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Victor Syndicate 2288

Annual Report and Accounts

31 December 2021

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Directors and administration

Managing Agent

Asta Managing Agency Ltd

Directors

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

*Non-Executive Directors

Company Secretary

N J Burdett

Managing Agent's Registered Office

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

Managing Agent's Registered Number

1918744

Active Underwriter

J Frances

Registered Auditor

Deloitte LLP
1 New Street Square
London
EC4A 3HQ

Signing Actuary

Steven Fisher, Deloitte MCS Ltd

Active Underwriter's report

Syndicate overview

Victor Syndicate 2288 (Syndicate) was established in January 2020 to underwrite general insurance and reinsurance business within the Lloyd's market under the oversight of Asta Managing Agency Limited (Asta). It decided to cease underwriting from 11:59pm on 31 December 2022 and enter orderly run-off.

The Syndicate only wrote business underwritten through Victor Insurance Holdings, Inc. (Victor) group entities. Syndicate 2288 had a unique business model, being a 'virtual syndicate' without a physical location at Lloyd's in London. The business leveraged the capabilities of Victor and Asta, while using technology to access and underwrite industry and product focused on small and medium sized enterprises (SME) business.

The majority of the Syndicate's portfolio was business underwritten in association with Victor's International Catastrophe Insurance Managers, LLC (ICAT). ICAT specialises in underwriting property insurance located in areas of the United States (U.S.) that are prone to hurricanes and earthquakes. Coverage supported by 2288 included natural catastrophe perils, all other perils, general liability, and equipment breakdown business. The Syndicate's portfolio managed by ICAT changed from 2020 to 2021, with an increased focus on residential business.

The 2021 year saw the Syndicate's portfolio diversify and grow with the addition of financial and professional lines business, underwritten and managed by Victor's Canadian coverholder. This portfolio, being the second largest by premium for the 2021 YoA comprised errors and omissions, directors and officers, and general liability business focusing on architects and engineers, as well as SMEs.

The Syndicate also wrote smaller binders in terms of premium with Victor coverholders in the U.K. and The Netherlands. These binders supported SME focused property owner's business, commercial property, commercial liability, cargo and land based equipment risks.

Syndicate run-off

The Syndicate 2288 entered run-off at the end of the 2021 year-of-account (YoA) at 11:59pm on 31 December 2021. The Syndicate made this decision on 24 November 2021 following challenges in securing third-party capital to support the Syndicate's approved 2022 Syndicate Business Forecast (SBF). Following this decision, the Syndicate began a process to plan for the orderly closure of the Syndicate and transfer of planned 2022 contracts for Victor coverholders, including ICAT, to other capacity providers, including the Syndicate's 2021 capital providers.

Key contributors to the Syndicate's decision to enter run-off included:

- **2020 Results** – The Syndicate's first year of underwriting suffered from record-breaking US catastrophe activity, resulting in a material loss to capital providers.

Active Underwriter's report continued

- **Third-Party Capital** –Syndicate 2288 is backed by third-party capital which is a market that has been contracting in recent years. This, along with 2020 results, challenged the Syndicate's ability to raise sufficient capital to support its approved 2022 Lloyd's SBF.

- **Changing Reinsurer Catastrophe Risk Appetite** – The reinsurance market's appetite for US property catastrophe exposed portfolios has reduced, with rates increasing and retentions of cedants increasing. These market dynamics, along with 2020 results, challenged the Syndicate's planned 2022 reinsurance budget assumptions.

- **Lloyd's Catastrophe Risk Appetite** – Lloyd's has been working to reduce the market's volatility, driven by catastrophe results. Lloyd's manages this primarily through two catastrophe risk metrics which influences the reinsurance programme and capital requirements of syndicates writing catastrophe risk. As a result, in the context of the market dynamics outlined above, it was becoming challenging for the Syndicate to economically meet Lloyd's catastrophe risk metrics.

The key areas of activity for 2022 and the rest of the Syndicate's run-off are to continue to manage claims professionally and to the highest standard set by Lloyd's, Asta, and Victor, while continuing to meet all obligations to policyholders. The Syndicate's objective is now to establish an appropriate and cost effective long-term run-off plan that serves the best interests of policyholders and capital providers.

In run-off, the Syndicate will continue to be managed by Asta, with day-to-day policyholder management and claims managed by Victor coverholders and existing claims providers. All of these parties continue to trade forward. This will ensure the maintenance of service standards and continuity for policyholders and brokers.

Syndicate results

The exhibits below present the Syndicate's results as an ultimate Profit & Loss (P&L) statement, on three bases.

- The first follows UK GAAP accounting rules, by showing the Reinstatement Premium Protection (RIPs) recoveries within the *Reinsurers' share of claims* caption.

- The second *presents* the Reinsurance (RIPs) recoveries as netting down *Outwards reinsurance premiums* – this is Victor's preferred view, as this more reasonably represents the intended nature of the RIPs protection contract. The difference in treatment of the RIPs protection does not affect the final result, but it does impact components of the Net Combined Operating Ratio (NCOR). This only impacts the 2020 YoA.

- The third P&L view shows results exclusive of run-off costs, conveying the result if the Syndicate had not entered run-off.

The Syndicate adopted a revised approach to reporting RIPs within its ultimate and calendar year GAAP reporting in 2021. The audited results presented later in this document are presented incorporating this change.

2021 Syndicate results

The 2021 results are a material improvement from 2020; however, they continued to be impacted by US property related claims, such as Winter Storm Uri (e.g. Texas Freeze), Hurricane Ida, and an April hailstorm in Alabama. Increasing reinsurance costs also placed a notable drag on net results.

