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PREMIA

Solutions Provided. Finality Delivered.

Premia Syndicate 1884

Annual Report & Accounts
2020

Premia Syndicate 1884

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Overview

Syndicate 1884 (“the Syndicate”) was launched on 1 April 2015, writing primarily marine classes. In October 2018 the Syndicate was placed into run-off with effect from 1 January 2019. Following entry into run-off the management of the Syndicate targeted the following objectives:

- Maintain appropriate claims and post bind underwriting service levels for policyholders
- Seek to mitigate further deterioration of the result
- Reduce risk (reducing on-going capital requirements and ultimate reinsurance to close costs)
- Target third-party reinsurance to close at acceptable cost on closure of the 2018 year of account (“YOA”) at 31 December 2020

The Syndicate made good progress against each objective in 2020:

- Management of staffing levels and use of appropriate retention arrangements has ensured key skills have been retained. Implementation of business continuity contingency plans following the introduction of COVID pandemic related restrictions has allowed a smooth transition to remote working and ensured that policyholder service levels have been unaffected.
- The 2018 YOA result has improved by 9.3% in calendar year 2020, notwithstanding strengthening of reserves in respect of unexpired political risk policies exposed to worsening global economic conditions.
- Reinsurance arrangements were restructured and renewed, providing a lower retention to protect the net underwriting result in 2020. The cost of additional reinsurance purchases has been within budget and within risk appetite. The Syndicate’s agreed capital requirement has reduced through the year.
- The Board has approved closure of the 2018 YOA into the re-constituted Syndicate 2021 YOA, giving careful consideration that an equitable outcome is achieved for both reinsured and reinsuring capital providers. This provides finality to investors on the 2018 YOA.

Performance in calendar year:

The 2018 YOA has been closed with a loss of £35.4m (35.4% loss on capacity). The key components of the movement in the spot result over 2020 are set out below:

Forecast ultimate result	**£m**
Forecast ultimate result as at 31 December 2019	**(44.7)**
Re-translation to year-end closing rates	1.0
Change in net ultimate premiums	8.4
Change in net ultimate claims	3.1
Additional risk premium payable on closure of the 2018 YOA	(1.3)
Other income and expense	(2.0)
Ultimate result on closing the 2018 YOA	**(35.4)**

The key drivers of changes in the underwriting result over the year were:

- Better than previously forecast written premiums, primarily arising from the Political risk, Cargo, Hull and Energy classes.
- Favourable run-off experience and reserve releases in the year across all classes except the Political Risk and Director & Officers classes
- Strengthening of Political Risk reserves as a consequence of specific adverse experience and a re-evaluation of reserves in the light of the deterioration in global economic conditions which occurred during 2020.

Underwriting year accounts are included from page 37 below.

Run-off manager's report

Reinsurance to close premium

The reinsurance to close ("RITC") premium of £64.4m paid to close the 2018 YOA is calculated as:

- £58.6m in respect of best estimate net insurance liabilities
- £5.8m additional risk premium payable to the reinsuring year of account, £4.6m of which had previously been contributed on closure of 2017 and prior years into the 2018 YOA.

The additional risk premium has been set at 10% of net insurance liabilities, consistent with the risk premium charged on closure of the 2017 and 2016 and prior YOA. The Board considered a number of specific tests and analyses in order to establish whether the RITC premium represented an equitable outcome for both reinsured and reinsuring capital providers. This assessment included consideration of whether:

- The methods, assumptions and judgements used to set best estimate net insurance liabilities were appropriate given the nature of the liabilities, and consistent with prior years.
- Independent external analyses of best estimate liabilities supported and were consistent with internal management estimates used to calculate the RITC premium.
- The RITC premium provided an appropriate degree of risk transfer to the reinsuring 2021 YOA.

Based on the results of these analyses the Board has satisfied itself that the RITC premium charged to the 2018 YOA is reasonable and provides an equitable outcome for both reinsured and reinsuring capital providers.

