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Syndicate 6125

Annual Report

Year ended 31 December 2020

CONTENTS

SYNDICATE 6125
DIRECTORS AND ADVISERS

Managing Agent

Hamilton Managing Agency Limited

Registered Office

Level 3
8 Fenchurch Place
London
EC3M 4AJ

Registered Number

05832065

Directors

P. J. Barrett	Non-Executive
M. J. Beacham	Independent Non-Executive
M. J. Beane	Independent Non-Executive
C. D. Brown (resigned 30 June 2020)	Executive
T. A. B. H. Glover (resigned 20 November 2020)	Executive
P. C. F. Haynes	Independent Non-Executive, Chairman
J. F. Reiss (resigned 30 June 2020)	Non-Executive
P. Skerlj (resigned 8 September 2020)	Non-Executive
A. Ursano Jr (resigned 8 September 2020)	Non-Executive
R. S. Vetch	Executive
D. N. White (resigned 11 November 2020)	Executive

Company Secretary

D.V.T. Ford

Syndicate

Active Underwriter (Syndicate 4000)
A. J. Daws (resigned 22 December 2020)
M. E. Colaço-Osorio (appointed 22 December 2020)

Auditor

Ernst & Young LLP
25 Churchill Place
London
E14 5EY

SYNDICATE 6125
MANAGING AGENT'S REPORT

The Directors of Hamilton Managing Agency Limited ("HMA") present the Managing Agent's Report for Syndicate 6125 (the 'Syndicate') for the year ended 31 December 2020.

Principal Activity

The Syndicate is a Special Purpose Arrangement ("SPA") with the principal activity of underwriting short-tail quota share reinsurance cessions from Syndicate 4000 until November 2020 at which point it was placed into run-off. Syndicate 4000 is also managed by HMA.

The Syndicate commenced underwriting on 1 January 2016. The formation of the Syndicate was a key component of the strategic partnership and cooperation agreements between HMA and Reaseguradora Patria S.A ("Patria"). The ultimate parent company of Patria is Peña Verde S.A.B ("Peña Verde"), a Mexican domiciled insurance and reinsurance group with an established presence in Central and South America.

Allocated capacity for the 2020 year of account was £23.0m (2019: £23.0m).

The Syndicate capital to support underwriting is provided by Patria Corporate Member Ltd ("PCM"). PCM's ultimate parent company is Peña Verde.

Management of the Syndicate

From 20 August 2019, HMA's immediate parent undertaking is Hamilton UK Holdings Limited, a company registered in England and Wales. The company's ultimate parent company is Hamilton Insurance Group, Ltd (collectively with its subsidiaries, "the Hamilton Group"), a company registered in Bermuda. The Hamilton Group acquired HMA from Pembroke JV Limited (the ultimate parent company of Pembroke JV Limited was Liberty Mutual Holding Company Inc.).

Business of the Syndicate

During the 2020 financial year, gross written premium by operating division was as follows:

	2020 £000	**2019 £000**
Property Treaty	11,144	10,241
Accident and Health	390	1,840
Specialty	(1,119)	4,582
Marine Treaty	8,075	7,246
Total	18,490	23,909

Property Treaty/Marine Treaty

The Property Treaty and Marine Treaty accounts are written by Syndicate 4000, with the Syndicate accepting 90% of this business through quota share reinsurance cessions. The Property Treaty and Marine Treaty accounts are international portfolios with the majority of risks being written on an excess of loss basis.

Quota share cessions from Syndicate 4000

Prior to the 2020 year of account, there was an exposure swap agreement with Syndicate 4000 covering a number of short tail lines of business written by each party, primarily in the Speciality and Accident & Health lines.