The Syndicate forecasts an ultimate net combined operating ratio ('NCOR' defined as net ultimate claims plus net ultimate operating expenses expressed as a percentage of net ultimate earned premium) of 143.2% on the 2021 YoA. When adjusted to exclude run-off expenses, to enable a like for like comparison on a trading forward basis, the NCOR decreases to 137.6%. On a gross basis, results are forecast to be a gross combined ratio ('GCOR' defined as gross ultimate claims plus gross ultimate operating expenses expressed as a percentage of gross ultimate earned premium) of 84.4% reducing to 81.3% excluding run-off expenses. The significant difference between GCOR and NCOR illustrates the large impact US property catastrophe reinsurance costs have on 2288's results.

2021 Syndicate ultimate forecast P&L

Adjustments from reported to reflect run-off expenses

	2021 YOA $'m Ultimate Result	2021 YOA $'m Run-off Costs	2021 YOA $'m Adjusted Result
Net premiums written	47.9	0.0	47.9
Total technical charges before net operating expenses	(37.1)	0.0	(37.1)
Balance before investment return	(20.6)	2.7	(17.9)
Profit/(Loss) for the period	(20.7)	2.7	(18.0)
Gross URL	46.3%		46.3%
Acquisition costs ratio	27.4%		27.4%
Expense ratio	10.7%		7.6%
GCOR	**84.4%**		**81.3%**
Net ULR	74.8%		74.8%
Acquisition costs ratio	49.2%		49.2%
Expense ratio	19.2%		13.6%
NCOR	**143.2%**		**137.6%**

Key drivers of these results were:

- **U.S. Storms & Reinsurance** – Winter Storm Uri, April hail in Alabama, and Hurricanes Ida impacted the Syndicate, however, they did not trigger any significant reinsurance recoveries. When combined with the higher than expected reinsurance costs, the impact on the Syndicate's results was material.

- **Catastrophe Risk Appetite** – The Syndicate worked with Lloyd's and its reinsurance broker to refine its reinsurance programme, to manage spend, while balancing the impact on capital requirements and Lloyd's catastrophe risk appetite metrics.

- **Rate Momentum** – The Syndicate's coverholders were all able to improve rates in 2021. The largest sustained rate increase was in 2288's ICAT portfolio, however, all portfolio benefited from rate increases in 2021.

- **Portfolio Diversification** – The addition of Canadian business enabled the Syndicate to balance the volatility of its U.S. catastrophe exposed portfolio with more stable Victor portfolios comprising non-U.S. property along with financial and professional lines business.

2020 Syndicate results

The 2020 results are not what the Syndicate planned for, but the Syndicate is in the business of insuring catastrophes. For some context, the 2020 U.S. hurricane season broke numerous records. For example:

- There were 30 names storms, 12 of which made landfall;

- There were five storms making landfall in Louisiana with Hurricane Laura the strongest storm to hit the state;

- There were 10 storms exhibiting rapid intensification (e.g. 35 mile per hour in 24 hours); and

- Tropical storm watches or warnings issued for every coastal county, except for two, in the southern and eastern U.S.

The Syndicate forecasts an ultimate NCOR of 269.1% on the 2020 YoA. When adjusted for the change in presentation of RIPs and excluding run-off expenses, to enable a like for like comparison on a trading forward basis, the NCOR decreases to 228.8%. On a gross basis, results are forecast to be a GCOR of 171.5% reducing to 168.4% excluding run-off expenses. The significant difference between GCOR and NCOR illustrates the large impact US property catastrophe reinsurance costs have on Syndicate 2288's results.

2020 Syndicate ultimate forecast P&L

Adjustments from reported to reflect RIP reclassification and for run-off expenses

	2020 YOA $'m Ultimate Result	2020 YOA $'m RIPs Re classification	2020 YOA $'m Adjusted Result	2020 YOA $'m Run-off Costs	2020 YOA $'m Adjusted Result
Net premiums written	30.2	7.4	37.5	0.0	37.5
Total technical charges before net operating expenses	(52.1)	(7.4)	(59.4)	0.0	(59.4)
Balance before investment return	(51.3)	0.0	(51.3)	2.7	(48.6)
Profit/(Loss) for the period	(51.0)	0.0	(51.0)	2.7	(48.3)
Gross URL	135.6%		135.6%		135.6%
Acquisition costs ratio	26.3%		26.3%		26.3%
Expense ratio	9.5%		9.5%		6.4%
GCOR	**171.5%**		**171.5%**		**168.4%**
Net ULR	165.8%		152.9%		152.9%
Acquisition costs ratio	75.8%		61.0%		61.0%
Expense ratio	27.5%		22.1%		14.9%
NCOR	**269.1%**		**236.0%**		**228.8%**

Active Underwriter's report continued

Key drivers of these results were:

- **U.S. Storms** – Hurricanes Sally and Zeta had a particularly large claims impact on the Syndicate, triggering reinsurance recoveries. When combined with the large number of storms, the impact on the Syndicate's results was material. However, the Syndicate was able to release reserves at the end of 2021, which have improved results.

- **Covid** – Due to the market dislocations caused by the Covid pandemic and the uncertainty it caused, the Syndicate's Victor U.K. and Netherlands portfolios did not achieve the planned 2020 premium.

- **Reinsurance Costs** – The Syndicate's reinsurance costs were higher than planned, largely driven by the programme renewing in March 2020 at the height of Covid uncertainty. The Syndicate also incurred reinstatement premiums due to U.S. hurricanes, as well as being impacted by minimum premiums on the non-ICAT portfolio.

Note of thanks

The Syndicate appreciates the support of its Victor coverholder partners, reinsurers, and capital providers who together, worked to ensure that insureds were provided with quality and timely claims payments. The partnerships enabled the Syndicate to respond, in its first year of underwriting, to historic levels of U.S. storm claims and the Covid pandemic, while meeting the needs of insureds. The Syndicate also thanks the team at Asta and all Syndicate colleagues current and past who worked hard to create and manage Lloyd's first 'virtual syndicate'.