Outlook and run-off management approach

Premia Managing Agency, which manages the Syndicate, was acquired by Premia Holdings Limited ("Premia"), a Bermuda based legacy reinsurance group, effective from 16 March 2020. Following closure of the 2018 YOA the Syndicate has now completed its re-purposing to become an integral part of the Premia group writing RITC and legacy reinsurance in the Lloyd's market, supported by fully aligned capital.

In addition to the RITC of the 2018 YOA, the Syndicate has also completed two additional RITC transactions of the 2018 YOA of syndicate 1955 and the 2018 YOA of syndicate 1861. The RITCs of the 2018 YOAs of 1884, 1955 and 1861 have all been written into the 2021 YOA of Syndicate 1884.

Following completion of these transactions the Syndicate begins 2021 managing £657.5m of net insurance liabilities. The Syndicate has put into effect a significant change programme across all aspects of its operations in order to expand its operational capacity to manage the enlarged claims liabilities and reinsurance asset. This has included a significant investment in additional staff and implementation of new processes and IT systems where required. The diversified and mature portfolio of risks allows access to diversification benefits within the Syndicate's capital requirement and cost efficiencies in the management of their run-off.

The Syndicate's mix of business in 2021 is composed of marine, energy, property, D&O, financial institutions, professional indemnity and general liability business, with smaller exposures to aviation and space, political risk, consumer products and contingency business. The Syndicate's exposures to potential COVID pandemic related losses are limited due to both the maturity and underlying class of the risks reinsured. For example, the Syndicate has no material exposure to the outcomes of current legal actions relating to interpretation of business interruption coverage. The Syndicate continues to have exposure to a small number of unexpired longer-term risks, typically where the duration of the insurance contract is linked to a long-term underlying construction project or financing arrangement, or to warranty related business. Consequently, there is a continuing requirement to manage net exposures, particularly for classes of business protected by reinsurance bought on a "losses occurring during" basis. However, the Syndicate's primary risk arises from reserve risk typical of the classes of business it has reinsured.

Run-off manager's report

The primary objectives for the management of the Syndicate's run-off during 2021 are:

- Complete integration of the management of liabilities assumed under third party RITCs of syndicates 1861 and 1955, with only residual transitional arrangements in place after Q1 2021.
- Ensure continuity of claims and post-bind underwriting service levels to policyholders is maintained throughout the lifetime of each policy in line with reasonable policyholder expectations, Lloyd's minimum standards and other regulatory requirements.
- Ensure run-off management actions (such as settlement of claims, reinsurance purchase, post bind underwriting activity) enhance the financial and risk position of the syndicate.

As an integral part of the Premia group, the Syndicate will seek out new opportunities to add to the portfolio of risks under management through RITC or legacy reinsurance transactions in 2021, subject to completion of thorough due diligence and pricing being sufficient to meet return on capital objectives.

R D Andrews
Run-off Manager, Premia Syndicate 1884
3 March 2021

Report of the directors of the managing agent

The directors of Premia Managing Agency Limited ("PMAL") present their report in respect of Premia Syndicate 1884 ("the Syndicate") for the year ended 31 December 2020.

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 ("the 2008 Regulations").

Results: The result for the year ended 31 December 2020 is a profit of £8.2m (2019: loss of £20.0m).

Principal activity: The principal activity of the Syndicate is the management of the historic underwriting of direct insurance and reinsurance business in the Lloyd's market, in accordance with the risk appetite agreed by the Board of PMAL. A review of the year's activity is included in the Run-off Manager's report.

Business review and key performance indicators: The key performance indicators during the year were as follows:

	2020	*2019*
Calendar year result	**£000**	*£000*
Gross premium written	**8,723**	*26,949*
Earned premium, net of reinsurance	**12,539**	*45,805*
Profit/(Loss) on the technical account for the year	**8,490**	*(22,936)*
Claims ratio	**(15.8%)**	*90.4%*
Acquisition ratio	**14.1%**	*35.6%*
Expense ratio	**35.9%**	*25.0%*
Combined ratio	**34.2%**	*151.0%*

Ratios are of earned premium, net of reinsurance.

