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DL Dale Syndicate 2525

Syndicate Annual Report and Accounts

31 December 2019

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

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

Non Executive Directors*

Company Secretary

N J Burdett

Managing Agent's Registered Office

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

Managing Agent's Registered Number

1918744

Active Underwriter

A Ive

Bankers

Barclays Plc
Citibank N.A,
RBC Dexia

Investment Managers

Amundi (UK) Limited

Registered Auditor

Mazars LLP

Signing Actuary

Lane Clark and Peacock

Active Underwriter's Report

2017 Year of Account	
Allocated Capacity	£50.0m
Capacity Utilisation	91%
Profit in 2019	£4.3m

I am pleased to report a calendar year profit of £4.3m which is in the top quartile of the forecast range provided in Q2. The result is a clear indicator of the underwriting discipline and portfolio management that has been maintained throughout what has been an extremely challenging underwriting environment.

This has been achieved against the backcloth of an ever softening market place. The effects of "less adequate" reserving amongst some of our competitors has become apparent as adverse developments begin to take hold. It is pleasing to note the PRA identifies this in their 'Dear Chief Actuary' letter received by all UK Insurers in November. Greater scrutiny on reserving policies is now taking place throughout the Industry.

The Syndicate maintains its robust reserving philosophy and if the 2017 result is the nadir of the Insurance cycle then the Syndicate has successfully and commendably returned profit on all years under current management and I have every confidence that this will continue.

2018 Year of Account	
Stamp Capacity	£65.0m
Forecast Utilisation	93%
Profit in 2019	£3.2m

Following the employment of two new underwriters early in the year and positive rate and income development in the later years, 2018 saw the first of the Pre-emptions in recent years. An increase in Stamp Capacity from £50m to £65m, was driven by positive rate movements, and new business opportunities.

Rate increases achieved on the International book were 14%. The primary area, which makes up 75% of this account has seen an overall rate increase of 17%. Much of this increase comes from Canadian business although rate increases are being sought across the globe. Canada is unusual because it appears the domestic market have retrenched at the same time as the London market. This coupled with London underwriters reducing capacity in response to Lloyd's tough stance on the business planning process.

Conscious that the International book, naturally, has a longer claims development, we have taken steps to incept most of the business within the first 15 months of the relevant YoA. We started this process in 2018 and have continued into 2019, managing written premium against Underwriting Stamp and to reduce the length of tail.

Whilst the UK market did not see overall capacity reductions seen in other global territories, we still achieved rate increases in the UK for 2018 YoA of 7.59% for EL and 2.68% for PL. On top of rate improvements, certain trades, for example construction related, were buoyant which has led to increased wages and turnover thus increasing policy earnings. Overall, estimates were up across the renewal book by 8.86% for EL and 9.34% for PL. Taking both of these factors into account meant UK account premiums increased by an average of 16.58% on EL and 12.27% on PL.

Our renewal retention throughout 2018 was the highest we have had in a number of years. Q1 renewed 89.49% of renewable income, Q2 87.56%, Q3 85.29% and Q4 78.22%. This gives an overall retention rate through 2018 of 86.67% compared with a prior year average of 82%.

Active underwriter's report continued

2019 Year of Account	
Allocated Capacity	£69.9m
Capacity Utilisation	71%
Profit in 2019	£0.4m

In light of continuing improvements in market conditions, a 7.50% Pre-emption was agreed for 2019, increasing the Stamp from £65.0m to £69.9m.

As mentioned above, there is no doubt that the London Market international casualty sector is continuing to experience a hard phase of the cycle as the Syndicate saw the biggest growth in this part of the account throughout 2019. Rates on the renewals were increased by an average of 25.37%.

Tim Butcher decided to retire at the end of 2019. Tim joined the Syndicate in December 2014 and, has been instrumental in developing the Syndicate's reputation from a new entrant follow market with a small book of business, to a medium sized player with a lead line known across all corners of the globe. We would like to express our thanks to Tim for his contribution over the last 5 years.

The growth in the International account is seen very much as a positive although the Syndicate now expects to continue to refine its strategy having achieved maturity in its development. The account has displayed a higher than expected large gross loss frequency over the last few years with two total losses, one in 2016 and the other in 2018 year of account. In response to these losses the Syndicate has produced new Underwriting Guidelines and reassessed its appetite in order to reduce the volatility in the International account, in line with that which has been experienced on the Core account.