Review of Financial Performance

The key financial indicators of the Syndicate are:

	2020 £000	2019 £000
Syndicate capacity	23,000	23,000
Gross premiums written	18,490	23,909
Profit/(loss) for the financial year	1,283	(4,405)
Total comprehensive profit/(loss)	1,203	(4,258)
Net combined ratio	93.4%	126.9%

The Syndicate reports a net underwriting profit for the financial year ended 31 December 2020 of £1.2m (2019: loss of £4.4m). The key drivers for the financial year profit are set out below.

Gross Written Premiums

The Syndicate reports gross written premiums for the financial year of £18.5m (2019: £23.9m), a decrease of £5.4m from 2019 reflecting the move away from Speciality / Accident & Health business lines.

Net Losses Incurred

The decrease in the net loss ratio for the financial year to 55.2% (2019: 88.9%) is mainly a factor of 2019's ratio being impacted by high loss activity (notably catastrophe events: Typhoon Hagibis, Typhoon Jebi and Hurricane Dorian). A prior year release is included in this year's ratio and this is offset in part by additional reserves recognised in 2020 in relation to potential COVID-19 losses, adding 6.8% to the net loss ratio.

Outlook

In November 2020, HMA/Patria made the decision to put the Syndicate into run-off. This was due to concerns that it was unlikely that the syndicate would produce an adequate return on capital. There will continue to be a back-office team at HMA to support the claims management, reinsurance, actuarial, finance and management functions. There will be no new premium bound in 2021.

The Syndicate continues to be managed by HMA and cession arrangements with Syndicate 4000 remain in place.

As indicated above, the Managing Agency, is continuing to explore all options for ensuring the continued orderly and efficient run-off of the Syndicate.

The strategy of the Syndicate will be to continue to actively manage claims reserves, expenses and continue to be pro-active in advising reinsurers of potential losses to speed up the recovery process.

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.

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 UK staff were transferred to Hamilton UK Service Company 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 6125. HMA and Hamilton UK Service Company Limited are both fully owned subsidiaries of Hamilton UK Holdings Limited.

The Board ensures that the interests of its staff members are appropriately considered when taking decisions. In 2020 this was demonstrated by:

- Regular Employee Town Halls where senior management facilitated discussion on key business developments in an open forum.
- A periodic staff engagement survey with appropriate follow up action taken.
- The establishment of the Black Lives Matter working group as an extension to the Diversity & Inclusion Forum.
- Regular training for staff members on various matters from unconscious bias to mindfulness.
- The launch of a new long-term incentive compensation plan.

HMA is committed to supporting the health and wellbeing of its staff members and has partnered with a leading online workplace mental health platform as part of its Employee Assistance Programme. Hamilton is committed to creating an inclusive workspace where all employees thrive. HMA embraces all backgrounds, perspectives, experiences and talents – without discrimination.

The Company actively monitored the evolving situation with the global Coronavirus (COVID-19) pandemic to ensure the well-being of staff members, as well as uninterrupted service and responsiveness to clients.

Environmental Matters

HMA is dedicated to being a responsible business and taking care of its community and the environment. HMA's approach is to use its position of strength to create a positive change for the people and communities with which the Company interacts. HMA seeks to leverage its expertise and enable employees to support the communities around us.

Business Relationships

HMA is committed to being a conscientious business and doing the right thing for its customers and business partners. The Board recognises that relationships with stakeholders are key to the delivery of the strategy. As such, HMA looks to conduct business with like-minded firms by undertaking the appropriate due diligence to ensure they have good prospects for future and longevity in the market. HMA ensures compliance with all applicable laws and a raft of internal policies, processes and procedures cover all aspects of the business to ensure outcomes of business practice achieve consistently high business and ethical standards. These policies, procedures and processes are renewed regularly.

Business Conduct

The Board recognises that a commitment to a high standard of business conduct is critical to the delivery of the strategy and aspires to complete honesty and transparency in all activity. Among key documents reviewed and approved by the Board annually are the Conduct Management Framework, Whistleblowing Policy, Financial Crime Prevention Policy, and the Code of Conduct & Ethics. The Board further monitors conduct management at each meeting and is committed to maintaining high ethical standards.