The Syndicate generated £238,465 of investment income in the year 2020 (2019: £480,341).

Principal risks and uncertainties

External risks: Following the execution of the RITCs of the 2018 YOA of syndicates 1861, 1884 and 1955, the Syndicate's business now consists of a diversified portfolio of marine, energy, property, D&O, financial institutions, professional indemnity and general liability policies, with smaller exposures to aviation and space, political risk, consumer products and contingency business. Consequently, it is exposed to developments which have a direct impact on loss severity and frequency in these sectors. These include trends in global trade, energy and commodity prices, political, legal and regulatory developments such as changes in sanctions rules, and major industry loss events such as large industrial accidents.

The Syndicate is also directly and indirectly exposed to a range of macroeconomic factors including exchange rates and interest rates, and to the levels of activity and capital deployed within the insurance industry, which may affect operating costs and the pricing and availability of reinsurance. The Syndicate is subject to regulatory requirements in the UK, EU, US, Canada and Singapore which are subject to change and create compliance requirements which may have an impact on operating costs and levels of capital required to be held by members.

Risk management framework: The Syndicate seeks to identify, assess, monitor and manage material risks through its risk management framework. The framework is incorporated into the Syndicate's policies and includes its risk appetite, governance and a range of risk monitoring and control processes (see summary of the risk management framework in place through 2020 in note 20: Risk management).

Risk management strategy: The primary source of risk arises from the historic underwriting activities of the business the Syndicate has accepted through reinsurance to close transactions. Key risk management strategies employed include:

- Ensuring key operational functions are appropriately resourced to manage the orderly run-off of the Syndicate's liabilities whilst minimising overall operating costs.
- Seeking to optimise the balance between reinsurance costs and risk reduction through underwriting portfolio management, such as use of facultative reinsurance or seeking to be replaced as security.
- Proactive management of claims through effective litigation management and early settlement of claims where such opportunities arise.

Report of the directors of the managing agent

The Syndicate's risk management approach to investment, exchange rate and liquidity risks includes seeking to match investments to the maturity and currency profile of liabilities, monitoring and management of the credit quality of investment counterparties, and maintenance of a diversified portfolio of investments.

The Syndicate's risk management approach to assuming additional risk through new RITC or run-off reinsurance contracts includes application of a range of actuarial, claims and reinsurance due diligence procedures, and transaction pricing and modelling against internal return on capital targets.

PMAL employs a number of risk management strategies, methods and tools to manage other non-insurance related risks, deemed appropriate and proportionate to the size of the risk being managed.

Directors serving in the period

Details of the directors of PMAL that served during the period and up to the date of signing the Syndicate Annual Report & Accounts are provided on page 55.

Disclosure of information to the auditors

In the case of each of the persons who are directors of PMAL at the time the report is approved:

- so far as the directors are aware, there is no relevant audit information, being information needed by the Syndicate auditor relating to the auditor's report, of which the auditor is unaware; and
- having made enquiries of fellow directors of PMAL and the Syndicate's auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Appointment of auditors

In accordance with section 13(2) of Schedule 1 of the Lloyd's Regulations 2008, the Managing Agent will appoint auditors for the year ending 31 December 2021 within 28 days of these accounts being sent out.

