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Syndicate 3334

Annual Report

Year ended
31 December 2019

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SYNDICATE 3334

DIRECTORS AND ADVISERS

Managing Agent

Hamilton Managing Agency Limited
Registered Office: Level 3, 8 Fenchurch Place, London, EC3M 4AJ
Registered Number: 05832065

Current directors of Hamilton Managing Agency Limited

P. J. Barrett	Non-Executive
M.J. Beacham	Independent Non-Executive
M. J. Beane	Independent Non-Executive
C.D. Brown	Executive
T.A.B.H. Glover	Executive
P.C.F. Haynes	Independent Non-Executive, Chairman
J.F. Reiss	Non-Executive
P. Skerlj	Non-Executive
A. Ursano Jr	Non-Executive
R.S. Vetch	Executive
D.N. White	Executive

Directors of Hamilton Underwriting Limited during the period under review

P.J. Barrett (appointed 16 September 2019)	Executive
M.J. Beane	Independent Non-Executive
D.V.T. Ford	Executive
P.C.F. Haynes	Independent Non-Executive, Chairman
J.F. Reiss	Non-Executive
P. Skerlj	Non-Executive
B.J. Taylor	Executive
R.S. Vetch (appointed 25 November 2019)	Executive
D.J. O'Donohoe (resigned 29 March 2019)	Executive
G. Albo (resigned 17 September 2019)	Non-Executive
A.J. Walker (resigned 31 December 2019)	Independent Non-Executive

Company Secretary

D.V.T. Ford (appointed 21 November 2019)

Syndicate

Active Underwriter

A.J. Daws (appointed 1 January 2020), previously Joint Active Underwriter with Miles Colaco-Osorio for the period under review

Bankers

Barclays plc, London
Citibank N.A., London
Royal Bank of Canada, London

Investment Managers

DWS Investment Management Americas, Inc
Barclays Bank (Suisse) SA

Investment custodian

The Bank of New York Mellon, London

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

SYNDICATE 3334

MANAGING AGENT'S REPORT

The Directors of Hamilton Managing Agency Limited ("HMA") present the Managing Agent's Report for Syndicate 3334 ("the Syndicate") for the year ended 31 December 2019.

Change of Managing Agency

For the year ended 31 December 2019 the Syndicate was managed by Hamilton Underwriting Limited ("HUL").

Effective 1 January 2020, the managing agency agreement between the Syndicate's capital provider Hamilton Corporate Member Limited ("HCM") and HUL was novated to HMA and accordingly HMA acts from this date forward as the managing agent of the Syndicate.

This decision followed on from the acquisition of HMA by Hamilton UK Holdings Limited ("HUK"), the parent company of HCM and HUL, on 20 August 2019. HMA was previously known as Pembroke Managing Agency Limited. HMA also manages Syndicate 4000, Syndicate 2014, Syndicate 6125 and Syndicate 1947. The capital to support Syndicate 4000's 2019 year of account is provided via a corporate member company, Ironshore CC (Three) Limited, also acquired by HUK on 20 August 2019. Capital for S4000's prior years of account is provided by the previous owners, part of the Liberty Group. Capital to support the underwriting of the other managed syndicates is provided by third parties.

Principal Activity

The principal activity of the Syndicate continued to be the underwriting of general insurance and reinsurance business at Lloyd's during the year under review.

Review of the Business

The Syndicate's allocated capacity for the 2019 year of account was £96m (2018: £121m). Capital to support the underwriting of the Syndicate is provided by HCM.

The directors monitor business on a gross basis. The split of gross written premiums by division is set out below, noting that the two lines placed into run-off during 2018 have been moved from the prior year's divisional splits and disclosed as a separate line item:

Division	**2019** **£'m**	**2018** **£'m**
Property	14.3	20.9
Treaty/reinsurance	32.8	28.2
Casualty/professional	33.4	24.2
Speciality	33.0	28.2
Space/aviation	8.7	6.6
Marine	6.9	6.8
Lines in run-off	1.1	19.7
Total	**130.2**	**134.6**

<u>Property</u>

The worldwide Property D&F book offers All Risks of Physical Loss or Damage including Machinery Breakdown and Business Interruption coverage. Coverage for some standalone catastrophe perils is also offered. Our flexible approach to underwriting enables the team to deploy capacity on a Primary and Excess of Loss basis, and as reinsurance or direct business. The D&F market has been a competitive environment, both in London and globally. During 2019 there has been improvement in market conditions. However, the premiums have decreased year on year as the underwriting team have refocused the portfolio during 2019 to improve performance, through active risk selection and non-renewal of power generation and Caribbean business.

Treaty/reinsurance

The focus is on short-tail classes, worldwide, offering products including:

- Energy: offered on excess of loss and pro rata bases for onshore/offshore, power generation, renewables, wind and Gulf of Mexico.
- Marine: offered for hull, yacht, cargo, specie, fine art, marine liability and marine war.
- Property Treaty: per risk, catastrophe and pro rata coverage for commercial and residential accounts.
- War and Terrorism: excess of loss and treaty basis, including for country pools.
- Accident and Health: per risk and catastrophe coverage on excess of loss and treaty bases.

During 2018 there was a change in underwriting team. The new Class Underwriter actively reviewed the portfolio and moved in to the 2019 renewal season with a re-engineered Treaty book seeking to maximise return in this division, with emphasis being placed on a stronger Property excess of loss portfolio and a reduced quota share premium reliance across the portfolio. Property grew by £5.5m, whilst all other treaty classes reduced by £0.9m.

Casualty/professional

This division includes the Excess Casualty, General Liability, Cyber and D&O classes. The latter three classes are written through specific business arrangements with MGAs and consortia, arrangements. Part of the Casualty business is written through a group service company, based in Bermuda. The Excess Casualty business continued to grow during the year, contributing £5.6m of the overall growth of £9.2m, albeit that the retirement of the Class Underwriter in October 2019 has reduced the amount of new business being accepted at the latter part of 2019. Rates are continuing to go up across renewals and new business against a backdrop of market capacity dropping.

Speciality:

The Speciality division comprises cover for Personal Accident, Financial Institutions and, Political Violence. Further details are as follows:

- The Personal Accident portfolio consists of a significant number of binding authorities, which the Syndicate leads, as well as business acquired in the open market. The portfolio includes Group and Individual Personal Accident and Sickness cover (for most occupations), Medical Expense Reimbursement and Catastrophe Excess of Loss business. Growth of £1.6m is attributable to this portfolio, with a steady increase in rates being experienced.
- Financial Institution products include: Bankers Blanket Bond, Professional Indemnity, Directors & Officers for financial institutions and Commercial Crime cover for non-financial institutions. The book continues to have a limited exposure to large financial institutions. Rate momentum was positive during the year, and this class contributed £1.8m of growth in 2019.
- The Political Violence team underwrite all major products in this class, as well as specialist and/or more recent products such as Contingent Business Interruption, Active Assailant, Loss of Attraction and Threat. Growth of £1.4m is attributable to this portfolio.