Whilst on a more gradual incline, the UK rates increased for a fourth consecutive year as there seems to be a more cautious approach to the underwriting of new business and more so within the London market.

The Syndicate maintains its core philosophy, the necessity to underwrite a majority of its business using the expertise and experience of its own underwriters. Return on capital is the sole driver and the Syndicate fully expects to continue to produce acceptable results for its investors.

A Ive
Active Underwriter
04 March 2020

Managing Agent's Report

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

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

Results

The total recognised result for calendar year 2019 is a profit of £7,847,258 (2018: profit £9,058,548).

The Syndicate presents its results under FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS 103.

Principal activity and review of the business

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

The Syndicate writes predominately employers' and public liability insurance primarily in the United Kingdom.

A full review is included in the Active Underwriter's Report.

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

	2019 **£'000**	**2018** **£'000**
Employers' liability	34,927	30,962
Public liability	46,692	39,141
	81,619	70,103

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

	2019 **£'000**	**2018** **£'000**	**Change** **%**
Gross written premiums	81,619	70,103	16.4%
Profit for the financial year	7,847	9,059	(13.4%)
Combined ratio	90.2%	82.9%	(7.3%)

The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. Lower ratios represent better performance.

The return on capacity for the 2017 closed year of account at 31 December 2019 is shown below together with forecasts for the two open years of account.

	2019 YOA Open	2018 YOA Open	2017 YOA Closed
Capacity (£'000)	70,000	65,000	50,000
Result/forecast (£'000)	6,351	1,445	1,916
Forecast return/return on capacity (%)	9.1%	2.2%	3.8%

Principal risks and uncertainties

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

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The Syndicate Board manages insurance risk through the approved business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The Syndicate Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Syndicate actuary and the Reserving Committee.

Credit risk

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

Market risk

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

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

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

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk the Syndicate Board and Investment Committee reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from capital providers.

Operational risk

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

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

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

Group / strategic risk

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

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

Outlook for 2020 - Investment

Growth across developed markets softened in 2019 and it is expected to remain below/at potential in 2020. Uncertainty around trade wars, weak manufacturing, and an absence of inflation has led to more simulative monetary policy which continues to support risk assets.

The UK, following the election in December left the EU and is now in its transition period. PM Johnson has stated he will not look to extend the deadline of this period causing a potential new cliff edge at the end of the year. The Conservative party is pushing ahead with a fiscal drive aimed to "level up" the UK outside of the capital which will put pressure on the country's finances given the weak growth backdrop. It is a little early to assess any confidence rebound with Britain's Brexit direction finally made clear: Q4 was weak (with some expected one-off effects) but there are signs of improved activity in housing and leading indicators. The job market remains strong with unemployment at its lowest level since 1974 however inflation is softening.

The Sterling portfolio was conservatively positioned into the crunch Brexit discussions with a geographically diversified mix of corporate bonds, risk was added as a Conservative victory became clearer. Spread tightening and carry from corporate bond holdings led to significant outperformance against benchmarks. Yield curve positioning has been slightly short duration as the inverted yield curve makes shorter bonds attractive. Duration extensions were made when yields rose. In Euro, the portfolio has been overweight corporate bonds to minimise the drag from negative yields, holding cash to hedge when yields are rising. Portfolio performance was strong with positive returns against negative benchmarks. Corporate bonds were a key driver of performance as the restarting of ECB Quantitative easing caused spreads to tighten. In Canada, where yields remain higher and rates have lagged the move lower in the US, duration was close to neutral with additional carry from industrial and financial corporate bonds.

Future developments

The Syndicate will continue to transact the current classes of general direct insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time. The 2017 year of account will close by reinsurance to close into the 2018 year of account.

The capacity for the 2020 year of account is £80.0m (2019 year of account £69.9m).

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

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

challenges remain with the newly implemented systems which Lloyd's Brussels will continue to work to address, and a number of changes are planned for 2020 to enhance the procedures.