On behalf of the Board:

R D Andrews
Director
3 March 2021

Statement of managing agent’s responsibilities

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

The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare Syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). The Syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the Syndicate annual accounts, the managing agent is required to:

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

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

The managing agent is responsible for the maintenance and integrity of the corporate and financial information included on the business’ website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Independent auditor's report for the annual accounts to the members of Syndicate 1884

For the year ended 31 December 2020

Opinion

We have audited the syndicate annual accounts of syndicate 1884 ('the syndicate') for the year ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of changes in Members' Balances, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 21, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate annual accounts:

- give a true and fair view of the syndicate's affairs as at 31 December 2020 and of its profit for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Basis for opinion

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

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

Conclusions relating to going concern

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

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

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

Other information

The other information comprises the information included in the annual report set out on pages 2-7, other than the syndicate annual accounts and our auditor's report thereon. The directors of the managing agent are responsible for the other information contained within the annual report.

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

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

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

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

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

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 7, the managing agent is responsible for the preparation of the syndicate annual accounts and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate annual accounts that are free from material misstatement, whether due to fraud or error.

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

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

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

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

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

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

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UK GAAP), and requirements referred to by Lloyd's in the instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate annual accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

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

- For both direct and other laws and regulations, our procedures involved: making enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the syndicate's annual accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the valuation of insurance liabilities. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate annual accounts were materially free from fraud or error.

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

Use of our report

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

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 March 2021

Notes:

1. The maintenance and integrity of the syndicate web site is the responsibility of the manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the syndicate annual accounts since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of syndicate annual accounts may differ from legislation in other jurisdictions.

Income statement
Technical account – General business

For the year ended 31 December 2020

	Notes	2020 £000	2020 £000	*2019 £000*	*2019 £000*
Gross premiums written	*2*	8,723		*26,949*	
Outward reinsurance premiums		(557)		*(10,598)*	
Premiums written, net of reinsurance		8,166		*16,351*	
Change in the provision for unearned premiums					
- Gross amount		4,907		*38,278*	
- Reinsurers' share		(534)		*(8,824)*	
Net change in provision for unearned premiums	*4*	4,373		*29,454*	
Earned premiums, net of reinsurance			**12,539**		*45,805*
Allocated investment return transferred from the non-technical account	*10*		238		*480*
Claims paid					
- Gross amount		(39,264)		*(66,202)*	
- Reinsurers' share		8,906		*12,085*	
Net claims paid		(30,358)		*(54,117)*	
Change in claims outstanding					
- Gross amount		40,782		*9,056*	
- Reinsurers' share		(7,127)		*5,439*	
Net change in provision for claims		33,655		*14,495*	
Claims incurred, net of reinsurance	*3*		**3,297**		*(39,622)*
Change in other technical provisions net of reinsurance			(1,317)		*(2,317)*
Net operating expenses	*6*		**(6,267)**		*(27,282)*
Balance on technical account - general business			**8,490**		*(22,936)*

All operations are continuing.

Income statement
Non-technical account – General business

For the year ended 31 December 2020

	Notes	2020 £000	*2019 £000*
Balance on technical account - general business		**8,490**	*(22,936)*
Investment income		**174**	*436*
Realised gains on investments		**88**	*92*
Investment expenses and charges		**-**	*-*
Realised loss on investments		**(24)**	*(48)*
Allocated investment return transferred to the technical account	*10*	**(238)**	*(480)*
Currency exchange (loss)/gain		**(261)**	*2,947*
Profit/(Loss) for the year		**8,229**	*(19,989)*

Statement of comprehensive income

For the year ended 31 December 2020

	Notes	2020 £000	*2019 £000*
Profit/(Loss) for the year		**8,229**	*(19,989)*
Other comprehensive income		**-**	*-*
Total comprehensive income for the year		**8,229**	*(19,989)*

Statement of changes in members' balances

For the year ended 31 December 2020

	Notes	**Profit and loss account £000**	**Total members balances £000**
At 1 January 2020		(94,615)	(64,738)
Profit for the year		8,229	8,229
Loss distribution		53,253	32,123
Open year cash calls		-	-
Other		-	1,245
At 31 December 2020		(33,133)	**(23,141)**

