,096	1,278	32,133
Total assets	**227,811**	**80,399**	**21,174**	**16,084**	**20,729**	**366,197**
Technical provisions	(248,144)	(78,042)	(34,380)	(8,548)	(15,702)	(384,816)
Insurance and reinsurance payables	(24,777)	(13,537)	(3,227)	(536)	(1,283)	(43,360)
Other creditors	(7,626)	(5,134)	(802)	(315)	(852)	(14,729)
Total liabilities	**(280,547)**	**(96,713)**	**(38,409)**	**(9,399)**	**(17,837)**	**(442,905)**

Sensitivity analysis to market risks for financial instruments

An analysis of the Syndicate's sensitivity to interest rate fluctuations is presented in the table below:

Interest rate risk	2019 $'000	2018 $'000
Impact of 100 basis point increase on the net assets	(3,482)	(2,342)
Impact of 50 basis point increase on the net assets	(1,741)	(1,171)
Impact of 100 basis point decrease on the net assets	3,566	2,398
Impact of 50 basis point decrease on the net assets	1,783	1,199

4. RISK AND CAPITAL MANAGEMENT (CONT.)

Operational and Group Risk

Operational risk is the risk of loss arising from inadequate or failed internal processes, people or systems, or from certain external events including those that impact on an external relationship that can be found in almost all insurance, financial and non-financial activities. For the Managing Agent, operational risk exposures could include but are not limited to risks and uncertainties relating to the Managing Agent's business activities and its ability to attract and retain key personnel and qualified employees; legislative and regulatory developments, including those related to business practices in the insurance industry; and potential difficulties with technology and/or cyber security issues. The Managing Agent has established controls to mitigate the potential impact from operational risk exposures to its corporate governance arrangements, organisational and management structures and the day-to-day activities, processes and deliverables from its business functions. In possible circumstances, where operational risk exposure moves outside of approved risk appetite and tolerances, action is to be taken to manage the operational risk exposure back to within the approved risk appetite and tolerances in accordance with the Managing Agent's operational risk policy.

Group risk is the risk arising from being part of the wider WRBC Group in addition to being part of the Lloyd's market. WRBC Group provides centralised capital and expertise, including investment and reinsurance management, corporate actuarial, financial, ERM, catastrophe modelling, IT and security, and legal support.

Other Risks including Non-Financial and Emerging Risks

The Syndicate, like all other insurance companies, is exposed to continuous change from the external environment that can include political, social, legal, regulatory, governance, economic, industry, and environmental change. The Managing Agent continuously monitors changes in the external environment to ensure appropriate action is taken in alignment with the enterprise risk management framework and risk appetite.

Capital management

Capital framework at Lloyd's

The Society of Lloyd's ("Lloyd's") is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority ("PRA") under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

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

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

Lloyd's capital setting process

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

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)

4. RISK AND CAPITAL MANAGEMENT (CONT.)

A Syndicate may be supported by one or more underwriting members of Lloyd's. Each member is liable only for its own share of underwriting liabilities on the Syndicates on which it is participates. Accordingly, the capital requirements 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 may be provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's, not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2018 and 2019 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's), assets held and managed within a Syndicate (Funds in Syndicate), and the member's share of the members' balances on a Solvency II basis on each Syndicate on which it participates.

5. SEGMENTAL ANALYSIS

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

2019	Gross Premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance Balance $'000	Total $'000
Direct insurance						
Accident & Health	1,972	4,262	(4,972)	(822)	(171)	(1,703)
Fire and other damage to property	137,243	106,717	(47,684)	(35,051)	(6,190)	17,792
Energy – Marine	-	-	(8)	-	(6)	(14)
Energy – Non Marine	1,750	1,489	358	(264)	(84)	1,499
Third Party Liability	83,065	74,335	(26,446)	(23,355)	(6,287)	18,247
Pecuniary loss	28,806	27,569	(26,869)	(8,787)	(2,417)	(10,504)
Transport	671	480	684	(240)	(32)	892
Marine	(60)	(50)	(1,543)	1	(51)	(1,643)
Aviation	(697)	2,256	(5,645)	(1,351)	59	(4,681)
Motor - Third party liability	6	276	(331)	(123)	(13)	(191)
Motor - Other Classes	6,283	4,863	(2,276)	(2,105)	(221)	261
	259,039	**222,197**	**(114,732)**	**(72,097)**	**(15,413)**	**19,955**
Reinsurance Business	76,391	67,324	(42,761)	(20,677)	(2,086)	1,800
Total	**335,430**	**289,521**	**(157,493)**	**(92,774)**	**(17,499)**	**21,755**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