While the 2020 storm season and changing appetites to US property catastrophe business led to 2288's run-off, the culture of collaboration and aim to do the best in challenging circumstances, are testament to the quality of talent of those who worked with and supported the Syndicate.

Regards,

Jill Frances, ARM
Active Underwriter

Managing Agent's report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2021.

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

Results

The total recognised result for calendar year 2021 is a loss of $29,679,064 (2020: loss of $36,518,015).

The Syndicate presents its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activity and review of the business

The Syndicate was established in January 2020 to underwrite direct insurance and reinsurance business in the Lloyd's market. The Syndicate predominantly underwrites property insurance derived from the U.S., as well as other international business via smaller coverholders.

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

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

	2021 $'000	2020 $'000
U.S.	74,962	81,601
U.K.	3,157	567
Central Europe	3,634	2,264
Canada	7,266	-
	89,019	84,432

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

	2021 $'000	2020 $'000
Gross written premiums	89,019	84,432
Loss for the financial year	(29,679)	(36,518)
Combined ratio*	184.1%	302.9%

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

Managing Agent's report continued

The forecast return on capacity for the 2020 and 2021 years of accounts at 31 December 2021 are shown below.

	2021 Open	2020 Open
	$'000	**$'000**
Capacity	76,140	76,677
Loss	(20,551)	(51,402)
Return on insurance capacity	-27.0%	-67.0%

Principal risks and uncertainties

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

Insurance risk

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

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation, where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy.

Market risk

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

The Syndicate underwrites the majority of its business in U.S. Dollars, which is its functional currency. The Syndicate incurs the majority of its expenses in Sterling; these expenses, however, do not create material currency risk for the Syndicate.

The Syndicate does not currently own any financial investments beyond investing in highly liquid Money Market Funds via the regulated US Trust Funds and providing a loan to the Lloyd’s Central Fund. Both of these investments are low risk, with very low interest rates, and so exposure to interest rate risk is negligible.

Liquidity risk

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

The Syndicate has in place an overdraft with Barclays and has made use of Letter of Credit provisions in the main catastrophe reinsurance programme to help meet the Syndicate’s US Trust Fund obligations. The Syndicate made a cash call on Capital Providers of both the 2020 and 2021 year of account which has been completed in early 2022. The Syndicate also called on the 2020 members in early 2021.

Operational risk

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

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

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its customer risk through a suite of risk indicators and reporting metrics as part of its documented customer risk framework. The customer risk framework is consistently applied across all Asta syndicates and is overseen by the Conduct Oversight Group (COG), which is an AMA Board Committee that includes a non-executive director as a member who fulfils the role of Customer Champion.

Group / strategic risk

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

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

Future developments

The Syndicate will cease underwriting new risks from 11:59pm on 31 December 2021 and the Syndicate will be put into run-off.

The Syndicate will trade to the end of the 2021 year of account.

Environmental, Social and Governance (ESG)

In 2020 Asta initiated work to identify ESG priorities and build out its ESG framework, incorporating sections covering Asta's own ESG framework and the framework for its managed syndicates. This work will be built out in 2022 and used to inform the ESG frameworks for managed syndicates. The framework is aligned to Lloyd's ESG guidance from October 2021, and to Asta's climate change work detailed below.

The Syndicate has adopted an ESG strategy in order to clarify its approach to managing ESG related risks and partner with relevant organisations in order to benefit from external insight around ESG issues.

Climate change

Following the Prudential Regulation Authority's (PRA) Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, Asta have built a climate change framework, applicable to all syndicates, covering the physical, transition and liability climate change risks, based on the underlying business written by each syndicate. Asta and its managed syndicates accept climate change risk where it is an inherent part of an insurance business model, providing it is understood, managed and controlled and/or compensated. There is no appetite for uncontrolled, unmanaged exposure to the financial risks of climate change.

A measure for climate change exposure within insurance risk appetites has been implemented to highlight where time and resource is most required in order to manage the potential exposure and successfully steer portfolios through global changes. The Syndicate has identified the level of climate change exposure in its business plans and will manage this accordingly, with the ability to change the level of risk being taken in future and thereby amend the oversight and monitoring framework.

The framework ensures Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing Asta's and its syndicate's financial risks associated with climate change. The AMA Finance Director, who is a Board member, is responsible for the climate change framework, including identifying and managing financial climate related risks.

Coronavirus

The Agency and Syndicate have continued to monitor Government guidelines throughout 2021 and have implemented a trial phase of “Hybrid” working. Hybrid working allows staff to work both remotely and in the more traditional office environment to meet business needs. The pre pandemic 9 to 5 office regime would appear to be a thing of the past as the demand for flexible working becomes a key consideration for both new and existing members of staff.

The Agency are committed to finding an operational Hybrid working policy that delivers on all client and regulatory needs while offering staff the flexibility to work remotely. The Agency also recognises the need for staff to develop within their roles and that face to face on the job training is essential in ensuring staff are able to reach their full potential. The Hybrid working structure will be updated through 2022 to optimise working practices. The Agency and Syndicate are ready to adapt to any change in guidelines and potential seasonal spikes and foresee no business interruptions throughout 2022.

Hybrid working through 2021 has seen the Agency deliver from both a regulatory and client standpoint with no adverse outcomes through remote working.

The reserve held at the end of 2020 in relation to Covid has proven to be materially robust with minimal movements.

There is continued assessment of liquidity, market and credit risk and the implications on the Syndicate are monitored, in conjunction with other insurance events, and are escalated to Board level where appropriate.

Directors

Details of the directors of the Managing Agent that were serving at the year end and up to the date of signing of the Syndicate annual accounts are provided on page 1. Changes to the directors were as follows:

S D Redmond	Appointed 20 April 2021

Disclosure of information to the auditor

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate’s auditors, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate’s auditor is aware of that information.