Regulators

HMA has transparent communication with its key regulators which is facilitated through the compliance team. Any significant regulatory engagements are reported to the Board of HMA.

Principal Risk and Uncertainties

The Board sets risk appetite annually as part of the Syndicate's business planning and capacity setting process. HMA has established an Underwriting and Risk Committee ("URC"), 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") report 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.

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

Directors and Officers Serving During the Year

The Directors who served during the year ended 31 December 2020 and up to the date of this report (and the current Company Secretary) are detailed on page 3.

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/she ought to have taken as director to make himself/herself 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.

R. S. Vetch
Chief Financial Officer
9 March 2021

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The managing agent is responsible for preparing the Syndicate Annual Report and 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 profit or 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 annual 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 6125

Opinion

We have audited the syndicate annual accounts of Syndicate 6125 ('the syndicate') for the year ended 31 December 2020 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 14, 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 2020 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 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

In auditing the syndicate annual accounts, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the syndicate annual accounts is appropriate.

Based on the work we have performed, we have not identified any material uncertainties relating to events or conditions that, individually or collectively, may cast significant doubt on the syndicate's ability to continue to adopt the going concern basis of accounting for a period of at least twelve months from when the syndicate annual accounts are authorised for issue.

Our responsibilities and the responsibilities of the managing agent with respect to going concern are described in the relevant sections of this report. However, because not all future events or conditions can be predicted, this statement is not a guarantee as to the syndicate's ability to continue as a going concern.

Other information

The other information comprises the information included in the annual report set out on pages 4 to 7, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information. Our opinion on the syndicate annual accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

In connection with our audit of the syndicate annual accounts, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual accounts or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the syndicate annual accounts or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact. We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the directors of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 8, 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.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect irregularities, including fraud. The risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

The extent to which our procedures are capable of detecting irregularities, including fraud, is detailed below. However, the primary responsibility for the prevention and detection of fraud rests with both those charged with governance of the managing agent and management.

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of the Lloyd's of London, Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').
- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board, Audit, Nomination, Investment and Risk Management Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

Explanation as to what extent the audit was considered capable of detecting irregularities, including fraud (continued)

For direct laws and regulations, we considered the extent of compliance with those laws and regulations as part of our procedures on the related syndicate annual accounts' items.

- For both direct and other laws and regulations, our procedures involved: making enquiries of the directors of the managing agent and senior management for their awareness of any non-compliance of laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.
- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.
- We assessed the susceptibility of the Syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement, including complex transactions, performance targets, external pressures and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk.

Our audit procedures included:

- Reviewing accounting estimates for evidence of management bias. Supported by our Actuaries we assessed if there were any indicators of management bias in the valuation of insurance liabilities.
- Evaluating the business rationale for significant and/or unusual transactions.
- Testing the appropriateness of journal entries recorded in the general ledger, particularly in respect of judgemental areas.

In addition, we considered the impact of COVID-19 on the syndicate, including an assessment of the consistency of operations and controls in place as they transitioned to operating remotely for a significant proportion of 2020, and making enquiries with management via use of video conferencing. We performed analytical review procedures to assess for unusual movements throughout the year. Our audit procedures also incorporate unpredictability into the nature, timing and extent of our testing.

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.