Space/aviation

The Space team offer launch and in-orbit coverage for launch providers, satellite owners, operators and manufacturers worldwide. For launch this is either Launch Vehicle Flight Only or Launch plus Post-separation. In-orbit coverage is typically renewed on an annual basis. As reported last year the space market had seen a contraction in 2018. The increase in premiums in 2019 arose from encouraging market conditions with substantial rate increases achieved, and a higher business flow than in prior years in line with growth in the wider space industry.

Marine

The account is comprised of two main sub-classes: Marine Liability and Energy Liability. In addition, we also write a small amount of Seafarers' Abandonment business. Premiums remained consistent year on year, with rate adjusted risk change expected to be neutral. A rate increase of a couple of percentage points was achieved.

Lines in run-off

The Syndicate ceased underwriting Professional Indemnity and Contingency in late 2018.

Review of Financial Performance

The Syndicate's key financial indicators are as follows:

	2019 £m	2018 £m
Syndicate capacity	96.2	120.9
Gross written premium	130.2	134.6
Loss for the financial year	(24.0)	(23.3)
Total comprehensive loss for the financial year	(21.4)	(26.9)
Combined ratio	133.7%	132.6%
Investments, cash and deposits	120.9	94.9

The Syndicate reports a loss for the year of £24.0m (2018: £23.3m). The key drivers of the financial loss are set out below:

Gross Written Premiums

The Syndicate reports gross written premiums for the financial year of £130.2m (2018: £134.6m), representing a decrease of 3% (2018: 23% increase). This relates to the changes in capacity of the underwriting years 2019 and 2018. 2019 has decreased by 20% following the exit in 2018 from professional indemnity. The full impact of this decrease has not been seen in the year ended 31 December 2019, due to the Syndicate's 2018 year of account still continuing to write into its second year. The capacity for the 2018 year of account is 18% higher than the prior underwriting year.

Certain classes have seen an improved rating environment in the year ended 31 December 2019, most notably Property D&F, Financial Institutions and Space.

Claims Incurred

The increase in the net loss ratio to 86.5% (2018: 81.8%) reflects a number of large losses including the impact of Typhoons Faxai and Hagibis on the Treaty book, a large satellite loss and the grounding of Boeing 737 Max 8 impacting the Space/Aviation book plus reserve strengthening within the casualty classes.

Investment Return

Investment return on the Syndicate owned assets in 2019 was £920k (2018: £454k), reflecting a higher level of Syndicate US Dollar funds invested during the year. In 2018 HCM deposited Funds in Syndicate, which generated investment income of £3.3m for the full year ended 31 December 2019 (2018: £0.6m representing a partial year of investment).

Net Operating Expenses

Net operating expenses (note 5) in 2019 were £38.3m (2018: £40.2m), a reduction due to the net acquisition cost ratio improving by 3 percentage points and active management of administrative expenses. These costs showed only a 2% inflationary increase.

Balance Sheet

Syndicate assets have increased by £44.0m to £312.9m (2018: £268.9m) and the total liabilities excluding members' balances have increased by £53.4m to £337.3m (2018: £283.9m).

Future Prospects

Significant Events

As a result of the acquisition of HMA, a Group Board decision was made to transfer the Syndicate's underwriting business to Syndicate 4000 from 2020 and place Syndicate 3334 into run-off. Accordingly, there is no 2020 business plan for the Syndicate. Following the decision to cease underwriting through Syndicate 3334 with effect from 1 January 2020, Belinda Taylor has been appointed as the Run-Off Manager.

This decision has not impacted the closing results of the 2017 year of account and this has reinsured to close into the Syndicate's 2018 year of account. This year has closed at a loss of £34.0m. The sole corporate member has elected not to receive separate underwriting year accounts. The 2018 year of account is expected to close by way of reinsurance to close into its successor year of account at the normal 36-month period and is forecast to make a loss to ultimate of £25.2m. Following a review of the Syndicate's cash flow forecasts for the following 12 months, the directors do not forecast a cash call being required on the 2018 year of account during 2020.

The UK Decision to Leave the European Union ("Brexit")

Following this decision, the Syndicate has been utilising Lloyd's Brussels as appropriate. Risks written in the European Union only represent a small part of the Syndicate's book of business.

Post Balance Sheet Events

Post balance sheet events are disclosed in note 20 to the Annual Report.

Research and Development

The Syndicate has not participated in any research and development activity during the period.

Staff Matters

HMA recognises that its staff members are key resources and seeks to provide a good working environment for its staff that is safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters. This same statement applies to the staff employed by HUL during the year under review.

Human resources key performance indicators are reviewed periodically by committees of the Board, and all such indicators are in line with the expectations of the Directors.

As of 1 December 2019, all HMA and HUL UK staff were transferred to Hamilton UK Services Limited and HMA entered into a service agreement with this entity for the provision of services in relation to its role as managing agent, including for Syndicate 3334. Hamilton UK Services Limited is also a fully owned subsidiary of Hamilton UK Holdings Limited.

Environmental Matters

HMA does not consider that a business such as a Syndicate at Lloyd's has an impact upon the environment. As a result, HMA does not manage its business by reference to any environmental key performance indicators.

Principal Risks and Uncertainties

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. HMA has established a Risk Committee which meets at least quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators. An Own Risk and Solvency Assessment ("ORSA") is completed annually and reviewed on a quarterly basis. The ORSA is used to monitor changes in the risk profile of HMA and to ensure that HMA meets its current and future capital requirements. These same processes were followed throughout the year ended 31 December 2019 by the Board of HUL.

The principal risks and uncertainties facing the Syndicate are set out in note 2 to the Annual Report.

MANAGING AGENT'S REPORT (continued)

Directors and Officers Serving During the Year

The Directors and Company Secretary of HMA, who served during the year ended 31 December 2019 and up to the date of this report, are detailed on page 4.

Annual General Meeting

The Directors do not propose to hold an annual general meeting for the Syndicate.

Auditor

Ernst & Young LLP has signified its willingness to continue in office as auditor.

Disclosure of Information to the Auditor

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

Board Approval

Approved by order of the Board of Hamilton Managing Agency Limited.

T.A.B.H. Glover
Chief Executive Officer
3 March 2020

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the Syndicate Annual Accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 Regulations) require the managing agent to prepare Syndicate Annual Accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The annual accounts 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 loss for that year.