	Notes	*Profit and loss account £000*	*Total members balances £000*
At 1 January 2019		*(111,350)*	*(91,596)*
Loss for the year		*(19,989)*	*(19,989)*
Loss distribution		*36,724*	*26,502*
Open year cash calls		-	*20,000*
Other		-	*345*
At 31 December 2019		(94,615)	*(64,738)*

Statement of financial position

As at 31 December 2020

ASSETS	Notes	2020 £000	2020 £000	*2019 £000*	*2019 £000*
Investments					
Financial investments	*11*		**9,044**		*14,661*
Reinsurers' share of technical provisions					
Provision for unearned premiums	*4*	591		*1,128*	
Claims outstanding	*3*	16,712		*24,156*	
			17,303		*25,284*
Debtors					
Debtors arising out of direct insurance operations	*12*	8,280		*9,473*	
Debtors arising out of reinsurance operations	*12*	3,304		*3,186*	
Other		2,350		*694*	
			13,934		*13,353*
Cash and other assets					
Cash at bank and in hand	*14*	25,547		*18,969*	
Other assets	*13*	3,531		*7,705*	
			29,078		*26,674*
Prepayments and accrued income					
Deferred acquisition costs	*5*	623		*1,800*	
Other prepayments and accrued income		-		*327*	
			623		*2,127*
Total assets			**69,982**		*82,099*

Statement of financial position

As at 31 December 2020

MEMBERS' BALANCES AND LIABILITIES	Notes	2020 £000	2020 £000	2019 £000	2019 £000
MEMBERS' BALANCE			**23,141**		*64,738*
LIABILITIES					
Technical provisions					
Provision for unearned premiums	*4*	(2,801)		*(7,590)*	
Claims outstanding	*3*	(73,709)		*(114,931)*	
Other		(5,859)		*(4,694)*	
			(82,369)		*(127,215)*
Creditors					
Creditors arising out of direct insurance operations	*15*	(8,151)		*(10,733)*	
Creditors arising out of reinsurance operations	*15*	(1,306)		*(2,137)*	
Other creditors	*16*	(590)		*(3,062)*	
			(10,047)		*(15,932)*
Accruals and deferred income			**(707)**		*(3,690)*
Total members' balances and liabilities			**(69,982)**		*(82,099)*

The financial statements on pages 11 to 36 were approved by the Board of directors on 2 March 2021 and were signed on its behalf by:

SGW Tuvnes
Finance Director

Statement of cash flows

For the year ended 31 December 2020

	Notes	2020 £000	Restated[1] 2019 £000
Profit/(Loss) on ordinary activities		**8,229**	*(19,989)*
Movement in gross technical provisions		(44,848)	*(50,521)*
Movement in reinsurers' share of gross technical provisions		7,303	*4,662*
Movement in debtors		424	*27,444*
Movement in creditors		(8,868)	*(6,687)*
Movement in other assets		6,055	*8,894*
Investment return		(238)	*(480)*
Net cash flows from operating activities		**(31,943)**	*(36,677)*
Cash flow from investing activities			
Investment income received		238	*480*
Cash flow from financing activities			
Distribution loss/open year cash calls		32,123	*46,502*
Financing		1,246	*345*
Members' agents' fees advance		-	-
Cash flow from investing and financing activities		**33,607**	*47,327*
Net increase in cash and cash equivalents		**1,664**	*10,650*
Cash and cash equivalents at beginning of period		33,638	*23,898*
Foreign exchange on cash and cash equivalents		(699)	*(910)*
Cash and cash equivalents at end of year	*11, 13, 14*	**34,603**	*33,638*
Cash at bank and in hand	*14*	25,547	*18,969*
Short term deposits with credit institutions	*11, 13*	9,056	*14,669*
Cash and cash equivalents at end of year		**34,603**	*33,638*

[1] See Note 1.5 for restatement

1. Accounting policies

1.1 Statement of compliance

The financial statements have been prepared in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Financial Reporting Standard 102 and The Financial Reporting Standard 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.