Robert Bruce (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
9 March 2021

SYNDICATE 6125

STATEMENT OF COMPREHENSIVE INCOME
FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 £000	2019 £000
TECHNICAL ACCOUNT – GENERAL BUSINESS			
Earned premiums, net of reinsurance			
Gross premiums written	3	18,490	23,909
Outward reinsurance premiums		(3,390)	(5,318)
Net premiums written		15,100	18,591
Change in the provision for unearned premiums			
Gross amount		3,133	(1,020)
Reinsurers' share		(635)	392
Change in the net provision for unearned premiums		2,498	(628)
Earned premiums, net of reinsurance		17,598	17,963
Allocated investment return transferred from the non-technical account		67	304
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(10,916)	(16,887)
Reinsurers' share		2,334	2,505
Net claims paid		(8,582)	(14,382)
Change in the provision for claims			
Gross amount		950	(2,638)
Reinsurers' share		(2,079)	1,052
Change in the net provision for claims		(1,129)	(1,586)
Claims incurred, net of reinsurance		(9,711)	(15,968)
Net operating expenses	5	(6,729)	(6,828)
Balance on technical account - general business		1,225	(4,529)
NON-TECHNICAL ACCOUNT			
Income from investments		67	304
Allocated investment return transferred to the technical account		(67)	(304)
Foreign exchange gains		58	124
Profit/(loss) for the financial year		1,283	(4,405)
Other comprehensive income - currency translation (losses)/gains		(80)	147
Total comprehensive profit/(loss) for the financial year		1,203	(4,258)

All the amounts above are in respect of continuing operations.

SYNDICATE 6125

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	2019 £000
Balance at 1 January	(16,875)	(13,926)
Profit/(loss) for the financial year	1,283	(4,405)
Receipt of loss from members' personal reserve fund	5,244	1,309
Currency translation (losses)/gains	(80)	147
Balance at 31 December	(10,428)	(16,875)

SYNDICATE 6125

STATEMENT OF FINANCIAL POSITION
AS AT 31 DECEMBER 2020

	Note	**2020 £000**	**2019 £000**
ASSETS			
Reinsurers' share of technical provisions			
Provision for unearned premiums	11	933	1,584
Claims outstanding	11	4,055	5,552
		4,988	7,136
Debtors arising out of reinsurance operations			
Due within one year	9	21,770	496
Due after one year	9	30,900	50,205
		52,670	50,701
Prepayments and accrued income			
Deferred acquisition costs	10	853	1,754
		853	1,754
TOTAL ASSETS		58,511	59,591
MEMBERS' BALANCES AND LIABILITIES			
Members' balances		(10,428)	(16,875)
Technical provisions			
Provision for unearned premiums	11	4,107	7,292
Claims outstanding	11	26,420	27,015
		30,527	34,307
Creditors due within one year			
Creditors arising out of reinsurance operations		20,966	14,848
Other creditors		2,944	-
		23,910	14,848
Creditors due after one year			
Creditors arising out of reinsurance operations		14,497	22,659
Accruals and deferred income		5	4,652
TOTAL MEMBERS' BALANCES AND LIABILITIES		58,511	59,591

The Syndicate Annual Accounts on pages 12 to 28 were approved by the Board of Hamilton Managing Agency Limited on 9 March 2021 and were signed on its behalf by:

R. S. Vetch
Chief Financial Officer

SYNDICATE 6125

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 £000	2019 £000
Cash flow from operating activities		
Operating result	1,283	(4,405)
Adjustments:		
(Decrease)/increase in gross technical provisions	(3,273)	3,658
Decrease/(increase) in reinsurers' share of technical provisions	2,782	(1,328)
Increase in debtors	(3,409)	(9,708)
(Decrease)/increase in creditors	(1,254)	10,746
Movement in other assets and liabilities	(1,372)	(166)
Investment return	(67)	(304)
Other	66	198
Net cash flow from operating activities	(5,244)	(1,309)
Cash flow from financing activities		
Cash call from members	5,244	1,309
Net cash inflow from financing activities	5,244	1,309
Net increase in cash and cash equivalents	-	-
Cash and cash equivalents at 1 January	-	-
Cash and cash equivalents at 31 December	-	-

1. Statement of Accounting Policies

General Information

The Syndicate commenced trading on 1 January 2016 as a Special Purpose Arrangement.

Patria Corporate Member Limited, a corporate member of the Society of Lloyd's that underwrites insurance business in the London market, is the sole capital provider for the Syndicate.