In preparing the Syndicate Annual Accounts, the managing agent is required to:

- select suitable accounting policies and then apply them consistently;
- make judgements and estimates that are reasonable and prudent;
- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate accounts; and
- assess the Syndicate's ability to continue to write new business, disclosing as applicable, matters related to its ability to continue to operate and use the going concern basis of accounting, unless the managing agent intends to cease to operate the Syndicate or has no realistic alternative but to do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate Annual Accounts comply with the 2008 Regulations. 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's 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 TO THE MEMBERS OF SYNDICATE 3334

Opinion

We have audited the syndicate annual accounts of syndicate 3334 ('the syndicate') for the year ended 31 December 2019 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 20, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

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

Basis for opinion

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

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

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

Other information

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

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

- the managing agent in respect of the syndicate has not kept adequate accounting records; or
- the syndicate annual accounts are not in agreement with the accounting records; or
- certain disclosures of the managing agents' emoluments specified by law are not made; or

  we have not received all the information and explanations we require for our audit.

Responsibilities of the directors of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 10, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

Use of our report

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

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
4 March 2020

SYNDICATE 3334

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2019

	Note	2019 £000	2018 £000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	130,205	134,589
Outward reinsurance premiums		(55,998)	(57,473)
Net premiums written		74,207	77,116
Change in the provision for unearned premiums			
Gross amount		6,363	(6,139)
Reinsurers' share		706	8,310
Change in the net provision for unearned premiums		7,069	2,171
Earned premiums, net of reinsurance		**81,276**	**79,287**
Allocated investment return transferred from the non-technical account		**920**	**454**
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	4	(65,816)	(43,444)
Reinsurers' share	4	22,026	13,395
Net claims paid	4	(43,790)	(30,049)
Change in the provision for claims			
Gross amount		(58,823)	(58,139)
Reinsurers' share		32,272	23,341
Change in the net provision for claims		(26,551)	(34,798)
Claims incurred, net of reinsurance		**(70,341)**	**(64,847)**
Net operating expenses	5	**(38,328)**	**(40,305)**
Balance on the technical account for general business		**(26,473)**	**(25,411)**
NON-TECHNICAL ACCOUNT			
Investment income on Syndicate assets	9	920	454
Allocated investment return transferred to the technical account	9	(920)	(454)
Investment return on Funds in Syndicate	9	3,318	550
Foreign exchange (losses)/gains		(885)	1,505
Loss for the financial year		**(24,040)**	**(23,356)**
Other comprehensive income – currency translation differences		2,586	(3,548)
Total comprehensive loss for the financial year		**(21,454)**	**(26,904)**

All the amounts above are in respect of continuing operations.

SYNDICATE 3334

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £000	2018 £000
Balance at 1 January	(14,917)	(53,191)
Loss for the financial year	(24,040)	(23,356)
Effect of foreign exchange translation	771	(3,548)
Members' agents' fees	(20)	(20)
Transfer from members' personal reserves funds	13,709	1,736
Net movement on funds in syndicate	-	47,926
Run-off years' closure via external RITC	-	15,536
Unearned profit in closure of prior underwriting year	58	-
Balance at 31 December	**(24,439)**	**(14,917)**

Members participate on syndicates by reference to years of account and their ultimate result, assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year. Members that only participate on one syndicate may hold the capital supporting their underwriting in their premium trust funds. These funds are known as funds in syndicate (FIS). At 31 December 2019 there was £49,885,929 (2018: £48,506,000) of FIS within members' balances. Where a member takes advantage of this facility in the year, the movement is reflected in the above table as 'net movement on funds in syndicate'.

SYNDICATE 3334

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2019

	Note	**2019 £000**	**2018 £000**
ASSETS			
Investments			
Financial investments	10	99,621	77,702
Reinsurers' share of technical provisions			
Provision for unearned premiums	15	26,706	27,035
Claims outstanding	4	79,730	49,913
		106,436	76,948
Debtors			
Debtors arising out of direct insurance operations – intermediaries	11	44,750	51,006
Debtors arising out of reinsurance operations	12	27,520	25,652
Other debtors	13	27	4,045
		72,297	80,703
Other assets			
Cash at bank and in hand		11,892	10,540
Overseas deposits		9,403	6,673
		21,295	17,213
Prepayments and accrued income			
Deferred acquisition costs	14	11,205	14,339
Other prepayments & accrued income		2,031	2,059
		13,236	16,398
TOTAL ASSETS		**312,885**	**268,964**
MEMBERS' BALANCES AND LIABILITIES			
Members' balances		**(24,439)**	**(14,917)**
Technical provisions			
Provision for unearned premiums	15	61,051	69,625
Claims outstanding	4	195,396	142,035
		256,447	211,660
Creditors due within one year			
Creditors arising out of direct insurance operations – intermediaries		3,354	2,116
Creditors arising out of reinsurance operations		39,572	20,009
Other creditors		9,190	8,327
		52,116	30,452
Creditors due after one year			
Creditors arising out of reinsurance operations		22,603	35,981
Accruals and deferred income		6,158	5,788
Total Liabilities		337,324	283,881
TOTAL MEMBERS' BALANCES AND LIABILITIES		**312,885**	**268,964**

The Syndicate Annual Accounts on pages 13 to 38 were approved by the Board of Hamilton Managing Agency Limited on 3 March 2020 and were signed on its behalf by:

R.S. Vetch
Chief Financial Officer

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2019

	2019 £000	2018 £000
Cash flow from operating activities		
Loss for the financial year	**(24,040)**	**(23,356)**
Movement in general insurance unearned premiums and outstanding claims	44,787	34,202
Movement in reinsurers' share of unearned premiums and outstanding claims	(29,488)	(26,937)
Investment return	(4,238)	(1,004)
Movement in other assets and liabilities	21,518	(8,975)
Net cash inflow/(outflow) from operating activities	**8,539**	**(26,070)**
Cash flows from investing activities		
Investment income received	4,168	1,004
Purchase of equity and debt instruments	(26,011)	(62,975)
Sale of equity and debt instruments	1,370	767
Net cash outflow from investing activities	**(20,473)**	**(61,204)**
Cash flows from financing activities		
Loss distributed from members	13,709	1,736
Funds in syndicate	-	47,926
External RITC liabilities transfer (run-off years)	-	15,536
Members' agents' fee advances	(20)	(20)
Net cash inflow from financing activities	**13,689**	**65,178**
Net increase/(decrease) in cash and cash equivalents	**1,755**	**(22,096)**
Cash and cash equivalents at 1 January	10,540	31,689
Foreign exchange on cash and cash equivalents	(403)	947
Cash and cash equivalents at 31 December	**11,892**	**10,540**
Comprises:		
Cash at bank and in hand	11,892	10,540
Cash and cash equivalents at 31 December	**11,892**	**10,540**

1. Statement of Accounting Policies

General Information

The Syndicate comprises a single corporate member of the Society of Lloyd's that underwrites insurance business in the London market. The corporate member details are shown on page 5. The registered address of the managing agent is Level 3, 8 Fenchurch Place, London, EC3M 4AJ.