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

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

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

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

Climate change

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

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

Managing Agent's Report continued

Directors

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

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

**Company Secretary*

Disclosure of Information to the Auditor

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. 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.

Auditor

The Managing Agent intends to reappoint Mazars LLP as the Syndicate's auditor.

Syndicate Annual General Meeting

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

On behalf of the Board

N J Burdett
Company Secretary
04 March 2020

Statement of Managing Agent's Responsibilities

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 "the Financial Reporting Standard applicable in the UK and Republic of Ireland". The financial statements are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the financial statements, the Managing Agent is required to:

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

The Managing Agent is responsible for keeping adequate accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent auditor's report

Independent Auditor's Report to the Members of Syndicate 2525

Opinion

We have audited the annual financial statements of Syndicate 2525 (the "Syndicate") for the year ended 31 December 2019 which comprise the Income statement, the Statement of Financial position, the Statement of Changes in Members' Balances, the Statement of Cash Flows and the related notes, 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" (United Kingdom Generally Accepted Accounting Practice).

In our opinion the annual financial statements:

- give a true and fair view 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 United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the "Auditor's responsibilities for the audit of the financial statements" section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council'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.

The impact of uncertainties due to the United Kingdom exiting the European Union on our audit

The managing agent's view on the impact of Brexit is disclosed on page 7. The United Kingdom withdrew from the European Union on 31 January 2020 and entered into an Implementation Period which is scheduled to end on 31 December 2020. However the terms of the future trade and other relationships with the European Union are not yet clear, and it is therefore not currently possible to evaluate all the potential implications to the Syndicate's trade, customers, suppliers and the wider economy.

We considered the impact of Brexit on the Syndicate as part of our audit procedures, applying a standard firm wide approach in response to the uncertainty associated with the Syndicate's future prospects and performance.

However, no audit should be expected to predict the unknowable factors or all possible implications for the Syndicate and this is particularly the case in relation to Brexit.

Conclusions relating to going concern

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

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

Other information

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

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

We have nothing to report in this regard.

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

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

- the information given in the Managing Agent's Report for the financial year for which the annual financial statements are prepared is consistent with those annual financial statements; and
- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

In 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 annual financial statements are not in agreement with the accounting records; or

- certain disclosures relating to amounts recharged to the Syndicate in respect of the emoluments of the active underwriter and the directors of the managing agent are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 9, the managing agent is responsible for the preparation of the annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the managing agent is responsible for assessing the Syndicate's ability to continue 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 financial statements

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

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

Use of the audit 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's members, as a body, for our audit work, for this report, or for the opinions we have formed.

Amanda Barker (Senior Statutory Auditor)
for and on behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD

Income statement

Technical account - General business

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Gross premiums written	3	81,619	70,103
Outward reinsurance premiums		(13,534)	(11,441)
Net written premiums		68,085	58,662
Change in the provision for unearned premiums			
Gross amount		(7,855)	(9,021)
Reinsurers' share		1,207	1,768
	4	(6,648)	(7,253)
Earned premiums, net of reinsurance		61,437	51,409
Allocated investment return transferred from the non-technical account		1,817	739
Claims paid			
Gross amount		(25,430)	(24,035)
Reinsurers' share		6,941	9,548
		(18,489)	(14,487)
Changes in the provision for claims outstanding			
Gross amount		(29,458)	(9,581)
Reinsurers' share		16,039	571
	4	(13,419)	(9,010)
Claims incurred, net of reinsurance		(31,908)	(23,497)
Net operating expenses	5	(23,482)	(19,112)
Balance on technical account – general business		7,864	9,539

All the amounts above are in respect of continuing operations.

The notes on pages 20 to 48 form part of these financial statements.

Income statement continued

Non-technical account - General business

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Balance on technical account – general business		7,864	9,539
Investment income	9	2,433	2,020
Unrealised losses on investments	9	(324)	(696)
Investment expenses and charges	9	(292)	(585)
Allocated investment return transferred to the general business technical account	9	(1,817)	(739)
Exchange (losses)		(17)	(480)
Profit for the financial year		7,847	9,059

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

All the amounts above are in respect of continuing operations.

The notes on pages 20 to 48 form part of these financial statements.