1.2 Basis of preparation

The financial statements for the year ended 31 December 2020 were approved for issue by the Board of directors on 2 March 2021.

The financial statements are prepared under the historical cost convention except for certain financial instruments which are measured at fair value.

The Directors of the Managing Agent have prepared these financial statements on the basis that the syndicate will continue in operational existence. The ability of the syndicate to meet its obligations as they fall due is underpinned by the support provided by the Lloyd's solvency process and its chain of security for any members who are not able to meet their underwriting liabilities.

The financial statements are prepared in Sterling which is the functional and presentational currency of the Syndicate and are rounded to the nearest £'000.

1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the Syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates must be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported (IBNR), at the reporting date. It can take a significant period before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form a significant proportion of the liability in the Statement of financial position.

The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, such as the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods.

These methods generally involve projecting from 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.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Further details are given in Note 20.

Estimates of future premiums

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

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

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the Statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/ or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data is not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, and financial conditions or counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Further details are given in Notes 11 and 20.

1.4 Significant accounting policies

Investments

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value (bid value), and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Cash and cash equivalents

Cash and cash equivalents in the Statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less. For the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Fair value of financial assets

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

See Note 11 for details of financial instruments classified by fair value hierarchy.

Investment return

Dividends are recognised when the investments to which they relate are declared 'ex-dividend'. Interest income is recognised on a time proportionate basis considering effective interest yield.

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

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Insurance contracts – Product classification

Insurance contracts are those contracts where the Syndicate (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the Syndicate determines whether it has significant insurance risk, by comparing benefits paid with benefits payable if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire.

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with FRS 102 unless the embedded derivative is itself an insurance contract (i.e., the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

Gross premium

Gross written premium comprises the total premiums receivable for the whole period of cover provided by the contracts entered during the year, regardless of whether these are wholly due for payment in the reporting year, together with any adjustments arising in the reporting year to such premiums receivable in respect of business written in prior reporting years or periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

Written premiums include an estimate for pipeline premiums (i.e., premiums written but not reported to the Syndicate by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that prior year experience will be consistent with current experience.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the coverholder.

Reinsurance premium

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

Under some policies, reinsurance premiums payable is adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the policyholder.

Profit commission

Profit commission is charged by the managing agent on the profit on a year of account taking into consideration any deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

Claims

Claims include all claims occurring during the year, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance claims are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Technical provisions

Technical provisions comprise claims outstanding, provisions for unearned premiums, provisions for unexpired risk and risk premium provisions on closed years of account.

Claims outstanding

The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions that may include a margin for adverse deviation. The liability is not discounted for the time value of money.

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 liability adequacy provision (the unexpired risks provision) is made where the cost of claims and expenses arising after the end of the financial year from contracts concluded before that date, are expected to exceed the provision for unearned premiums, net of deferred acquisition costs.

The assessment of whether a provision is necessary is made by considering separately each category of business based on information available at the reporting date, after offsetting surpluses and deficits arising on products that are managed together. Investment income is considered in calculating the provision.

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts, such as intermediary commissions or the cost of drawing up the insurance document or including the insurance contract in the portfolio.

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

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

The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement.

Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

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 because 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 or losses recognised in the period.

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

Notes to the financial statements

Insurance receivables

Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. After 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 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. After initial recognition, they are measured at amortised cost using the effective interest rate method.

Foreign currencies

The Syndicate's functional currency and presentational currency is Sterling being the primary currency of the economic environment where staff are employed, expenses are paid and where the Syndicate operates.

Transactions in foreign currencies are translated using the average exchange rates applicable in the year in which the transaction occurs. This is deemed to be a reasonable approximation of the rate at which the transaction took place. 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.

Non-monetary items where applicable are measured in terms of historical cost in a foreign currency and translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency and measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-technical account.

Taxation

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

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

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

Pension costs

Premia UK Services Company Limited operates a defined contribution scheme. Pension contributions relating to Syndicate staff are charged to the Syndicate and are included within net operating expenses.