Compliance with Accounting Standards

These Financial Statements have been prepared in accordance with United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", FRS 103 "Insurance Contracts" and the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. There were no material departures from those standards.

Basis of Preparation

The financial statements have been prepared on a historical cost basis, except for certain financial instruments which are measured at fair value.

The financial statements are presented in pounds sterling, which is the Syndicate's reporting currency, in order for them to be consistent with returns provided to Lloyd's. The Syndicate's functional currency is US dollars, in order to better reflect the underlying business of the Syndicate. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

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

Going Concern Basis

These financial statements are prepared on a going concern basis.

Having assessed the principal risks, the directors considered it appropriate to continue to adopt the going concern basis of accounting in preparing the financial statements. Whilst as disclosed in the Managing Agent's report on page 8, a Group Board decision was made to place Syndicate 3334 into run-off. With effect from 1 January 2020, the Syndicate will continue to run-off the 2019 and prior liabilities.

The Directors have a reasonable expectation that the Syndicate has adequate resources including the Funds at Lloyd's of the members supporting the Syndicate (as detailed in note 17) to continue in operational existence for the foreseeable future.

Use of Judgements and Estimates

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

1. Statement of Accounting Policies (continued)

Use of Judgements and Estimates (continued)

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

Provision for Claims Outstanding

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

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

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

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 2.

Estimated Premium Income

For certain insurance contracts, premium is initially recognised based on an estimate. These estimates are judgemental and could result in prospective revisions in future accounting periods. The use of expert judgements and historical development patterns are the principle means by which the potential for revisions are minimised.

Basis of Accounting

The underwriting results are determined on an annual basis of accounting. Under the annual basis of accounting, the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance. The significant accounting policies are detailed below.

Premiums Written

Premiums written comprise direct and inwards reinsurance premiums on contracts incepted during the financial year. Premiums are shown gross of brokerage payable to intermediaries and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Unearned Premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Reinsurance Premiums Ceded

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

1. Statement of Accounting Policies (continued)

Basis of Accounting (continued)

Acquisition Costs

Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date; this is then earned in future periods in line with the associated premium income.

Claims Provisions and Related Recoveries

Gross claims incurred comprise the estimated cost of all claims occurring during the year, whether reported or not, including related direct and indirect claims handling costs.

The provision for claims outstanding is assessed on an individual case by case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated IBNR at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. 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 amount of salvage and subrogation recoveries is separately identified and, where material, reported as an asset.

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

The two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and 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, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided. The methods used, and the estimates made, are reviewed regularly.

Unexpired Risks Provision

A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition cost deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return. As at 31 December 2019 and 31 December 2018, the Syndicate did not have an unexpired risk provision.

Foreign Currencies

The Syndicate's functional currency is US dollars. The financial statements are presented in pounds sterling, which is the Syndicate's reporting currency, in order for them to be consistent with returns provided to Lloyd's. Transactions in Pounds sterling, Canadian dollars, Australian dollars and Euros are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

Foreign Currencies (continued)

Monetary assets and liabilities (which include all assets and liabilities arising from insurance contracts including unearned premiums and deferred acquisitions costs) denominated in foreign currencies are translated at the rate of exchange at the balance sheet date.

Exchange differences arising on the retranslation of opening balance sheet items at the closing balance sheet rate and the retranslation of the profit and loss account for the year are recorded in the non-technical account. Exchange differences arising on the retranslation from functional to presentational currency are recorded in Other Comprehensive Income.

The rates of exchange used to translate foreign currency monetary balances at year end to pounds sterling are as follows:

	31 December 2019	**31 December 2018**
US dollar	1.32	1.27
Canadian dollar	1.72	1.74
Euro	1.18	1.11
Australian dollar	1.88	1.81

Financial Investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

The Syndicate classifies its financial investments as financial assets at fair value through profit or loss (“FVPL”).

FVPL assets comprise two sub categories: financial assets held for trading and those designated as FVPL at inception. Investments typically bought with the intention to sell in the near future are classified as held for trading. For investments designated as FVPL, the following criteria must be met:

- The designation eliminates or significantly reduces the inconsistent treatment that would otherwise arise from measuring the assets or liabilities or recognising gains or losses on a different basis; or
- The assets and liabilities are part of a group of financial assets which are managed and their performance evaluated on a fair value basis, in accordance with a documented risk management or investment strategy.

These investments are initially recorded at fair value. Subsequent to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Cash and Cash Equivalents

Cash and cash equivalents in the statement of financial position comprise cash at bank and in hand and short-term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, where applicable net of outstanding bank overdrafts.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

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

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

Unrealised and realised gains and losses in financial investments are recognised based on the appropriate classification of financial investments and are covered under the accounting policy for financial investments.

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate are included in the Statement of Financial Position under the heading members' balances.

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

Pension Costs

Pension contributions relating to syndicate staff who are within a defined contribution scheme. are charged to the Syndicate and included within net operating expenses.

Profit Commission

Profit commission is charged by the managing agent at a rate of 15% of profit subject to the operation of a deficit clause.

Profit commission payable to Lloyd's coverholders or producing brokers has been provided for on all years of account and recognised within acquisition costs.

Insurance Receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. 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 derecognised when the derecognition criteria for financial assets have been met.

1. Statement of accounting policies (continued)

Basis of Accounting (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. Insurance liabilities are derecognised when the obligation under the liability is settled, cancelled or expired.

Derecognition of Financial Assets

A financial asset or, when applicable, a part of a financial asset is derecognised when:

- The rights to the cash flows from the asset have expired; or
- The Syndicate retains the right to receive cash flows from the asset or has assumed an obligation to pay the received cash flows in full without material delay to a third party under a 'pass through' arrangement and either (a) the Syndicate has transferred substantially all the risks and rewards of the asset; or (b) the Syndicate has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

When the Syndicate has transferred its right to receive cash flows from an asset or has entered into a pass-through arrangement, and has neither transferred nor retained substantially all the risks and rewards nor transferred control of the asset, the asset is recognised to the extent of the Syndicate's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Syndicate could be required to repay. In that case, the Syndicate also recognises an associated liability.

2. Risk Management

Risk Framework

The primary objective of the Syndicate's Risk Management Framework is to protect the Syndicate's capital providers, from events that hinder the sustainable achievement of financial performance objectives, including failing to exploit opportunities. The Board recognises the critical importance of having efficient and effective risk management systems in place.

The managing agent has an established risk management function for the Syndicate with a clear remit from the Board. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the Board. The Risk Management Framework sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations. It is reviewed annually and any changes are approved by the Board.

The Risk Committee and the Board approves the risk management policies and meets regularly to approve any commercial, regulatory and organisational requirements of such policies. Significant emphasis is placed on the assessment and documentation of existing and emerging risks and controls, including the articulation of risk appetite.