Statement of changes in Members' balances

For the year ended 31 December 2019

	2019	2018
	£'000	£'000
Members' balances brought forward at 1 January	(3,208)	(8,441)
Profit for the financial year	7,847	9,059
Members' agent's fees	(390)	(350)
Payments of profit to members' personal reserve funds	(2,836)	(3,476)
Members' balances carried forward at 31 December	1,413	(3,208)

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

The notes on pages 20 to 48 form part of these financial statements.

Statement of financial position

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Assets			
Investments			
Other financial investments	10	118,851	88,073
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	7,220	6,013
Claims outstanding	4	60,698	44,972
		67,918	50,985
Debtors			
Debtors arising out of direct insurance operations	11	21,979	20,063
Debtors arising out of reinsurance operations	12	2,600	1,216
Other debtors		96	90
		24,675	21,369
Cash and other assets			
Cash at bank and in hand	15	11,115	23,213
		11,115	23,213
Prepayments and accrued income			
Deferred acquisition costs	4	9,981	8,438
Other prepayments and accrued income		675	536
		10,656	8,974
Total assets		233,215	192,614

The notes on pages 20 to 48 form part of these financial statements.

Statement of financial position continued

As at 31 December 2019

	Notes	2019 £'000	2018 £'000
Members' balance and liabilities			
Capital and reserves			
Members' balances		1,413	(3,208)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	43,701	36,250
Claims outstanding	4	183,549	155,425
		227,250	191,675
Creditors			
Creditors arising out of direct insurance operations	13	532	622
Creditors arising out of reinsurance operations	14	3,000	2,108
Other creditors		539	685
		4,071	3,415
Accruals and deferred income		481	732
Total liabilities		231,802	195,822
Total members' balances and liabilities		233,215	192,614

The notes on pages 20 to 48 form part of these financial statements.

The financial statements on pages 14 to 48 were approved by board of directors on 27 February 2020 and were signed on its behalf by:

D J G Hunt
Director
04 March 2020

Statement of cash flows

For the year ended 31 December 2019

	Notes	2019 £'000	2018 £'000
Cash flows from operating activities			
Profit on ordinary activities		7,847	9,059
Increase in gross technical provisions		35,575	18,526
(Increase) in reinsurers' share of gross technical provisions		(16,933)	(2,402)
(Increase) in debtors		(3,306)	(6,586)
Increase in creditors		655	2,209
Movement in other assets/liabilities		(1,933)	(3,412)
Changes to market value and currency		111	210
Investment Return		(1,817)	(739)
Net cash inflow from operating activities		20,199	16,865
Cash flows from investing activities			
Purchase of other financial investments		(69,682)	(58,442)
Sale of other financial investments		43,776	55,466
Investment income received		2,141	1,435
(Increase) in overseas deposits		(3,327)	(3,572)
Net cash (outflow) from investing activities		(27,092)	(5,113)
Cash flows from financing activities			
Payments of profit to members' personal reserve fund		(2,836)	(3,476)
Members' agents fee advances		(390)	(350)
Net cash (outflow) from financing activities		(3,226)	(3,826)
Net (Decrease)/Increase in cash and cash equivalents		(10,119)	7,926
Cash and cash equivalents at beginning of year		31,284	23,358
Cash and cash equivalents at end of year	15	21,165	31,284

Notes to the financial statements

For the year ended 31 December 2019

1. Basis of preparation

Statement of compliance

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

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 prepared in GBP which is the functional and presentational currency of the Syndicate and rounded to the nearest £'000.

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2. Accounting policies

Use of estimates

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

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

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

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. There has been no discounting of claims.

Accounting policies continued

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

Significant accounting policies

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

Gross premiums

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

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

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

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts. Premiums include any adjustments arising in the accounting period in respect of reinsurance contracts incepting in prior accounting periods. They are recognised on the date on which the policy commences.

Claims incurred

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

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

Accounting policies continued

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

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

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

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

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

Provisions for unearned premiums

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

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

Unexpired risks

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

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

At 31 December 2019 the Syndicate did not have an unexpired risk provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document, and indirect costs, such as the administrative expenses connected with the processing of proposals and the issuing of policies.

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

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

Reinsurance assets

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

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

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

Ceded reinsurance arrangements do not relieve the Syndicate from its obligations to policyholders.