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 for the year ended 31 December 2020 comply with FRS 102 and 103.

The financial statements have been prepared on a historical cost basis.

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.

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 4, Syndicate 6125 ceased underwriting in November 2020, it will continue to run-off the existing 2020 and prior liabilities in accordance with a plan approved by the directors.

The Syndicate underwrote via a quota share arrangement with Syndicate 4000 on a funds withheld basis. Syndicate 4000 has considerable financial resources together with long-term relationships with a number of brokers and policyholders across different classes of business and geographical areas. Consequently, the Directors believe that the Syndicate is well placed to manage its business risks successfully despite the current uncertain economic outlook. This is not impacted by Syndicate 6125 being placed into run-off.

The directors have assessed that the COVID-19 pandemic has no impact on the Syndicate's ability to continue as a going concern.

The Directors have a reasonable expectation that the Syndicate has adequate resources including the Funds at Lloyd's of the member supporting the Syndicate 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.

Management have assessed the impact of the current COVID-19 pandemic. The degree of judgement (and uncertainty) in the booked reserves is somewhat higher because of COVID-19, otherwise, management do not consider that there are any impacts on accounting judgements for the Syndicate given that Syndicate 4000 is expected to maintain an appropriate level of liquidity and that its operational effectiveness has been maintained.

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

1. Statement of Accounting Policies (continued)

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 of 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.

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.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

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 cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods.

These methods generally involve projecting from past experience of the development of claims over time, to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. 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 of 31 December 2020 and 31 December 2019 the Syndicate did not have an unexpired risk provision.

1. Statement of accounting policies (continued)

Basis of Accounting (continued)

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.

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 2020	**31 December 2019**
US dollar	1.37	1.32
Canadian dollar	1.74	1.72
Euro	1.12	1.18
Australian dollar	1.77	1.88

Investment Return

Investment return comprises notional investment income on the Syndicate's funds withheld by Syndicate 4000. 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.

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 or their members' agent is gross of tax.

No provision has been made for overseas income tax payable on underwriting results. Any payments on account made by the Syndicate during the year are included in the balance sheet under the heading 'Members' balances'.

Profit Commission

Profit commission payable to Lloyd's coverholders or producing brokers has been provided for on all years of account and recognised within acquisition costs. The profit commission is calculated in line with the contract term of these policies and the profitability of the underlying contract.

2. Risk Management

Risk Framework

The primary objective of the Syndicate's Risk Management Framework is to protect the members 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.

HMA 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 Underwriting & Risk Committee ("URC") 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

Insurance Risk is a core aspect of the Syndicate's business model and it is recognised that uncertainty associated with the frequency and severity of claims is inherent to general insurance. The Syndicate accepts a measured amount of this risk in exchange for underwriting profit, relying on the skills and experience of our underwriters and a robust control framework to reduce the likelihood and impact of this risk as far as is practicable and without unreasonable expense.

HMA's 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.

Principal Risks

The principal risk the Syndicate faces under insurance contracts is that the actual claims and payments or the timing thereof, differs 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. With the move to run-off status, the nature of underwriting risk will change over time and HMA will amend its approach accordingly.

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 underwrites short-tail quota share reinsurance cessions from Syndicate 4000. Syndicate 4000 organises underwriting through a number of product areas. The URC provides direct oversight for each underwriting unit, and ultimately the URC reports to the HMA Board.

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

2. Risk Management (continued)

<u>Insurance Risk – Underwriting (continued)</u>

Diversification

Risks usually cover twelve months' duration. 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, HMA has put in place strict claim review policies to assess all new and ongoing claims. HMA performs regular detailed reviews of claims handling procedures and conducts frequent investigations of possible fraudulent claims.

The following table gives an indication of the likely quantum and scale of the largest (on a gross basis) Realistic Disaster Scenarios estimated for 2020 (highest gross event loss for year ended 31 December 2019 was California Earthquake at £15,191,000).