Insurance Risk - Underwriting

Underwriting risk appetite is expressed at the highest level, as a maximum event-specific net underwriting loss as a percentage of syndicate capacity for a specific year of account. Detailed stochastic modelling of underwriting risk, both gross and net of reinsurance, using dynamic financial analysis techniques supports this approach.

The Board approves the risk appetite limit, after consultation with capital providers considering the relativity between willingness to lose and potential forecast profitability for each year of account. The risk appetite will therefore reflect the view of forecast profitability, utilising the Syndicate's latest business plan assumptions.

2. Risk Management (continued)

Insurance Risk – Underwriting (continued)

Principal Risks

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

Reinsurance

Reinsurance allows the Syndicate to manage capital exposure to both frequency and severity of claims. This includes the management of any systemic issues impacting a particular area of the account, as well as catastrophic losses across all business areas.

Business is written on the basis of generating a gross profit, regardless of the supporting reinsurance arrangements. Business planning and modelling assumptions are based on the expectation that reinsurers will make a profit.

Underwriting Committee

The Syndicate organises underwriting through product areas. Each underwriting unit reports to the Underwriting Committee and ultimately the Board of Directors. This control process ensures that several layers of review occur for underwriting risks, with the focus being on the main components of risk, notably pricing, loss ratio selection, reserving, variations in experience, cycle management, reinsurance protection and catastrophe modelling.

Underwriting authorities, underwriting peer reviews of all risks, independent review procedures, and the audit and review of delegated arrangements all contribute to the strength of the underwriting control environment.

The managing agent records and monitors individual risk exposures to ensure they remain within the policies and guidelines set.

Diversification

Risks usually cover twelve months' duration, with longer duration risks written in selected accounts such as Space. Risks deliberately emanate from a diverse range of sources. The variability of risks is improved by careful selection and implementation of underwriting strategies, which are designed to ensure that risks are diversified in terms of type of risk and level of insured benefits. This is largely achieved through diversification across industry sectors and geographical segmentation.

Claims Management

To reduce the risk exposure of the Syndicate, the managing agent has put in place strict claim review policies to assess all new and ongoing claims and performs regular detailed reviews of claims handling procedures and conducts frequent investigations of possible fraudulent claims.

2. Risk Management (continued)

Insurance Risk – Underwriting (continued)

Claims Management (continued)

The following table gives an indication of the likely quantum and scale of the largest (on a gross basis) Realistic Disaster Scenarios exposure in force as at 31 December 2019:

Realistic Disaster Scenarios	Gross event loss £m	Net event loss £m
Gulf of Mexico Windstorm	91	33
North East Windstorm	75	23
California Earthquake	71	12

The Syndicate management monitors exposures through a combination of deterministic modelling as part of the Realistic Disaster Scenarios Framework and stochastic modelling as part of Lloyd's catastrophe model reporting requirements. The Syndicate monitors total net claims on a 1-in-200 multiple event basis against capital requirements.

Insurance Risk – Reserving

Principal Risk

The managing agent's Reserving Policy seeks to ensure appropriate allowance for reserving risk and consistency in reserving from year to year. Booked reserves represent the level of reserves booked at syndicate level, and provide the basis for the syndicate results and forecasts.

Actuarial best estimate reserves are intended to be true best estimates, i.e. estimates of expected value claims reserves. These are the basis for internal reporting and the derivation of expected loss ratios for business planning.

The following table illustrates the sensitivity of the financial year results (before managing agent's profit commission) to changes in the net loss ratio (negative movements reflect a decrease in results / members' balances).

Impact on result and members' balances (change in net reserves)	2019 £000	2018 £000
Net loss ratio - increase of 5%	4,064	3,964
Net loss ratio - increase of 10%	8,128	7,929

Mitigation

Reserving risk is controlled by the robust application of actuarial methodologies, stepped sign-off procedures, quarterly tracking of projected ultimate loss ratios, reassessment of methodologies where appropriate, regular dialogue between actuaries and practitioners, and access to historical loss data. The use of independent external reserve assessments, by auditors or other professional services firms, provides additional risk mitigation.

2. Risk Management (continued)

Regulatory Risk

The managing agent is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The managing agent has a Compliance Officer, who monitors regulatory developments and assesses the impact on the company's policy. The managing agent also carries out a compliance-monitoring programme as documented in the Compliance Framework.

Capital Framework at Lloyd's

Lloyd's is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000. Lloyd's is subject to the Solvency II capital regime. 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 only apply at overall and member level respectively, not at syndicate level. Accordingly, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Lloyd's Capital Setting Process

In order to meet Lloyd's requirements, each syndicate is required to calculate its 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 SCR of syndicates is subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

Lloyd's applies a capital uplift to the Syndicate's Solvency Capital Requirement, known as the Economic Capital Uplift to derive the Syndicate's final 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 members' SCR to ultimate. The ECA for a corporate member is determined by Lloyd's with reference to the ECAs of the syndicates on which the member participates, and the member's share of each syndicate.

Provision of Capital by Members

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

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

2. Risk Management (continued)

Credit Risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. The key aspect of credit risk is the risk of default by a reinsurer, insurance intermediary or debt holder. The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2019 by classifying assets according to Standard & Poor's credit ratings of the counterparties for assets not yet due. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB and below are classified as speculative grade and have not been rated.

As at 31 December 2019	AAA £000	AA £000	A £000	BBB and below £000	Not rated £000	Total £000
Shares and other variable yield securities and unit trusts	21,991	-	19,885	-	396	**42,272**
Debt securities	32,900	3,513	8,219	12,139	-	**56,771**
Participation in investment pools	-	-	-	578	-	**578**
Overseas deposits as investments	3,752	790	2,260	1,675	926	**9,403**
Reinsurer' share of claims outstanding	-	932	53,817	-	248	**54,997**
Reinsurer debtors	-	443	19,200	-	-	**19,643**
Cash at bank and in hand	-	-	11,892	-	-	**11,892**
Insurance debtors	-	-	-	-	44,750	**44,750**
Total	**58,643**	**5,678**	**115,273**	**14,392**	**46,320**	**240,306**

As at 31 December 2018	AAA £000	AA £000	A £000	BBB and below £000	Not rated £000	Total £000
Shares and other variable yield securities and unit trusts	-	5,308	15,943	-	-	**21,251**
Debt securities	35,029	2,977	7,076	11,179	-	**56,261**
Participation in investment pools	-	190	-	-	-	**190**
Overseas deposits as investments	2,969	779	1,029	1,071	825	**6,673**
Reinsurer' share of claims outstanding	121	902	30,518	-	1,057	**32,598**
Reinsurer debtors	1	808	9,374	-	162	**10,345**
Cash at bank and in hand	-	-	10,540	-	-	**10,540**
Insurance debtors	-	-	-	-	51,006	**51,006**
Total	**38,120**	**10,964**	**74,480**	**12,250**	**53,050**	**188,864**

The Reinsurance Management Group reviews all reinsurer counterparties with whom the Syndicate wishes to conduct business and sets credit limits for the recoveries due from individual reinsurers. The review includes an analysis of the financial strength of the reinsurer, its payment performance record and standing in the market. Thereafter, with the assistance of outside expertise, management of reinsurer credit risk follows active and regular review of credit ratings and financial exposure to all approved reinsurers.