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration receivable. Subsequent to initial recognition, insurance receivables are measured at amortised cost, using the effective interest rate method. The carrying value of insurance receivables is reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement.

Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been met.

Accounting policies continued

Insurance payables

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

Foreign currencies

The Syndicate's functional currency and presentational currency is GBP.

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

Exchange differences are recorded in the non-technical account.

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

	2019	**2018**
	Year End	**Year End**
USD	1.32	1.27
CAD	1.72	1.74
EUR	1.18	1.11
AUD	1.88	1.81
ZAR	18.51	18.30

Financial assets and liabilities

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

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

Accounting policies continued

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

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

A financial asset or financial liability is measured initially at fair value plus, for a financial 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 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 and dividend income.

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.

Investment return

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

Accounting policies continued

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investments disposed of in the current period.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

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.

Fair value measurement of investments

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

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

Level 1 financial instruments comprise government bonds that are regularly traded and deposits with credit institutions.

- Bonds have been valued at fair value using bid prices in an active market.

Accounting policies continued

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

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.

- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.

- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.

- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

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

Taxation

Under Schedule 19 of the Finance Act 1993 managing agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 20%) deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of profit subject to the operation of a two year deficit clause. Such commission is recognised when the year of account becomes profitable but does not become payable until after the appropriate year of account closes normally at 36 months.

Pension costs

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

Syndicate operating expenses

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

3. Particulars of business written

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

2019	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Third-party liability	73,035	68,063	(40,764)	(20,964)	6,067	12,402
Reinsurance Acceptances	8,584	5,701	(14,124)	(2,518)	4,586	(6,355)
	81,619	73,764	(54,888)	(23,482)	10,653	6,047

2018	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Third-party liability	67,873	59,279	(32,468)	(18,604)	458	8,665
Reinsurance Acceptances	2,230	1,803	(1,148)	(508)	(12)	135
	70,103	61,082	(33,616)	(19,112)	446	8,800

Commissions on direct insurance gross premiums written during 2019 were £13.6 million (2018: £12.8 million).

All premiums were concluded in the UK.

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

4. Technical provisions

	2019 Gross provisions £'000	2019 Reinsurance assets £'000	2019 Net £'000	2018 Gross provisions £'000	2018 Reinsurance assets £'000	2018 Net £'000
Claims outstanding						
Balance at 1 January	155,425	(44,972)	110,453	145,785	(44,338)	101,447
Change in claims outstanding	29,458	(16,039)	13,419	9,581	(571)	9,010
Effect of movements in exchange rates	(1,334)	313	(1,021)	59	(63)	(4)
Balance at 31 December	183,549	(60,698)	122,851	**155,425**	**(44,972)**	**110,453**
Claims notified	139,284	(42,105)	97,179	117,104	(30,330)	86,774
Claims incurred but not reported	44,265	(18,593)	25,672	38,321	(14,642)	23,679
Balance at 31 December	183,549	(60,698)	122,851	**155,425**	**(44,972)**	**110,453**
Unearned premiums						
Balance at 1 January	36,250	(6,013)	30,237	27,364	(4,245)	23,119
Change in unearned premiums	7,855	(1,207)	6,648	9,021	(1,768)	7,253
Effect of movements in exchange rates	(404)	-	(404)	(135)	-	(135)
Balance at 31 December	**43,701**	**(7,220)**	**36,481**	**36,250**	**(6,013)**	**30,237**
Deferred acquisition costs						
Balance at 1 January	8,438	-	8,438	5,457	-	5,457
Change in deferred acquisition costs	1,631	-	1,631	3,036	-	3,036
Effect of movements in exchange rates	(88)	-	(88)	(55)	-	(55)
Balance at 31 December	**9,981**	**-**	**9,981**	**8,438**	**-**	**8,438**

There were favourable movements during the year of £18.6m (2018: £17.9m), on prior year gross claims reserves, held at 31 December 2019.

5. Net operating expenses

	2019	2018
	£'000	£'000
Acquisition costs	(17,378)	(15,291)
Change in deferred acquisition costs	1,631	3,036
Administration expenses	(7,735)	(6,857)
Net operating expenses	(23,482)	(19,112)

Members' standard personal expenses amounting to £1.962m (2018: £1.773m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission.