Auditor

The Managing Agent intends to reappoint Deloitte LLP as the Syndicate’s auditors.

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditor for a further 12 months can be made by Syndicate members before 29 April 2022.

On behalf of the Board

N J Burdett
Company Secretary
3 March 2022

Statement of Managing Agent's responsibilities

The directors of the managing agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and regulations.

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

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

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

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

The directors of the managing agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of Syndicate annual accounts may differ from legislation in other jurisdictions.

Independent auditor's report to the members of Syndicate 2288

Report on the audit of the Syndicate annual financial statements

Opinion

In our opinion the Syndicate annual financial statements of Syndicate 2288 (the 'Syndicate'):

- give a true and fair view of the state of the Syndicate's affairs as at 31st December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the Syndicate annual financial statements which comprise:

- the Statement of profit and loss account;
- the Statement of changes in members' balances;
- the Statement of Financial Position;
- the Statement of Cash Flows and
- the related notes 1 to 20.

The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (United Kingdom Generally Accepted Accounting Practice).

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 financial statements section of our report.

We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the Syndicate annual financial statements in the UK, including the Financial Reporting Council's (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 financial statements, we have concluded that the managing agent's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

Independent auditor's report continued

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 in operations for a period of at least twelve months from when the Syndicate financial statements 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.

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Syndicate annual financial statements or our knowledge obtained in the course of 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 this gives rise to a material misstatement themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

Responsibilities of managing agent

As explained more fully in the managing agent's responsibilities statement, the managing agent is responsible for the preparation of the Syndicate annual financial statements and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of syndicate annual financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the Syndicate annual financial statements, the managing agent is responsible for assessing the Syndicate's ability to continue in operation, disclosing, as applicable, matters related to the Syndicate's ability to continue in operation and to use the going concern basis of accounting unless the managing agent intends to cease the Syndicate's operations, or has no realistic alternative but to do so.

Auditor's responsibilities for the audit of the syndicate annual financial statements

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

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

Extent to which 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 material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below.

We considered the nature of the Syndicate and its control environment, and reviewed the Syndicate's documentation of their policies and procedures relating to fraud and compliance with laws and regulations. We also enquired of management, internal audit, finance, and actuarial about their own identification and assessment of the risks of irregularities.

We obtained an understanding of the legal and regulatory frameworks that the Syndicate operates in, and identified the key laws and regulations that:

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008"); and

- do not have a direct effect on the financial statements but compliance with which may be fundamental to the Syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

We discussed among the audit engagement team including relevant internal specialists such as actuarial, and IT regarding the opportunities and incentives that may exist within the organisation for fraud and how and where fraud might occur in the financial statements.

As a result of performing the above, we identified the greatest potential for in the following areas, and our specific procedures performed to address them are described below:

- Estimation of pipeline premiums requires significant management judgement and therefore there is potential for management bias through manipulation of core assumptions. In response our testing included, on a sample basis, comparing management's estimates to events or transactions occurring up to the date of the auditor's report (i.e., subsequent to the year end, but up to the date of auditor's report) to evaluate the reasonableness of the estimate made.
- Valuation of technical provisions in relation to catastrophe events includes assumptions requiring significant management judgement, and therefore there is potential for management bias. In response to these risks we involved our actuarial specialists to perform an independent assessment of the assumptions used in determining the IBNR for catastrophe events.

Independent auditor's report continued

In common with all audits under ISAs (UK), we are also required to perform specific procedures to respond to the risk of management override. In addressing the risk of fraud through management override of controls, we tested the appropriateness of journal entries and other adjustments; assessed whether the judgements made in making accounting estimates are indicative of a potential bias; and evaluated the business rationale of any significant transactions that are unusual or outside the normal course of business.

In addition to the above, our procedures to respond to the risks identified included the following:

- reviewing financial statement disclosures by testing to supporting documentation to assess compliance with provisions of relevant laws and regulations described as having a direct effect on the financial statements;
- performing analytical procedures to identify any unusual or unexpected relationships that may indicate risks of material misstatement due to fraud;
- enquiring of management concerning actual and potential litigation and claims, and instances of non-compliance with laws and regulations; and
- reading minutes of meetings of those charged with governance.

Report on other legal and regulatory requirements

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 Active Underwriter's report and the managing agent's report for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the Active Underwriter's report and the managing agent's report have been prepared in accordance with applicable legal requirements.

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 any material misstatements in the Active Underwriter's report and the managing agent's report.

Matters on which we are required to report by exception

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

- the managing agent in respect of the Syndicate has not kept adequate accounting records; or
- the Syndicate annual financial statements are not in agreement with the accounting records; or
- we have not received all the information and explanations we require for our audit.

Independent auditor's report continued

We have nothing to report in respect of these matters.

Use of our report

This report is made solely to the Syndicate’s members, as a body, in accordance with regulation 10 of The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the Syndicate’s members those matters we are required to state to them in an auditor’s report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the Syndicate’s members as a body, for our audit work, for this report, or for the opinions we have formed.

Adam Knight (Senior Statutory Auditor)
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
3 March 2022

Statement of profit or loss

Technical account - General business

For the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Gross premiums written	3	89,019	84,432
Outward reinsurance premiums		(53,236)	(34,140)
Net written premiums		35,783	50,292
Change in the provision for unearned premiums			
• Gross amount		747	(37,901)
• Reinsurers' share		(1,084)	5,616
Change in the net provision for unearned premiums	4	(337)	(32,285)
Earned premiums, net of reinsurance		35,446	18,007
Allocated investment return transferred from the non-technical account		43	-
Claims paid			
• Gross amount		(73,508)	(13,765)
• Reinsurers' share		38,709	17
		(34,799)	(13,748)
Changes in claims outstanding			
• Gross amount		18,406	(76,738)
• Reinsurers' share		(20,677)	51,927
Change in the net provision for claims	4	(2,271)	(24,811)
Claims incurred, net of reinsurance		(37,070)	(38,559)
Net operating expenses	5	(28,193)	(15,984)
Balance on technical account – general business		(29,774)	(36,536)

All the amounts above are in respect of continuing operations.