Realistic Disaster Scenarios	Gross event loss £000	Net event loss £000
California Earthquake – Loss Angeles	12,361	5,813
California Earthquake – San Francisco	11,006	4,449
Gulf of Mexico Windstorm	10,880	3,686

The Syndicate 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.

<u>Insurance Risk – Reserving</u>

Principal Risk

HMA'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 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)	2020 £000	2019 £000
Net loss ratio – increase of 5%	(880)	(898)
Net loss ratio – increase of 10%	(1,760)	(1,796)

2. Risk Management (continued)

Insurance Risk – Reserving (continued)

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 professional services firms provides additional risk mitigation.

Regulatory Risk

HMA 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. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. HMA has a Compliance Officer, who monitors regulatory developments and assesses the impact on HMA policy. HMA 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 capital regime determined by the PRA which is based upon 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 capital requirements applies at Lloyd's aggregate level, and not syndicate level. Accordingly, the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Provision of Capital by Members

Each member may provide capital to meet its Economic Capital Assessment ('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. As an SPA, this risk is closely interlinked with that of Syndicate 4000.

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2020 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 2020	AAA £000	AA £000	A £000	BBB and below £000	Not rated £000	Total £000
Reinsurers' share of outstanding claims	-	2	3,229	697	127	4,055
Reinsurance debtors	-	1	2,931	547	560	4,039
Total	-	3	6,160	1,244	687	8,094

As at 31 December 2019	AAA £000	AA £000	A £000	BBB and below £000	Not rated £000	Total £000
Reinsurers' share of outstanding claims	-	552	4,078	902	20	5,552
Reinsurance debtors	-	92	1,935	956	23	3,006
Total	-	644	6,013	1,858	43	8,558

The HMA Reinsurance Working 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 also determined depending on the grading of the relevant broker and exposures monitored against limits on a monthly basis.

As at the balance sheet date, all financial assets of the Syndicate are unimpaired (2019: all unimpaired) and are not yet due (2019: all not yet due).

Liquidity Risk

The Syndicate operates on a funds withheld basis with Syndicate 4000, so is not subject to liquidity risk on a day-to-day basis. All cash payments are made via Syndicate 4000.

As at 31 December 2020	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	11,524	10,931	2,903	1,062	26,420
Creditors	16,753	15,890	4,221	1,543	38,407
Total	28,277	26,821	7,124	2,605	64,827

As at 31 December 2019	Up to one year £000	One to three years £000	Three to five years £000	Greater than five years £000	Total £000
Claims outstanding	11,371	11,069	3,294	1,281	27,015
Creditors	17,764	17,261	5,137	1,997	42,159
Total	29,135	28,330	8,431	3,278	69,174

2. Risk Management (continued)

Market Risk – 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 reinsurance business in currencies other than pounds sterling, which creates exposure to currency risk. The table below summarises the exposure of financial assets and liabilities to foreign currency exchange risk at the balance sheet date.

As at 31 December 2020	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**Total £000**
Reinsurers' share of technical provisions	(625)	6,513	(650)	(187)	(63)	4,988
Debtors - reinsurance operations	7,881	39,321	4,573	440	455	52,670
Prepayments and accrued income	363	452	30	1	7	853
Total assets	7,619	46,286	3,953	254	399	58,511
Technical provisions	(7,730)	(18,899)	(3,375)	(173)	(350)	(30,527)
Creditors – reinsurance operations	(10,192)	(29,210)	703	133	159	(38,407)
Accruals and deferred income	(5)	-	-	-	-	(5)
Total liabilities	(17,927)	(48,109)	(2,672)	(40)	(191)	(68,939)
Currency deficiency	(10,308)	(1,823)	1,281	214	208	(10,428)