6. Staff costs

	2019	2018
	£'000	£'000
Wages and salaries	(2,568)	(2,400)
Social security costs	(323)	(305)
Other pension costs	(179)	(215)
	(3,070)	(2,920)

The average number of employees of the Managing Agent, working during the year for the Syndicate were as follows:

	2019	2018
Administration	2	3
Underwriting	11	9
Claims	11	10
	24	22

7. Auditor's remuneration

	2019	2018
	£'000	£'000
Audit of the Financial statements	(97)	(91)
Other services pursuant to Regulations and Lloyd's Byelaws	(51)	(75)
	(148)	(166)

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

8. Emoluments of the directors of Asta Managing Agency Ltd

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

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

No other compensation was payable to key management personnel.

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2019 £'000	2018 £'000
Active Underwriter's emoluments	(293)	(395)
	(293)	(395)

9. Investment return

	2019	2018
	£'000	£'000
Income from other financial investments	2,377	2,012
Gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	56	8
Total investment income	2,433	2,020
Losses on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	(203)	(508)
Investment expenses and charges	(89)	(77)
	(292)	(585)
Unrealised losses on investments		
- Financial instruments at fair value through profit and loss	(324)	(696)
Total investment return	1,817	739

Average amount of funds available for investing during the year:		
Sterling	74,081	72,766
United States dollars	8,949	5,857
Canadian dollars	42,408	21,563
Euros	8,784	8,898
Australian dollars	10,379	7,832
South African rand	51,811	41,799
Combined in sterling	122,319	104,133

Gross calendar year investment yield:		
Sterling	917	293
United States dollars	170	103
Canadian dollars	816	379
Euros	31	(21)
Australian dollars	328	160
South African rand	1,476	1,381
Combined in sterling	1,817	739

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each quarter during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate. Income from financial investments is all interest income, there is no dividend income.

10. Financial investments

	2019		
	Carrying value £'000	Purchase price £'000	Listed £'000
Shares and other variable yield securities and units in unit trusts			
- Loans and receivables	21,236	21,236	21,236
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	97,615	97,939	97,048
	118,851	119,175	118,284

	2018		
	Carrying value £'000	Purchase price £'000	Listed £'000
Shares and other variable yield securities and units in unit trusts			
- Loans and receivables	15,702	15,702	15,702
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	72,371	73,068	71,872
	88,073	88,770	87,574

Amounts included within shares and other variable securities include money market funds. These are treated as cash equivalents with the carrying value and purchase price being the same. See note 15 for split of cash and cash equivalents.

Financial investments continued

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

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2019				
Shares and other variable yield securities and units in unit trusts	-	10,050	228	10,278
Debt securities and other fixed income securities	6,967	90,648	-	97,615
Total	6,967	100,698	228	107,893

	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
31 December 2018				
Shares and other variable yield securities and units in unit trusts	57	15,645	-	15,702
Debt securities and other fixed income securities	14,476	57,895	-	72,371
Total	14,533	73,540	-	88,073

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

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

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

11. Debtors arising out of direct insurance operations

	2019	2018
	£'000	£'000
Due from intermediaries (within one year)	21,979	20,063
	21,979	20,063

12. Debtors arising out of reinsurance operations

	2019	2018
	£'000	£'000
Due from intermediaries (within one year)	2,600	1,216
	2,600	1,216

13. Creditors arising out of direct insurance operations

	2019	2018
	£'000	£'000
Direct Business - Intermediaries (within one year)	532	622
	532	622

14. Creditors arising out of reinsurance operations

	2019	2018
	£'000	£'000
Reinsurance ceded (within one year)	3,000	2,108
	3,000	2,108

15. Cash and cash equivalents

	2019	2018
	£'000	£'000
Cash at bank and in hand	11,115	23,213
Investments in money market funds	10,278	8,071
	21,393	31,284
Central Fund Loan	(228)	-
	21,165	31,284

16. Related parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. During the year, managing agency fees of £0.699m (2018: £0.650m) were charged to the Syndicate. Asta also recharged £1.949m (2018: £1.950m) worth of service charges in the year and as at 31 December 2019 an amount of £Nil (2018: £Nil) was owed to Asta in respect of this service. Syndicate staff are employed and paid by a service company, Asta Management Services Limited.