Broker credit risk limits are determined depending on the grading of the relevant broker and exposures monitored against limits on a monthly basis. Investment credit risk is managed through investment management guidelines and quarterly compliance reports.

2. Risk Management (continued)

Credit Risk (continued)

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

As at 31 December 2019	**Not yet due £000**	**Past due by three months £000**	**Past due three to six months £000**	**Past due over six months £000**	**Greater than one year £000**	**Total £000**
Variable yield securities	42,272	-	-	-	-	**42,272**
Debt securities	56,770	-	-	-	-	**56,770**
Participation in investment pools	578	-	-	-	-	**578**
Overseas deposits as investments	9,403	-	-	-	-	**9,403**
Reinsurers share of outstanding claims	54,997	-	-	-	-	**54,997**
Reinsurance debtors	19,644	-	-	-	-	**19,644**
Cash at bank and in hand	11,892	-	-	-	-	**11,892**
Insurance debtors	33,011	5,204	4,289	822	1,424	**44,750**
Other debtors	72,579	-	-	-	-	**72,579**
Total	**301,146**	**5,204**	**4,289**	**822**	**1,424**	**312,885**

As at 31 December 2018	**Not yet due £000**	**Past due by three months £000**	**Past due three to six months £000**	**Past due over six months £000**	**Greater than one year £000**	**Total £000**
Variable yield securities	21,251	-	-	-	-	**21,251**
Debt securities	56,261	-	-	-	-	**56,261**
Participation in investment pools	190	-	-	-	-	**190**
Overseas deposits as investments	6,673	-	-	-	-	**6,673**
Reinsurers share of outstanding claims	32,598	-	-	-	-	**32,598**
Reinsurance debtors	10,345	-	-	-	-	**10,345**
Cash at bank and in hand	10,540	-	-	-	-	**10,540**
Insurance debtors	45,989	2,965	1,352	528	171	**51,005**
Other debtors	80,101	-	-	-	-	**80,101**
Total	**263,948**	**2,965**	**1,352**	**528**	**171**	**268,964**

As at the balance sheet date, all financial assets of the Syndicate are unimpaired (2018: all unimpaired).

Liquidity Risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments and payment of claims. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash outflows and expected reinsurance recoveries.

The Syndicate is subject to calls on cash resources, mainly in respect of claims on insurance business, on a daily basis. The managing agent operates and maintains procedures designed to ensure that cash is available to settle liabilities and other obligations when due without excessive cost to the business.

The procedures set limits for cash required to meet expected cash flows. Contingency arrangements exist to meet liquidity requirements in extreme circumstances.

2. Risk Management (continued)

Liquidity Risk (continued)

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.

As at 31 December 2019	No stated maturity £000	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	-	69,561	68,477	29,709	27,649	**195,396**
Creditors	40,718	11,398	22,603	-	-	**74,719**
Total	**40,718**	**80,959**	**91,080**	**29,709**	**27,649**	**270,115**

As at 31 December 2018	No stated maturity £000	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	195	61,750	37,069	13,972	29,049	**142,035**
Creditors	30,452	-	35,981	-	-	**66,433**
Total	**30,647**	**61,750**	**73,050**	**13,972**	**29,049**	**208,468**

Market Risk

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 market value interest risk. The Syndicate has no significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The analysis below is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and members' balance of the effects of changes in interest rates on fixed rate financial assets and variable rate financial assets.

Interest rate risk	2019 £000	2018 £000
Impact of 50 basis point increase on result	(284)	(94)
Impact of 50 basis point decrease on result	284	94
Impact of 50 basis point increase on net assets	(284)	(94)
Impact of 50 basis point decrease on net assets	284	94

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 writes a significant proportion of insurance business in currencies other than US dollars, which creates an exposure to currency risk. The Syndicate seeks to manage this exposure by matching foreign currency assets and liabilities.

The table below summarises the exposure of financial assets and liabilities to foreign currency exchange risk at the balance sheet date.

2. Risk Management (continued)

Market Risk (continued)

Currency Risk (continued)

As at 31 December 2019	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**Total £000**
Financial investments	396	94,687	-	4,538	-	**99,621**
Overseas deposits	3,786	601	-	909	4,107	**9,403**
Reinsurers' share of technical provisions	13,801	86,629	4,270	533	1,202	**106,435**
Insurance assets	5,360	57,797	7,486	693	934	**72,270**
Cash and cash equivalents	6,227	1,770	(136)	-	4,031	**11,892**
Other assets	1,687	10,135	818	433	191	**13,264**
Total assets	**31,257**	**251,619**	**12,438**	**7,106**	**10,465**	**312,885**
Technical provisions	56,299	173,096	13,344	5,008	8,700	**256,447**
Insurance liabilities	1,859	60,398	3,166	105	-	**65,528**
Other creditors	208	14,939	178	24	-	**15,349**
Total liabilities	**58,366**	**248,433**	**16,688**	**5,137**	**8,700**	**337,324**
Currency (deficiency)/surplus	**(27,109)**	**3,186**	**(4,250)**	**1,969**	**1,765**	**(24,439)**

As at 31 December 2018	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**Total £000**
Financial investments	-	73,242	-	4,460	-	**77,702**
Overseas deposits	2,243	363	-	482	3,585	**6,673**
Reinsurers' share of technical provisions	8,871	62,892	4,041	418	726	**76,948**
Insurance assets	7,455	63,191	4,449	685	878	**76,658**
Cash and cash equivalents	1,802	1,739	3,455	-	3,544	**10,540**
Other assets	2,904	15,170	1,303	544	522	**20,443**
Total assets	**23,275**	**216,597**	**13,248**	**6,589**	**9,255**	**268,964**
Technical provisions	(43,231)	(138,094)	(16,890)	(4,919)	(8,526)	**(211,660)**
Insurance liabilities	(2,128)	(53,862)	(2,016)	(87)	(13)	**(58,106)**
Other creditors	-	(14,003)	(112)	-		**(14,115)**
Total liabilities	**(45,359)**	**(205,959)**	**(19,018)**	**(5,006)**	**(8,539)**	**(283,881)**
Currency (deficiency)/surplus	**(22,084)**	**10,638**	**(5,770)**	**1,583**	**716**	**(14,917)**

Operational Risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The managing agent seeks to manage this risk with detailed procedure manuals and a structured programme of testing of processes and systems by internal audit.