5. SEGMENTAL ANALYSIS (CONT.)

2018	Gross Premiums written $'000	Gross premiums earned $'000	Gross claims incurred $'000	Gross operating expenses $'000	Reinsurance Balance $'000	Total $'000
Direct insurance						
Accident & Health	5,798	7,447	(6,724)	(5,054)	142	(4,189)
Fire and other damage to Property	82,140	72,212	(55,672)	(27,030)	(2,012)	(12,502)
Energy – Marine	(4)	3	3	5	-	11
Energy – Non Marine	1,494	1,392	(1,543)	(147)	(44)	(342)
Third Party Liability	72,011	59,881	(22,322)	(19,413)	(2,597)	15,549
Pecuniary loss	22,903	29,956	(10,605)	(10,903)	(886)	7,562
Transport	162	977	(2,429)	(561)	(130)	(2,143)
Marine	(146)	2,082	(10,098)	(1,095)	887	(8,224)
Aviation	8,710	11,338	(17,883)	(4,543)	1,355	(9,733)
Motor - Third party Liability	553	425	(168)	(209)	(9)	39
Motor - Other Classes	3,419	1,956	(631)	(919)	(41)	365
	197,040	**187,669**	**(128,072)**	**(69,869)**	**(3,335)**	**(13,607)**
Reinsurance Business	57,460	58,266	(41,566)	(18,864)	(366)	(2,530)
Total	**254,500**	**245,935**	**(169,638)**	**(88,733)**	**(3,701)**	**(16,137)**

The segmental note above is presented by regulatory class of business. The table in the Report of the Directors' of the Managing Agent, on page 5, uses the managed class of business analysis.

Commissions on direct insurance business during 2019 were $66.7 million (2018: $53.3 million). Reinsurance balances includes reinsurance commissions receivable.

6. CLAIMS

	2019 $'000	2018 $'000
Claims incurred – current accident year	87,205	98,505
Claims incurred – development of prior accident years	5,094	5,113
Claims incurred, net of reinsurance	**92,299**	**103,618**

The Syndicate has loss reserves for various events and for losses that are incurred but not reported (IBNR). Losses continue to develop both positively and negatively on these open balances. Whilst the Syndicate has a reasonable degree of confidence as to the ultimate adequacy of its recourse for all events, volatility exists around the final settlement value.

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NOTES TO THE FINANCIAL STATEMENTS (CONT.)

7. NET OPERATING EXPENSES

	2019 $'000	2018 $'000
Brokerage & commissions	28,704	31,086
Other acquisition costs	2,491	1,922
Change in deferred acquisition costs	2,264	1,071
Acquisition costs	**33,459**	**34,079**
Administrative expenses	31,764	34,161
Net operating expenses	**65,223**	**68,240**

Administrative expenses include:

	2019 $'000	2018 $'000
Auditor's remuneration		
Fees payable to the Syndicate's auditor for the audit of these financial statements	282	243
Fees payable to the Syndicate's auditor for other services pursuant to legislation	108	104
	340	**347**

8. REMUNERATION OF KEY MANAGEMENT PERSONNEL OF W. R. BERKLEY SYNDICATE MANAGEMENT LIMITED

The Executive Directors of the Managing Agent receive remuneration from an affiliated service company, WRBSL. An allocation of the total remuneration is chargeable to the Syndicate under the Managing Agent's Agreement.

The non-executive Directors are remunerated by way of fees paid by the Managing Agent. No fees are levied to the Syndicate for the services of the shareholder non-executive Directors, where the majority of their time and effort is in respect of corporate matters for WRBC.

	2019 $'000	2018 $'000
Executive Directors total remuneration	1,264	1,116
Non-executive Directors fees	345	197
	1,609	**1,313**

The highest paid Director received a total remuneration of $468,794 (2018: $548,649).

The Active Underwriters received the following aggregate remuneration from the Managing Agent, which was charged to the Syndicate by way of the Secondment and Services Agreement.

	2019 $'000	2018 $'000
Total remuneration	**318**	**1,129**

The value above represents the combined total remuneration of the Active Underwriters.

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

9. STAFF NUMBERS AND COSTS

All staff are employed by affiliated service companies, WRBSL and WRBLSL, and are recharged to the Syndicate by way of the Secondment and Services Agreements and the Managing Agent's Agreement. WRBSL and WRBLSL made total charges (including staff costs amongst other expenses) to the Managing Agent of $24.9 million (2018: $29.7 million) in accordance with the Secondment and Services Agreements. The Managing Agent made a total charge to the Syndicate of $25.5 million (2018: $30.0 million) in accordance with the Managing Agent's Agreement.