Syndicate 2525 has recorded an accrual of £0.514m (2018: £0.682m) for profit commission.

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

17. Disclosure of interests

Managing Agent's interest

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

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

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

On 1 January 2020, Asta took on management of Syndicate 2288.

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

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

18. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

19. Off-balance sheet items

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

20. Risk management

a) Governance framework

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

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

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

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of 2525 is not disclosed in these financial statements.

Risk management continued

Lloyd's capital setting process

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it 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 an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2019 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the member's balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 17, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

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

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

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on a non-proportional basis. Non-proportional reinsurance is excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to large losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

Risk management continued

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

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

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

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the RDS on the Syndicates in-force exposure at 31 December 2019.

	Estimated Gross loss	**Estimated Net loss**
	£'000	**£'000**
Alternative RDS A	26,000	2,000
Alternative RDS B	25,000	1,250
Loss of Major Complex	30,000	1,500

Key assumptions

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

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

Risk management continued

Sensitivities

The Syndicate reviewed the Ogden discount rate for reserves for large bodily injury claims and used an assumed rate of 0% for the purposes of reserving. The impact on the change in Ogden rate from prior year is not significant on a net basis.

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

The table below has been prepared for Third party liability only as Reinsurance acceptances are immaterial on this account.

2019	**Five Percent increase**	**Five Percent decrease**
	£'000	**£'000**
Third party liability	(8,126)	8,126

2018	**Five Percent increase**	**Five Percent decrease**
	£'000	**£'000**
Third party liability	(7,175)	7,175

Concentration risk

The Syndicate predominately writes direct UK liability business, with 87% (2018: 88%) of contracts relating to risks in the UK. The value of these contracts equates to 60% (2018: 72%) of the premium income.

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

Claims development table

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

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

Risk management continued

Underwriting year	2013	2014	2015	2016	2017	2018	2019
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Estimate of cumulative gross claims incurred:							
At end of first underwriting year	8,199	9,733	9,998	25,796	12,824	15,712	16,632
One year later	24,331	27,698	34,457	55,522	37,167	52,971	
Two years later	30,640	39,980	33,788	58,706	42,392		
Three years later	29,390	35,267	28,472	57,615			
Four years later	21,176	31,119	31,121				
Five years later	19,027	26,565					
Six years later	18,126						
Less cumulative gross paid	(16,086)	(20,341)	(8,873)	(27,246)	(5,304)	(1,276)	(116)
Liability for gross outstanding claims (2013 to 2019)	2,040	6,224	22,248	30,369	37,088	51,695	16,516
Liability for gross outstanding claims (2012 and before)							17,369
Total gross outstanding claims (all years)							183,549

Risk management continued

Underwriting year	2013	2014	2015	2016	2017	2018	2019
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Estimate of cumulative net claims incurred:							
At end of first underwriting year	6,529	8,266	8,309	10,356	10,664	12,476	10,427
One year later	22,455	23,726	24,791	28,790	28,145	34,683	
Two years later	23,684	28,564	29,399	30,553	34,439		
Three years later	19,808	25,152	26,045	29,452			
Four years later	17,794	22,549	22,740				
Five years later	15,700	20,555					
Six years later	15,097						
Less cumulative net paid	(13,263)	(15,734)	(8,873)	(8,714)	(5,303)	(1,275)	(116)
Liability for net outstanding claims (2013 to 2019)	1,834	4,821	13,867	20,738	29,136	33,408	10,311
Liability for net outstanding claims (2012 and before)							8,736
Total net outstanding claims (all years)							122,851

Risk management continued

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

d) Financial risk

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

1) Credit risk

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

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

- Investment guidelines are established setting out the quality of investments to be included within the Syndicate's portfolio. The policy is monitored by the Investment Committee and/or Syndicate Board.