The notes on pages 25 to 51 form part of these financial statements.

Statement of profit or loss continued

Non-technical account

For the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Balance on technical account – general business		(29,774)	(36,536)
Investment income	9	43	-
Unrealised gains on investments		-	-
Unrealised losses on investments		-	-
Gains on realisation of investments		-	-
Investment expenses and charges		-	-
		(29,731)	(36,536)
Allocated investment return transferred to the general business technical account		(43)	-
Other income - profit on exchange		95	18
(Loss) for the financial year		(29,679)	(36,518)

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

All the amounts above are in respect of continuing operations. The notes on pages 25 to 51 form part of these financial statements.

Statement of changes in members' balances

For the year ended 31 December 2021

	2021 $'000	2020 $'000
Members' balances brought forward at 1 January	(36,533)	-
Total comprehensive (loss) for the year	(29,679)	(36,518)
Payments of loss from members	-	-
Cash call	27,500	-
Members' Agents Fees	1	(15)
Members' balances carried forward at 31 December	(38,711)	(36,533)

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

The notes on pages 25 to 51 form part of these financial statements.

Statement of financial position

As at 31 December 2021

	Notes	2021 $'000	2020 $'000
Assets			
Investments			
Financial investments	10	5,172	3,782
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	4,532	5,616
Claims outstanding	4	31,246	51,929
		35,778	57,545
Debtors			
Debtors arising out of direct insurance operations	11	21,426	15,107
Debtors arising out of reinsurance operations	12	5,382	113
Other debtors		-	19
		26,808	15,239
Cash and other assets			
Cash at bank and in hand		993	10,712
Other assets		-	-
		993	10,712
Prepayments and accrued income			
Deferred acquisition costs	4	10,149	10,893
Other prepayments and accrued income		2,941	1,275
		13,090	12,168
Total assets		81,841	99,446

The notes on pages 25 to 51 form part of these financial statements.

Statement of financial position continued

As at 31 December 2021

	Notes	2021 $'000	2020 $'000
Members' balance and liabilities			
Capital and reserves			
Members' balances		(38,711)	(36,533)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	37,039	37,971
Claims outstanding	4	58,034	76,796
		95,073	114,767
Creditors			
Creditors arising out of direct insurance operations	13	-	-
Creditors arising out of reinsurance operations	14	24,150	19,378
Amounts owed to credit institutions		-	19
Other creditors		-	-
		24,150	19,397
Accruals and deferred income		1,329	1,815
Total liabilities		120,552	135,979
Total members' balances and liabilities		81,841	99,446

The notes on pages 25 to 51 form part of these annual accounts.

The financial statements on pages 19 to 51 were approved by board of directors on 24 February 2022 and were signed on its behalf by:

R P Barke
Director
3 March 2022

Statement of cash flows

For the year ended 31 December 2021

	Notes	2021 $'000	2020 $'000
Cash flows from Operating activities			
Loss for the financial year		(29,679)	(36,518)
(Decrease)/Increase in gross technical provisions		(19,694)	114,767
Decrease/(Increase) in reinsurers' share of gross technical provisions		21,767	(57,545)
(Increase) in debtors		(11,569)	(15,239)
Increase in creditors		4,753	19,397
Movement in other assets/liabilities/foreign exchange		(1,408)	(10,353)
Investment Return		(43)	-
Net cash (outflows)/inflows from operating activities		(35,873)	14,509
Cash from Investing activities			
Purchases of other financial investments		(792)	(3,782)
Sale of other financial investments		-	-
Investment income received		43	-
(Increase) in overseas deposits		(615)	-
Changes to market value and currency		17	-
Movement in other assets/liabilities/foreign exchange		-	-
Net cash (outflows) from investing activities		(1,347)	(3,782)
Cash from Financing activities			
Payments of loss from members' personal reserve fund		-	-
Cash calls in period		27,500	-
Members' agent fees in period		1	(15)
Net cash inflows/(outflows) from financing activities		27,501	(15)
Net (decrease)/increase in cash and cash equivalents		(9,719)	10,712
Cash and cash equivalents at beginning of year		10,712	-
Cash and cash equivalents at end of year		993	10,712

Notes to the financial statements

For the year ended 31 December 2021

1. Basis of preparation

Statement of compliance

The Syndicate comprises a group of members of the Society of Lloyd's that underwrites insurance business in the London Market. The address of the Syndicate's Managing Agent is stated on page 1.

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

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The Syndicate's functional currency is USD. The financial statements are prepared in USD which is the reporting and presentational currency of the Syndicate and rounded to the nearest $'000.

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.

2. Accounting Policies

Critical accounting 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.

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 ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims.

Accounting policies continued

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

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period. They are recognised on the date on which the policy incepts. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

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

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

Significant accounting policies

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

Reinsurance premiums

Reinsurance written premiums comprise the total premiums payable for the whole cover provided by contracts entered into the period, including portfolio premiums payable, and are recognised on the date on which the policy incepts.

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.

Claims incurred

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

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

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

Accounting policies continued

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

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

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

Provisions for unearned premiums

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

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

Unexpired risks

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

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

At the 31 December 2021 the Syndicate had no unexpired risk provision.

Deferred acquisition costs

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

Accounting policies continued

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

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

Reinsurance assets

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

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

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2021.

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

Insurance receivables

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

Insurance receivables are not recognised when the de-recognition criteria for financial assets have been met.