3. Segmental Analysis

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

2019	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident & health	15,635	15,535	(11,922)	(6,570)	2,248	**(709)**
Marine aviation and transport	22,242	24,079	(19,250)	(6,187)	(210)	**(1,568)**
Energy – Non-Marine	6,655	6,285	(3,887)	(1,017)	(1,549)	**(168)**
Fire and other damage to property	18,849	21,651	(14,651)	(5,640)	(2,313)	**(953)**
Third party liability	40,053	43,511	(43,053)	(12,785)	1,258	**(11,069)**
Pecuniary loss	1,179	2,361	(5,147)	(1,057)	1,837	**(2,006)**
	104,613	113,422	(97,910)	(33,256)	1,271	**(16,473)**
Reinsurance	25,592	23,146	(26,729)	(5,072)	(2,265)	**(10,920)**
Total	**130,205**	**136,568**	**(124,639)**	**(38,328)**	**(994)**	**(27,393)**

2018	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Gross Operating Expenses £000	Reinsurance balance £000	Total £000
Direct insurance:						
Accident & health	14,517	14,740	(8,675)	(6,660)	(2,364)	**(2,959)**
Marine aviation and transport	23,657	21,417	(16,162)	(5,837)	(2,315)	**(2,897)**
Energy – Non-Marine	3,986	3,520	(1,592)	(974)	(686)	**268**
Fire and other damage to property	25,804	23,699	(22,302)	(6,496))	(1,564)	**(6,663)**
Third party liability	46,153	43,474	(41,608)	(14,649)	(1,197)	**(13,980)**
Pecuniary loss	4,458	4,776	(1,832)	(1,805)	(1,045)	**94**
	118,575	111,626	(92,171)	(36,421)	(9,171)	**(26,137)**
Reinsurance	16,014	16,824	(9,412)	(3,885)	(3,255)	**272**
Total	**134,589**	**128,450**	**(101,583)**	**(40,305)**	**(12,427)**	**(25,865)**

Commissions on direct insurance gross premiums during 2019 were £21.1m (2018: £26.2m).

The reinsurance balance is the aggregate total of all those items in the technical account which relate to outwards reinsurance transactions including items recorded as reinsurance commission and profit participations.

All premiums were concluded in the UK.

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

	2019 £000	2018 £000
UK	33,229	40,959
Europe	10,957	8,292
North America	53,809	52,720
Australasia	3,526	6,781
Other	28,684	25,837
Total	**130,205**	**134,589**

4. Claims Incurred, Net of Reinsurance

2019	Gross £000	Reinsurer's share £000	Net £000
At January 2019	142,035	(49,913)	92,122
Claims incurred in current underwriting year	36,546	(12,432)	24,114
Claims incurred in prior underwriting years	88,092	(41,865)	46,227
Claims incurred during the year	124,638	(54,297)	70,341
Claims paid during the year	(65,816)	22,026	(43,790)
External RITC transfer (run-off years)	-	-	-
Foreign exchange	(5,461)	2,454	(3,007)
As at 31 December 2019	**195,396**	**(79,730)**	**115,666**

2018	Gross £000	Reinsurer's share £000	Net £000
At January 2018	116,773	(32,608)	84,165
Claims incurred in current underwriting year	45,912	(16,977)	28,935
Claims incurred in prior underwriting years	55,671	(19,759)	35,912
Claims incurred during the year	101,583	(36,736)	64,847
Claims paid during the year	(43,444)	13,395	(30,049)
External RITC transfer (run-off years)	(37,982)	7,256	(30,726)
Foreign exchange	5,105	(1,220)	3,885
As at 31 December 2018	**142,035**	**(49,913)**	**92,122**

The tables below summarise the development pattern of the open years of account and run-off years of account at a gross and net level:

Gross Claims Development

Pure underwriting year	At the end of the underwriting year £000	One year later £000	Two years later £000	Three years later £000	Four years later £000	Cumulative payments to date £000	Outstanding Reserves £000
2015	1,157	2,304	2,026	1,996	1,536	1,536	-
2016	15,852	45,911	52,554	56,463	-	33,178	23,285
2017	49,636	98,588	123,643	-	-	53,132	70,511
2018	46,223	103,134	-	-	-	33,014	70,120
2019	36,204	-	-	-	-	4,724	31,480
Total – All YoAs							**195,396**

4. Claims Incurred, Net of Reinsurance (continued)

Net Claims Development:

Pure underwriting year	At the end of the underwriting year £000	One year later £000	Two years later £000	Three years later £000	Four years later £000	Cumulative payments to date £000	Outstanding Reserves £000
2015	1,157	2,162	1,891	1,891	1,402	1,402	-
2016	12,227	41,298	45,471	46,793	-	28,858	17,935
2017	33,488	73,162	87,038	-	-	41,434	45,604
2018	36,405	77,219	-	-	-	25,753	51,466
2019	30,100	-	-	-	-	4,707	25,393
Total – All YoAs							**140,398**

5. Net Operating Expenses

	2019 £000	2018 £000
Acquisition costs	30,037	34,945
Change in deferred acquisition costs	2,732	(1,159)
Administrative expenses	16,492	16,176
Gross operating expenses	49,261	49,962
Reinsurers’ commissions	(10,933)	(9,657)
Net operating expenses	38,328	40,305

6. Auditor’s Remuneration

	2019 £000	2018 £000
Fees payable to the Syndicate’s auditor for:		
Audit of the Syndicate Annual Accounts	174	160
Other services pursuant to regulations and Lloyd’s byelaws	13	13
	187	**173**

Fees charged to HUL (as managing agent responsible for the Syndicate) for the statutory audit of the Company were £23,400 (2018:18,000). Auditor’s remuneration is included as part of administrative expenses in note 5.

7. Staff Numbers and Costs

All staff were employed by Hamilton Underwriting Limited or Hamilton UK Services Limited during the periods under review. The following amounts were recharged to the Syndicate in respect of salary costs:

	2019 £000	2018 £000
Wages and salaries	9,904	9,823
Other pension costs	1,851	1,904
	11,755	11,727

The average number of employees employed by the managing agent but working for the Syndicate during the year was as follows:

	2019 Number	2018 Number
Administration, compliance and finance	52	55
Underwriting and claims	23	21
	75	76

8. Emoluments of the Directors of Hamilton Underwriting Limited

The Directors of Hamilton Underwriting Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2019 £000	2018 £000
Emoluments	628	800
	628	800

In addition to the emoluments disclosed above, no payments (2018: £nil) in respect of compensation for loss of office were made to Directors during the year. No other director related compensation or amounts considered to represent key management personnel compensation was charged to the Syndicate.