The average number of persons employed by WRBSL and WRBLSL and working for the Syndicate during the year is as follows:

	2019	2018
Underwriting	40	34
Claims	9	9
Administration and finance	42	48
	91	**91**

10. INVESTMENT RETURN

	2019 $'000	2018 $'000
Interest income	2,649	2,137
Realised gains and losses on investments	(109)	(758)
Unrealised gains and losses on investments	819	478
Investment management expenses and charges	(121)	(105)
Investment return	**3,238**	**1,752**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

11. INVESTMENT YIELD

The average amount of Syndicate funds available for investment and the investment return and yield were as follows:

	2019 $'000	2018 $'000
Average fund	130,045	117,220
Investment return	3,238	1,752
Investment yield	2.49%	1.49%
Average funds available for investment by fund		
Sterling	9,211	8,986
Euro	5,070	10,464
United States Dollars	86,252	78,167
Canadian Dollars	15,937	7,522
Australian Dollars	13,575	12,081
Analysis of investment yield by fund		
Sterling	0.06%	(0.01%)
Euro	(0.14%)	(0.28%)
United States Dollars	2.93%	1.75%
Canadian Dollars	2.02%	1.89%
Australian Dollars	2.90%	2.27%

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each month during the calendar year. For this purpose, investments are revalued at month-end market prices. The investment yield is the total investment return, including investment management expenses and charges and unrealised gains and losses, divided by the average investment funds.

12. FINANCIAL INVESTMENTS

	2019		2018	
	Market value $'000	Cost $'000	Market value $'000	Cost $'000
Shares and other variable yield securities	15,604	15,604	13,118	13,118
Debt securities and other fixed income securities	106,268	105,874	72,347	72,705
Loans to credit institutions	880	880	-	-
Total	**122,752**	**122,358**	**85,465**	**85,823**

All "Shares and other variable yield securities" are listed securities, except for the Lloyd's Canadian Trust Funds short term blended investment accounts of $0.1 million (2018: $2.3 million).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

13. FAIR VALUE HIERARCHY

2019	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value $'000	Balance sheet position $'000
Shares and other variable yield securities and unit trusts	-	15,604	-	15,604	15,604
Debt securities and other fixed income investments	-	107,148	-	107,148	107,148
Overseas deposits	4,886	14,942	-	19,828	19,828
Total	**4,886**	**137,694**	**-**	**142,580**	**142,580**

2018	Level 1 $'000	Level 2 $'000	Level 3 $'000	Fair value $'000	Balance sheet position $'000
Shares and other variable yield securities and unit trusts	-	13,118	-	13,118	13,118
Debt securities and other fixed income investments	-	72,347	-	72,347	72,347
Overseas deposits	9,254	10,466	-	19,720	19,720
Total	**9,254**	**95,931**	**-**	**105,185**	**105,185**

Overseas deposits comprise funds which are lodged as a condition of conducting underwriting business in certain countries or states within countries.

14. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2019 $'000	2018 $'000
Due within one year	98,765	72,931
Due after one year	-	28
	98,765	**72,959**

15. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2019 $'000	2018 $'000
Due within one year	16,548	13,460
Due after one year	163	-
	16,711	**13,460**

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

16. YEAR OF ACCOUNT DEVELOPMENT

Year of account	2012 $'000	2013 $'000	2014 $'000	2015 $'000	2016 $'000	2017 $'000	2018 $'000	2019 $'000	Three year funded adjs. $'000	Profit/ (Loss) to member $000
2012	(4,699)	21,163	1,907	-	-	-	-	-	(1,400)	16,971
2013	-	(2,802)	11,876	(6,489)	-	-	-	-	(396)	2,189
2014	-	-	(2,850)	13,570	(12,034)	-	-	-	(1,241)	(2,555)
2015	-	-	-	1,867	4,623	(3,440)	-	-	(1,121)	1,929
2016	-	-	-	-	(19,238)	(12,055)	(1,099)	-	(1,547)	(33,939)
2017	-	-	-	-	-	(54,341)	1,414	14,089	3,553	(35,285)
2018	-	-	-	-	-	-	(16,755)	9,117	-	(7,638)
2019	-	-	-	-	-	-	-	235	-	235
Calendar year result	**(4,699)**	**18,361**	**10,933**	**8,948**	**(26,649)**	**(69,836)**	**(16,440)**	**23,441**	**(2,152)**	**(58,093)**

The three year funded adjustments arise from foreign exchange differences.