As at 31 December 2019	**GBP £000**	**USD £000**	**EUR £000**	**CAD £000**	**AUD £000**	**Total £000**
Reinsurers' share of technical provisions	476	8,179	(745)	(562)	(212)	7,136
Debtors - reinsurance operations	10,762	34,616	3,978	528	817	50,701
Prepayments and accrued income	771	894	54	8	27	1,754
Total assets	12,009	43,689	3,287	(26)	632	59,591
Technical provisions	(10,263)	(20,079)	(3,281)	(213)	(471)	(34,307)
Creditors – reinsurance operations	(4,532)	(28,490)	(4,077)	(116)	(292)	(37,507)
Accruals and deferred income	(7,718)	1,883	1,114	69	-	(4,652)
Total liabilities	(22,513)	(46,686)	(6,244)	(260)	(763)	(76,466)
Currency deficiency	(10,504)	(2,997)	(2,957)	(286)	(131)	(16,875)

The table below gives an indication of the impact on the result of a percentage change in the relative strength of pounds sterling against the value of the US dollar, euro, Canadian dollar and Australian dollar simultaneously.

As at 31 December 2020	**2020 £000**	**2019 £000**
10% against other currencies	(13)	(709)
20% against other currencies	(30)	(1,593)
Sterling strengthens		
10% against other currencies	11	579
20% against other currencies	10	1,062

Operational Risk

The Syndicate is potentially exposed to direct or indirect losses resulting from inadequate or failed internal processes, systems, or people, or from external events. HMA 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

All of the Syndicate's business is underwritten via reinsurance contracts with Syndicate 4000. All premiums were concluded in the UK.

4. Claims Incurred, Net of Reinsurance

In setting claims provisions, the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provisions adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

Gross claims development

Pure underwriting year	**2016** **£000**	**2017** **£000**	**2018** **£000**	**2019** **£000**	**2020** **£000**	**Total** **£000**
Estimate of cumulative claims incurred						
At the end of the underwriting year	5,910	8,747	12,685	12,623	**8,579**	
One year later	10,300	15,118	19,681	**14,687**		
Two years later	10,572	14,397	**19,640**			
Three years later	10,633	**13,860**				
Four years later	**10,749**					
Less: cumulative payments to date	(9,105)	(11,669)	(13,949)	(5,209)	(1,163)	
Gross claims outstanding provision	1,644	2,191	5,691	9,478	7,416	26,420

Net claims development

Pure underwriting year	**2016** **£000**	**2017** **£000**	**2018** **£000**	**2019** **£000**	**2020** **£000**	**Total** **£000**
Estimate of cumulative claims incurred						
At the end of the underwriting year	5,475	7,847	9,748	11,650	**7,437**	
One year later	9,754	14,227	14,434	**13,632**		
Two years later	9,474	12,931	**14,542**			
Three years later	9,733	**12,680**				
Four years later	**9,662**					
Less: cumulative payments to date	(8,119)	10,653)	(10,679)	(4,974)	(1,163)	
Net claims outstanding provision	1,543	2,027	3,863	8,658	6,274	22,365

5. Net Operating Expenses

	2020 £000	2019 £000
Acquisition costs	3,825	3,729
Change in deferred acquisition costs	879	982
Administrative expenses	2,049	2,219
Gross operating expenses	6,753	6,930
Reinsurers' commissions	(24)	(102)
Net operating expenses	6,729	6,828

6. Auditor's Remuneration

	2020 £000	2019 £000
Fees payable to the Syndicate's auditor for:		
Audit of the Syndicate Annual Accounts	7	5
Other services pursuant to regulations and Lloyd's byelaws	87	72
Other non-audit services	29	27
	123	104

Auditor's remuneration is included as part of administrative expenses in note 5.

7. Staff Numbers and Costs

Staff were employed by Hamilton Managing Agency Limited until 1 December 2019, at which point they were transferred to Hamilton UK Services Limited. No amounts were recharged to the Syndicate in respect of their salary costs. These were met by Syndicate 4000 which earned a fixed fee from Syndicate 6125 in relation to these services.