From 26 February 2018 through to 31 December 2019 there were two joint active underwriters who received the following remuneration charged as a syndicate expense (2018 includes the emoluments of the sole active underwriter from 1 January 2018 to 25 February 2018):

	2019 £000	2018 £000
Emoluments	438	452
	438	452

9. Investment Return

Investment return on Syndicate assets

	2019 £000	2018 £000
Income from financial investments designated as at fair value through profit or loss	149	20
Interest on cash at bank and overseas deposits	634	354
	783	374
Realised gains on investments	176	80
Unrealised gains on investments	11	-
Investment management charges	(50)	-
Total investment return transferred to the technical account	**920**	**454**

	2019	2018
Average amount of syndicate funds available for investment during the year ("average funds")	£44.1m	£28.4m
Split:		
Sterling/Euros	£8.5m	£12.6m
Dollars*	£35.6m	£15.9m
Calendar year investment return	£920,196	£454,082
Calendar year investment yield:	%	%
Sterling/Euros	0.9	0.5
Dollars*	2.4	2.5

* *Primarily US dollars*

Investment return on Funds in Syndicate

	2019 £000	2018 £000
Income from financial investments designated as at fair value through profit or loss	1,665	321
Realised gains on investments	1,607	229
Unrealised gains on investments	46	-
Total investment return transferred to the technical account	**3,318**	**550**

10. Financial Investments

	2019 Market Value £000	2019 Cost £000	2018 Market Value £000	2018 Cost £000
Shares and other variable yield securities	42,273	42,272	21,251	21,251
Debt securities and other fixed income securities	56,770	55,422	56,261	55,952
Participation in investment pools	578	578	190	190
	99,621	**98,272**	**77,702**	**77,393**

All investments are designated as fair value through profit or loss. The carrying value of these investments is same as market value.

The Syndicate classifies its financial instruments held at fair value in the balance sheet using a fair value hierarchy, as follows:

Level 1 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.

Level 2 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.

Level 3 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, observable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset. These inputs are developed based on the best information available, which might include the Syndicate's own data.

2019	**Level 1 £000**	**Level 2 £000**	**Level 3 £000**	**Total £000**
Shares and other variable yield securities	14,018	27,858	397	**42,273**
Debt securities and other fixed income securities	-	56,770	-	**56,770**
Participation in investment pools	578	-	-	**578**
Total	**14,596**	**84,628**	**397**	**99,621**

2018	**Level 1 £000**	**Level 2 £000**	**Level 3 £'000**	**Total £000**
Shares and other variable yield securities	15,943	5,308	-	**21,251**
Debt securities and other fixed income securities	-	56,261	-	**56,261**
Participation in investment pools	190	-	-	**190**
Total	**16,133**	**61,569**	**-**	**77,702**

11. Debtors Arising Out of Direct Insurance Operations

	2019 £000	2018 £000
Amounts due from intermediaries:		
Due within one year	44,750	51,006
Due after one year	-	-
	44,750	51,006

12. Debtors Arising Out of Reinsurance Operations

	2019 £000	2018 £000
Due within one year	21,549	7,394
Due after one year	5,971	18,258
	27,520	**25,652**

13. Other Debtors

	2019 £000	2018 £000
Accrued overider commission	**-**	4,045
Overseas taxes	22	-
VAT	5	-
	27	**4,045**

This year accrued overrider commission £3,940,000 (2018: £4,045,000) is included in debtors arising out of reinsurance operations (note 12).

14. Deferred Acquisition Costs

	2019 £000	2018 £000
Balance at 1 January	14,339	12,626
Change in deferred acquisition costs	(2,732)	1,159
Effect of exchange rates	(402)	554
	11,205	**14,339**

15. Provisions for unearned premiums

2019	**Gross**	**Reinsurers' share**	**Net**
	£000	**£000**	**£000**
At January 2019	69,625	(27,035)	42,590
Premiums written in the year	130,205	(55,998)	74,207
Premiums earned in the year	(136,568)	55,292	(81,276)
Foreign exchange	(2,211)	1,035	(1,176)
As at 31 December 2019	**61,051**	**(26,706)**	**34,345**

2018	**Gross**	**Reinsurers' share**	**Net**
	£000	**£000**	**£000**
At January 2018	60,685	(17,403)	43,282
Premiums written in the year	134,589	(57,473)	77,116
Premiums earned in the year	(128,450)	49,163	(79,287)
Foreign exchange	2,801	(1,322)	1,479
As at 31 December 2018	**69,625**	**(27,035)**	**42,590**

16. Related Parties

<u>Managing Agent</u>

The Syndicate is managed by Hamilton Managing Agency Limited ("HMA") from 1 January 2020. Following the acquisition of this company on 20 August 2019, the immediate parent of HMA is Hamilton UK Holdings Limited ("HUK"). For the year ended 31 December 2019 and the prior reporting year, the Syndicate was managed by Hamilton Underwriting Limited ("HUL").

<u>Capital</u>

Capital to support the underwriting of the Syndicate is provided by Hamilton Corporate Member Limited ("HCM").

<u>Ultimate Parent Company</u>

The ultimate parent company of HUK, HMA, HUL and HCM is Hamilton Insurance Group, Ltd., a company registered in Bermuda.

<u>Related Party Disclosure Exemption</u>

The Syndicate has taken advantage of the exemption given by FRS 102 Section 33 Related Party Disclosures to wholly owned subsidiary undertakings, by not disclosing information on related party transactions with entities that are part of the group, or investees of the group qualifying as related parties.

17. 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”) and 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 accounts by way of such capital resources. However, the managing agent is able to make a call on the members’ FAL to meet liquidity requirements or to settle losses.

18. Off Balance Sheet Items

The Syndicate has not been a party to any arrangements which are not reflected in its Statement of Financial Position, where material risks and benefits arise to the Syndicate.

19. Borrowings

During the period to 31st December 2019, the syndicate had an unsecured overdraft facility agreement with Barclays Bank plc (Barclays), as a buffer against any timing differences between premium receipts and claims and other expense payments being made. This facility was available for use against the Sterling, Euro, US and Australian dollar accounts. The gross balance outstanding at Barclays as at 31st December 2019 across all years of account was £136,000, net £nil.

In addition, during the period to 31st December 2019 the Syndicate held committed facilities of USD 35 million, for funding of catastrophe claims and other liabilities; neither of these facilities were utilised as at 31st December 2019.

20. Post Balance Sheet Events

The 2017 year of account closed on 31 December 2019 and the 2018 year of account which has accepted the reinsurance to close of this year will receive the uncalled losses of this year of account on or before the Lloyd’s distribution date of 15th June 2020.

On 6th February 2020 HMA on behalf of the Syndicate entered in to a quota share reinsurance agreement with another Lloyd’s syndicate as the reinsurer, under which the reinsuring syndicate will provide proportional back to back quota share reinsurance cover on the net technical provisions attaching to professional indemnity, financial institutions and directors and officers classes of business for the 2018, 2017 and 2016 underwriting years of account.