17. TECHNICAL PROVISIONS SEGMENT

	2019			2018		
	Gross provisions $'000	Reinsurance assets $'000	Net $'000	Gross provisions $'000	Reinsurance assets $'000	Net $'000
Claims outstanding						
As at 1 January	258,153	(98,728)	159,425	246,086	(70,125)	175,961
Change in claims outstanding	17,934	(19,542)	-1,608	16,299	(30,093)	(13,794)
Effect of movements in exchange rates	2,736	(695)	2,041	(4,232)	1,490	(2,742)
As at 31 December	**278,823**	**(118,965)**	**159,858**	**258,153**	**(98,728)**	**159,425**
Claims notified	135,070	(50,054)	85,016	136,902	(48,186)	88,716
Claims incurred but not reported	139,025	(68,911)	70,114	116,883	(50,542)	66,341
Unallocated Loss Adjustment Expenses	4,728	-	4,728	4,368	-	4,368
As at 31 December	**278,823**	**(118,965)**	**159,859**	**258,153**	**(98,728)**	**159,425**
Unearned premiums						
As at 1 January	126,662	(36,154)	90,508	120,530	(35,239)	85,291
Change in unearned premiums	45,909	(22,142)	23,767	8,568	(1,765)	6,803
Effect of movements in exchange rates	3,328	(424)	2,904	(2,436)	850	(1,585)
As at 31 December	**175,899**	**(58,720)**	**117,179**	**126,662**	**(36,154)**	**90,509**

W/R/B UNDERWRITING | a Berkley Company

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

18. CREDITORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2019 $'000	2018 $'000
Due within one year	1,513	1,684
Due after one year	-	-
Total	**1,513**	**1,684**

19. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2019 $'000	2018 $'000
Due within one year	49,484	41,676
Due after one year	-	-
Total	**49,484**	**41,676**

20. RELATED PARTIES

The Syndicate is managed by the Managing Agent under the terms of a Lloyd's Managing Agent's Agreement. A Managing Agent's fee equal to 0.2% of the stamp capacity of the current underwriting year (2018: 0.1%) plus costs under the terms of the Secondment and Services Agreements (see below) is charged in the current calendar year and payable by the Syndicate to the Managing Agent.

Under the terms of the Secondment and Services Agreements the affiliated companies, WRBSL and WRBLSL, provides staff and facilities for the operation of the Syndicate and the Managing Agent. A fee, which equates to costs plus a margin of 6% is charged in the current calendar year and payable by the Managing Agent to WRBSL and WRBLSL. The fees charged were $25.5 million (2018: $29.7 million).

Investments are managed by an affiliated company, Berkley Dean & Company, Inc., under the Investment Management Agreement. Fees are charged based on the basis of a percentage of assets under management and are settled by WRBSL on behalf of the Syndicate.

The provision of computer and data processing services are provided to the Syndicate and the Managing Agent by an affiliated company, Berkley Technology Services LLC, under the provision of an outsourcing contract and Master Services Agreement. Fees are charged on a time and materials basis and settled by WRBSL and recharged to the Syndicate.

Certain centralised services are provided by an affiliated company, WRBC Services, Limited, under the Services Agreement. Fees are chargeable on a time and materials basis and settled by WRBSL on behalf of the Syndicate.

All the above charges are considered to have been made on an "arm's length" basis as set out in the contractual terms and are in the course of normal market conditions.

The Syndicate writes certain international business, classified as "Berkley" business, written on a coverholder basis or on a referral basis with certain affiliated companies within WRBC. The total amount of gross premium written in the year was $1.8 million (2018: $5.8 million).

NOTES TO THE FINANCIAL STATEMENTS (CONT.)

21. FUNDS AT LLOYD'S

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities. FAL is 100% provided by WRBC Corporate Member Limited, an indirect wholly owned subsidiary of WRBC.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's and is based on PRA requirements and resource criteria as described in the Capital Management section of Note 4. Since FAL is not under the management of the Managing Agent, no amount has been shown in these annual accounts by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

22. OFF BALANCE SHEET ITEMS

The Syndicate has not been party to any arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the Syndicate.

23. FOREIGN EXCHANGE RATES

The following currency exchange rates have been used for principal foreign currency transactions.

	2019 Year end rate	2019 Average rate	2018 Year end rate	2018 Average rate
Euro	1.12	1.12	1.14	1.18
Sterling	1.32	1.28	1.27	1.34
Canadian Dollar	0.77	0.75	0.73	0.77
Australian Dollar	0.70	0.70	0.70	0.75