Accounting policies continued

Insurance payables

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

Foreign currencies

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

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

Exchange differences are recorded in the non-technical account.

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

	2021	**2020**
	Year End	**Year End**
GBP	0.74	0.73
CAD	1.27	1.27
EUR	0.88	0.82

Financial assets and liabilities

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

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

Accounting policies continued

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

All regular way purchases and sales of financial assets are recognised on the trade date, i.e. the date the Syndicate commits to purchase or sell the asset. Regular way purchases or sales of financial assets require delivery of assets within the time frame generally established by regulation or convention in the market place.

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

Financial assets at fair value through the profit and loss are measured at fair value with fair value changes recognised immediately in the profit and loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

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

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

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

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

Cash and cash equivalents

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

Accounting policies continued

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 to reflect the investment return on funds supporting underwriting business.

Fair value measurement of investments

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

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

Level 1 financial instruments comprise government bonds that are regularly traded, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using quoted prices in an active market.
- Deposits with credit institutions are included at cost plus accrued income.
- Money Market Funds are valued on a stable net asset value (NAV) basis. Money Market Funds are readily convertible into cash, are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

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

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.
- Currency derivatives and bond futures are included at market price.
- Investments in regulated collective investment schemes are valued based on the valuations of each of the individual funds as published publicly by the managers.
- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.
- Investments in investment pools are valued based on the valuations supplied by the investment manager (Lloyd’s).

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

Accounting policies continued

Taxation

Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax, currently at 20% (2020: 20%), deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

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

Syndicate operating expenses

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

3. Segmental analysis

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

2021	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Fire and other damage to property	66,647	71,635	(49,329)	(20,341)	(28,543)	(26,578)
Third-party liability	8,908	4,100	(1,341)	(2,997)	(526)	(764)
Reinsurance Acceptances	13,464	14,031	(4,432)	(4,854)	(7,219)	(2,474)
	89,019	89,766	(55,102)	(28,192)	(36,288)	(29,816)

Segmental analysis continued

2020	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	$'000	$'000	$'000	$'000	$'000	$'000
Fire and other damage to property	71,986	39,513	(90,080)	(13,628)	27,044	(37,151)
Third-party liability	840	365	(40)	(159)	(330)	(164)
Reinsurance Acceptances	11,606	6,653	(383)	(2,197)	(3,294)	779
	84,432	46,531	(90,503)	(15,984)	23,420	(36,536)

All premiums were concluded in the UK.

The segmental analysis is based on Lloyd's of London classes of business, as reported at market level.

Included in net operating expenses are reinsurance ceding commissions of $0.6m (2020: $0.2m).

4. Technical provisions

	2021			2020		
	Gross provisions $'000	Reinsurance assets $'000	Net $'000	Gross provisions $'000	Reinsurance assets $'000	Net $'000
Claims outstanding						
Balance at 1 January	76,796	(51,929)	24,867	-	-	-
Change in claims outstanding	(18,406)	20,677	2,271	76,738	(51,927)	24,811
Effect of movements in exchange rates	(356)	6	(350)	58	(2)	56
Balance at 31 December	**58,034**	**(31,246)**	**26,788**	**76,796**	**(51,929)**	**24,867**
Claims notified	19,670	(9,877)	9,793	52,340	(28,281)	24,059
Claims incurred but not reported	38,364	(21,369)	16,995	24,456	(23,648)	808
Balance at 31 December	**58,034**	**(31,246)**	**26,788**	**76,796**	**(51,929)**	**24,867**
Unearned premiums						
Balance at 1 January	37,971	(5,616)	32,355	-	-	-
Change in unearned premiums	(747)	1,084	337	37,901	(5,616)	32,285
Effect of movements in exchange rates	(185)	-	(185)	70	-	70
Balance at 31 December	**37,039**	**(4,532)**	**32,507**	**37,971**	**(5,616)**	**32,355**
Deferred acquisition costs						
Balance at 1 January	10,893	(241)	10,652	-	-	-
Change in deferred acquisition costs	(680)	(89)	(769)	10,867	(241)	10,626
Effect of movements in exchange rates	(64)	-	(64)	26	-	26
Balance at 31 December	**10,149**	**(330)**	**9,819**	**10,893**	**(241)**	**10,652**

5. Net Operating Expenses

	2021	2020
	$'000	$'000
Acquisition costs	(23,642)	(22,697)
Change in deferred acquisition costs	(680)	10,867
Administration expenses	(4,487)	(4,341)
Reinsurer ceding commissions	616	187
Net operating expenses	(28,193)	(15,984)

6. Staff Costs

	2021	2020
	$'000	$'000
Wages and salaries	(275)	-
Social security costs and other pension costs	-	-
	(275)	-

Victor International pay the salaries of the active underwriter and assistant active underwriter. A proportion of these salaries get recharged to the Syndicate, but they are not full time employees.

The staff headcount for 2021 was 2 (2020: 2).

Staff costs has been included as part of the administrative expenses in note 5 to the financial statements.

No staff costs were recharged to the Syndicate during 2020.

7. Auditor's remuneration

	2021	2020
	$'000	$'000
Fees payable to the Syndicate's auditor of these financial statements	(146)	(91)
Other services pursuant to Regulations and Lloyd's Byelaw	(115)	(94)
Other services relating to actuarial review	(57)	(41)
	(318)	(226)

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

8. Emoluments of the Directors of Asta Managing Agency Ltd

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

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

No other compensation was payable to key management personnel.

	2021	2020
	$'000	$'000
Active Underwriter's emoluments	93	-
	93	-

No Active Underwriter emoluments were recharged to the Syndicate during 2020.

Active Underwriter's emoluments have been included as part of the staff costs in note 6 to the financial statements.