8. Emoluments of the Directors of Hamilton Managing Agency Limited

No specific amounts of remuneration or compensation were recharged to the Syndicate in respect of the Directors of HMA or the Active Underwriter of Syndicate 4000.

9. Debtors Arising Out of Reinsurance Operations

	2020 £000	2019 £000
Due within one year:		
Due from ceding insurers and intermediaries under reinsurance business written	17,966	230
Due from reinsurers and intermediaries under reinsurance contracts ceded – reinsurance recoverable on paid claims	3,804	266
	21,770	496
Due after one year:		
Due from ceding insurers and intermediaries under reinsurance business written	30,665	47,466
Due from reinsurers and intermediaries under reinsurance contracts ceded - reinsurance recoverable on paid claims	235	2,739
	30,900	50,205
	52,670	50,701

10. Deferred Acquisition Costs

	2020 £000	2019 £000
Balance at 1 January	1,754	1,910
Change in deferred acquisition costs	(879)	(116)
Effect of exchange rates	(22)	(40)
Balance at 31 December	853	1,754

11. Technical Provisions

	2020 Gross £000	2020 RI £000	2020 Net £000	2019 Gross £000	2019 RI £000	2019 Net £000
Incurred claims outstanding:						
Claims notified	12,225	(1,926)	10,299	9,215	(786)	8,429
Claims incurred but not reported	14,790	(3,626)	11,164	15,961	(3,906)	12,055
Balance at 1 January	27,015	(5,552)	21,463	25,176	(4,692)	20,484
Change in prior year provisions	934	957	1,891	(2,309)	420	(1,889)
Expected cost of current year claims	9,031	(1,212)	7,819	21,834	(3,978)	17,856
Claims paid during the year	(10,915)	2,334	(8,582)	(16,887)	2,505	(14,382)
Effect of exchange rates	355	(582)	(226)	(799)	193	(606)
Balance as at 31 December	26,420	(4,055)	22,365	27,015	(5,552)	21,463
Comprises:						
Claims notified	13,190	(1,262)	11,928	12,225	(1,926)	10,299
Claims incurred but not reported	13,230	(2,793)	10,437	14,790	(3,626)	11,164
Balance as at 31 December	26,420	(4,055)	22,365	27,015	(5,552)	21,463

	2020 Gross £000	2020 RI £000	2020 Net £000	2019 Gross £000	2019 RI £000	2019 Net £000
Unearned premiums						
Balance at 1 January	7,292	(1,584)	5,708	6,447	(1,248)	5,199
Premiums written during the year	18,490	(3,390)	15,100	23,909	(5,318)	18,591
Premiums earned during the year	(21,623)	4,025	(17,598)	(22,889)	4,926	(17,963)
Effect of exchange rates	(52)	16	(36)	(175)	56	(119)
Balance at 31 December	4,107	(933)	3,174	7,292	(1,584)	5,708

12. Related Parties

Managing Agent

The Syndicate is managed by Hamilton Managing Agency Limited ("HMA"). The immediate parent of HMA is Hamilton UK Holdings Limited.

Capital

Patria Corporate Member Limited, the sole capital provider for the Syndicate, is not an affiliate of the Hamilton Group.

Inwards Reinsurance Contracts

The Syndicate assumes business by way of variable rate quota share arrangements from Syndicate 4000, which is also managed by HMA. The debtor balance with Syndicate 4000 as at 31 December 2020 is £52.7m (2019: £50.7m) and the creditor balance is £38.5m (2019: £37.5m).

Investment income

Notional investment income of £0.1m (2019: £0.3m) is also due from Syndicate 4000 as at 31 December 2020. This comprises notional investment income on the Syndicate's funds withheld by Syndicate 4000.

13. 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.

14. 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.