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

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

Risk management continued

2019	£'000			
	Neither past due or impaired	**Past due but not impaired**	**Impaired**	**Total**
Shares and other variable yield securities	10,278	-	-	10,278
Debt Securities	97,615	-	-	97,615
Overseas Deposits	10,958	-	-	10,958
Reinsurers share of claims outstanding	60,698	-	-	60,698
Debtors arising out of direct insurance operations	21,979	-	-	21,979
Debtors arising out of reinsurance insurance operations	2,600	-	-	2,600
Other debtors	17,972	-	-	17,972
Cash at bank and in hand	11,115	-	-	11,115
Total	233,215	-	-	233,215

2018	£'000			
	Neither past due or impaired	**Past due but not impaired**	**Impaired**	**Total**
Shares and other variable yield securities	8,071	-	-	8,071
Debt Securities	72,371	-	-	72,371
Overseas Deposits	7,631	-	-	7,631
Reinsurers share of claims outstanding	44,972	-	-	44,972
Debtors arising out of direct insurance operations	20,063	-	-	20,063
Debtors arising out of reinsurance insurance operations	1,216	-	-	1,216
Other debtors	15,077	-	-	15,077
Cash at bank and in hand	23,213	-	-	23,213
Total	192,614	-	-	192,614

Risk management continued

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

2019				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	10,278	-	-	-	10,278
Debt Securities	38,235	30,779	21,330	7,271	-	-	97,615
Overseas Deposits	5,698	1,274	994	519	2,441	32	10,958
Reinsurers share of claims outstanding	-	20,766	39,932	-	-	-	60,698
Debtors arising out of reinsurance operations	-	-	-	-	-	-	-
Cash at bank and in hand	-	-	11,115	-	-	-	11,115
Total	43,933	52,819	83,649	7,790	2,441	32	190,664

2018				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	8,071	-	-	-	8,071
Debt Securities	26,509	23,064	14,229	8,569	-	-	72,371
Overseas Deposits	4,762	1,239	616	564	394	56	7,631
Reinsurers share of claims outstanding	-	10,864	34,108	-	-	-	44,972
Debtors arising out of reinsurance operations	-	-	1,216	-	-	-	1,216
Cash at bank and in hand	-	-	23,213	-	-	-	23,213
Total	31,271	35,167	81,453	9,133	394	56	157,474

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

During the year, no credit exposure limits were exceeded.

Risk management continued

2) Liquidity risk

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

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

2019			**£'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	52,755	66,220	33,101	31,473	183,549
Creditors	-	3,963	108	-	-	4,071
Total	-	56,718	66,328	33,101	31,473	187,620

2018			**£'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	46,780	59,194	27,396	22,055	155,425
Creditors	-	3,415	-	-	-	3,415
Total	-	50,195	59,194	27,396	22,055	158,840

3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

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

a) Currency risk

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

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

Risk management continued

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

2019

	GBP	USD	EUR	CAD	AUD	OTH	Total
Total Assets	151,619	16,037	18,280	35,730	7,707	3,842	233,215
Total Liabilities	(158,378)	(16,402)	(15,505)	(31,576)	(6,084)	(3,857)	(231,802)
Net Assets	(6,759)	(365)	2,775	4,154	1,623	(15)	1,413

2018

	GBP	USD	EUR	CAD	AUD	OTH	Total
Total Assets	139,827	7,087	16,115	20,336	5,737	3,512	192,614
Total Liabilities	(148,922)	(2,930)	(14,036)	(21,270)	(3,327)	(5,337)	(195,822)
Net Assets	(9,095)	4,157	2,079	(934)	2,410	(1,825)	(3,208)

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

Sensitivity to changes

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

Impact on profit and members' balance

	2019	2018
	£'000	£'000
Sterling weakens		
10% against other currencies	817	589
20% against other currencies	1,634	1,177
Sterling strengthens		
10% against other currencies	(817)	(589)
20% against other currencies	(1,634)	(1,177)

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.
Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

Risk management continued

The Syndicate has no significant concentration of interest rate risk.

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

	2019	2018
	£'000	£'000
Interest rate risk		
Impact of 50 basis point increase on result	(451)	(405)
Impact of 50 basis point decrease on result	451	405
Impact of 50 basis point increase on net assets	(451)	(405)
Impact of 50 basis point decrease on net assets	451	405

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

21. Post balance sheet events

The Syndicate will distribute the 2017 year of account profits to members during 2020.

There are no other post balance sheet events.