9. Investment return

	2021	2020
	$'000	$'000
Income from other financial investments	43	-
Gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	-	-
Total investment income	-	-
Losses on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	-	-
Investment expenses and charges	-	-
	-	-
Unrealised gains and losses on investments		
- Financial instruments at fair value through profit and loss	-	-
Total investment return	43	-

10. Financial investments

	2021	
	Carrying value	Purchase price
	$'000	$'000
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	4,557	4,557
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	-	-
Deposits with credit institutions (overseas deposits)	615	615
	5,172	5,172

	2020	
	Carrying value	Purchase price
	$'000	$'000
Shares and other variable yield securities and units in unit trusts		
- Designated at fair value through profit or loss	3,782	3,782
Debt securities and other fixed income securities		
- Designated at fair value through profit or loss	-	-
Deposits with credit institutions (overseas deposits)	-	-
	3,782	3,782

Amounts included within shares and other variable securities include CIS/Unit Trusts where funds are invested in a single entity which invests in investments. These are treated as cash instruments with the carrying value and purchase price being the same. Also included is the Syndicate loan to the Lloyd's Central Fund.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current or comparative period.

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

Financial investments continued

	Level 1	Level 2	Level 3	Total
	$’000	$’000	$’000	$’000
31 December 2021				
Shares and other variable yield securities and units in unit trusts	-	3,406	1,151	4,557
Debt securities and other fixed income securities	-	-	-	-
Deposits with credit institutions (overseas deposits)	122	493	-	615
Total	122	3,899	1,151	5,172

	Level 1	Level 2	Level 3	Total
	$’000	$’000	$’000	$’000
31 December 2020				
Shares and other variable yield securities and units in unit trusts	-	2,615	1,167	3,782
Debt securities and other fixed income securities	-	-	-	-
Deposits with credit institutions (overseas deposits)	-	-	-	-
Total	-	2,615	1,167	3,782

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

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

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

11. Debtors arising out of direct insurance operations

	2021 $'000	2020 $'000
Debtors arising out of direct insurers (within one year)	21,426	15,107
Debtors arising out of direct insurers (after one year)	-	-
Total	21,426	15,107

12. Debtors arising out of reinsurance operations

	2021 $'000	2020 $'000
Due from ceding reinsurers (within one year)	5,382	113
Due from ceding reinsurers (after one year)	-	-
Total	5,382	113

13. Creditors arising out of direct insurance operations

	2021 $'000	2020 $'000
Due to direct insurers (within one year)	-	-
Due to direct insurers (after one year)	-	-
Total	-	-

14. Creditors arising out of reinsurance operations

	2021	2020
	$'000	$'000
Due to ceding reinsurers (within one year)	24,150	19,378
Due to ceding reinsurers (after one year)	-	-
Total	24,150	19,378

15. Related parties

Asta Managing Agency Ltd (Asta) is the Syndicate's Managing Agent. Asta provides services and support to the Syndicate in its capacity as Managing Agent. During the year, managing agency fees of $0.7m (2020: $0.7m) were charged to the Syndicate. Asta also recharged $2.9m (2020: $2.6m) worth of service charges in the year and as at 31 December 2021 an amount of $0.6m (2020: $0.5m) was owed to Asta in respect of this service.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on an arms-length basis.

Several of the members feature in the Syndicate's catastrophe reinsurance programme, along with other 3rd party reinsurers – these arrangements are conducted at arm's length.

16. Disclosure of interests

Managing Agent's interest

During 2021 Asta was the Managing Agent for eleven Syndicates, four Special Purpose Arrangements and one Syndicate in a Box. Syndicate 1609,1729,1980,1988, 2288, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 1416, 1892, 6123, and 6131 and Syndicate in a Box 4747 were managed on behalf of third party capital providers.

On 1 July 2021, Asta took on management of Syndicate 1988.

On 8 August 2021, Asta novated Syndicate 5886 to Blenheim Managing Agency.

On 1 October 2021, Asta took on the management of Special Purpose Syndicate 1416.

On 1 January 2022, Asta took on the management of Syndicate 1699.

On 1 January 2022, Asta took on the management of Syndicate in a box 1902.

On 10 February 2022, Asta took on management of Syndicate in a box 2880.

On 10 February 2022, Asta reinsured to close Syndicate 1980 into Riverstone Syndicate 3500.

Disclosure of interests continued

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking several ancillary roles for other clients.

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

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). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities.

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

18. Off-balance sheet items

At 31 December 2021, the Syndicate had utilised $15.8m (2020: nil) of a letter of credit facility from Barclays Bank PLC (Barclays). This was used to support US trust fund requirements. The total facility provided by Barclays for 2021 was $25m.

19. Risk management

a) Governance framework

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

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

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

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of Syndicate 2288 is not disclosed in these financial statements.

Lloyd's capital setting process

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

Risk management continued

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% (2020: 35%) of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 18, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

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

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

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

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

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

Risk management continued

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

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the RDS on the Syndicates in-force exposure at 31 December 2021.

	Estimated Gross Loss	**Estimated Net Loss**
	$'000	**$'000**
Alternative RDS A - Mississippi Hurricane	(195,000)	(20,000)
Alternative RDS B - Pacific Northwest Earthquake	(65,000)	(20,000)
AEP Loss 30 Year Return Period - US WS (Incl GM WS)	(55,497)	(26,049)
AEP Loss 30 Year Return Period - UC EQ	(48,377)	(20,002)
AEP Loss 30 Year Return Period - Whole World	(90,632)	(29,639)

Key assumptions

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

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

Sensitivities

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

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances.

The table below shows how a five percent increase or decrease in gross and net claim liabilities would affect the Syndicate's profit for the financial year and its members' balances.

Risk management continued

	2021 Loss/(Profit)	2020 Loss/(Profit)
Gross	**$'000**	**$'000**
Five percent Increase (claims liabilities)	2,902	3,840
Five percent decrease (claims liabilities)	(2,902)	(3,840)
Net		
Five percent Increase (claims liabilities)	1,339	1,243
Five percent decrease (claims liabilities)	(1,339)	(1,243)

Claims development table

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

Estimate of cumulative gross claims incurred:

Underwriting year	**2020**	**2021**
	$'000	**$'000**
At end of underwriting year	89,766	25,166
One year later	118,361	-
Two years later	-	-
Three years later	-	-
Less cumulative paid	(78,642)	(6,851)
Liability for gross outstanding claims	39,719	18,315
Total gross outstanding claims (all years)		**58,034**

Estimate of cumulative net claims incurred:

Underwriting year	**2020**	**2021**
	$'000	**$'000**
At end of underwriting year	37,822	23,106
One year later	50,448	-
Two years later	-	-
Three years later	-	-
Less cumulative paid	(40,928)	(5,838)
Liability for gross outstanding claims	9,520	17,268
Total net outstanding claims (all years)		**26,788**

Risk management continued

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

d) Financial risk

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

1) Credit Risk

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

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

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

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives.

2021		**$'000**		
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Other financial investments	4,557	-	-	4,557
Overseas Deposits	615	-	-	615
Reinsurers share of claims outstanding	31,246	-	-	31,246
Debtors arising out of direct insurance operations	21,426	-	-	21,426
Debtors arising out of reinsurance insurance operations	5,322	-	-	5,322
Other debtors	17,682	-	-	17,682
Cash at bank and in hand	993	-	-	993
Total	81,841	-	-	81,841

Risk management continued

2020		$'000		
	Neither past due or impaired	Past due	Impaired	Total
Other financial investments	3,782	-	-	3,782
Overseas Deposits	-	-	-	-
Reinsurers share of claims outstanding	51,929	-	-	51,929
Debtors arising out of direct insurance operations	15,107	-	-	15,107
Debtors arising out of reinsurance insurance operations	-	-	-	-
Other debtors	17,916	-	-	17,916
Cash at bank and in hand	10,712	-	-	10,712
Total	99,446	-	-	99,446

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2021 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

				$'000		
2021	AAA	AA	A	BBB or less	Not Rated	Total
Other financial investments	-	-	4,557	-	-	4,557
Reinsurers share of claims outstanding	-	2,851	14,935	-	13,460	31,246
Overseas Deposits	456	37	84	38	-	615
Debtors arising out of reinsurance operations	-	1,746	2,665	-	911	5,322
Cash at bank and in hand	-	-	993	-	-	993
Total	456	4,634	23,234	38	14,371	42,733

Risk management continued

2020	AAA	AA	A	BBB or less	Not Rated	Total
			$'000			
Other financial investments	-	-	3,782	-	-	3,782
Reinsurers share of claims outstanding	-	3,796	16,971	-	31,162	51,929
Overseas Deposits	-	-	-	-	-	-
Debtors arising out of reinsurance operations	-	-	-	-	-	-
Cash at bank and in hand	-	-	10,712	-	-	10,712
Total	-	3,796	31,465	-	31,162	66,423

2) Liquidity risk

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

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

2021	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
			$'000			
Claims outstanding	-	33,434	17,227	4,355	3,018	58,034
Creditors	-	24,150	-	-	-	24,150
Total	-	57,584	17,227	4,355	3,018	82,184

2020	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
			$'000			
Claims outstanding	-	44,973	25,539	4,439	1,845	76,796
Creditors	-	19,397	-	-	-	19,397
Total	-	64,370	25,539	4,439	1,845	98,193

Risk management continued

3) Market risk

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

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

a) Currency risk

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

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

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

			$'000		
2021	**GBP**	**EUR**	**USD**	**CAD**	**Total**
Total Assets	3,849	2,489	68,914	6,589	81,841
Total Liabilities	(3,175)	(4,523)	(106,334)	(6,520)	(120,552)
Net (Liabilities)/Assets	674	(2,034)	(37,420)	69	(38,711)

			$'000		
2020	**GBP**	**EUR**	**USD**	**CAD**	**Total**
Total Assets	1,993	1,936	95,517	-	99,446
Total Liabilities	(1,270)	(1,580)	(133,129)	-	(135,979)
Net (Liabilities)/Assets	723	356	(37,612)	-	(36,533)

The Syndicate matches its currency position so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates. It is noted that the Syndicate does not currently have great exposure to foreign currency risk, as the majority of its business is conducted in US Dollars.

Risk management continued

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of US Dollars against the value of the Sterling, Euro and Canadian Dollar simultaneously. The analysis is based on the information as at 31st December 2021.

	Impact on profit and members' balance	
	2021	**2020**
	$'000	**$'000**
US Dollar weakens		
10% against other currencies	(129)	108
20% against other currencies	(258)	216
US Dollar strengthens		
10% against other currencies	129	(108)
20% against other currencies	258	(216)

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk.

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

20. Post balance sheet events

During 2021 it was announced that agreement had been reached for Asta Capital Limited to be acquired by Davies Group, subject to regulatory approval. As at the date of the financial statements this transaction has not yet completed with the expectation that it will complete in 2022.

The Syndicate announced a cash call on both the 2020 and 2021 YOA Capital Providers in January 2022. The total amount called was $33m.

During February 2022, Russia instigated military action in Ukraine. This event is still developing as at the date of the Financial Statements, but has been assessed by the Directors as an event that will increase risk and uncertainty globally in the foreseeable future. The directors will continue to monitor developments and endeavour to mitigate these risks where possible.

Post balance sheet events continued

The directors evaluated other events subsequent to the balance sheet date through 3 March 2022, the date the Syndicate issued these annual accounts, and determined that no other items require disclosure.