1.5 Restatement of 2019 balances

Overseas deposits as other assets were previously being treated as cash and cash equivalents in the Statement of cash flows, however these assets are being held as other assets so we have now included them as other assets in the Statement of cash flows. There is no impact on the 2019 result or net assets.

	As previously reported £000	Adjustment £000	**Restated £000**
Movement in other assets	9,905	(1,011)	**8,894**
Net cash flows from operating activities	**(35,666)**	**(1,011)**	**(36,677)**
Net increase in cash and cash equivalents	**11,661**	**(1,011)**	**10,650**
Cash and cash equivalents at beginning of period	30,584	(6,686)	**23,898**
Cash and cash equivalents at end of year	**41,335**	**(7,697)**	**33,638**
Short term deposits with credit institutions	**22,366**	(7,697)	**14,669**
Cash and cash equivalents at end of year	**41,335**	**(7,697)**	**33,638**

2. Segmental analysis

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

For the year ended 31 December 2020 (£000)	Gross written premium	Gross earned premium	Gross claims incurred	Gross operating expenses	Reinsurance balance	**Total**
Direct insurance:						
Marine, aviation and transport	3,994	6,078	7,918	(2,106)	(2,058)	**9,832**
Fire and other damage to property	518	1,132	5,844	(2,006)	2,787	**7,757**
Third-party liability	679	714	(4,523)	(687)	1,363	**(3,133)**
Pecuniary loss	2,328	3,604	(9,760)	(1,005)	(1,895)	**(9,056)**
	7,519	11,528	(521)	(5,804)	197	**5,400**
Reinsurance	1,204	2,102	2,039	(463)	(826)	**2,852**
	8,723	**13,630**	**1,518**	**(6,267)**	**(629)**	**8,252**

Commissions on direct insurance gross premiums written during the year were £992,000.

For the period ended 31 December 2019 (£000)	*Gross written premium*	*Gross earned premium*	*Gross claims incurred*	*Gross operating expenses*	*Reinsurance balance*	*Total*
Direct insurance:						
Marine, aviation and transport	*8,541*	*22,486*	*(16,834)*	*(11,988)*	*(5,402)*	*(11,738)*
Fire and other damage to property	*11,239*	*22,134*	*(20,480)*	*(8,917)*	*(2,062)*	*(9,325)*
Third-party liability	*141*	*2,790*	*(6,147)*	*(287)*	*1,900*	*(1,744)*
Pecuniary loss	*2,553*	*6,558*	*(7,348)*	*(2,069)*	*5,457*	*2,598*
	22,474	*53,968*	*(50,809)*	*(23,261)*	*(107)*	*(20,209)*
Reinsurance	*4,475*	*11,259*	*(6,337)*	*(4,021)*	*(4,108)*	*(3,207)*
	26,949	*65,227*	*(57,146)*	*(27,282)*	*(4,215)*	*(23,416)*

Commissions on direct insurance gross premiums written during the year were £7,525,000.

The reinsurance balance is the aggregate of all those items included in the technical account that relate to outward reinsurance transactions, including items recorded as reinsurance commissions, profit participation and reinsurers' share of paid claims. The reinsurance balance includes reinsurance commission receivable.

The geographical analysis of gross premiums written in the year by destination (or operating territory) is as follows:

	2020 £000	*2019 £000*
UK	**(118)**	*(356)*
Canada	**346**	*1,844*
United States of America	**208**	*(1,349)*
EU member states (excluding the 'UK')	**284**	*1,019*
Other	**3,013**	*4,987*
Worldwide	**4,990**	*20,804*
	8,723	*26,949*

3. Claims outstanding

	Gross £000	Reinsurers share £000	**Net £000**
At 1 January 2020	(114,931)	24,156	**(90,775)**
Claims incurred in current underwriting year	1,518	1,780	**3,298**
Claims paid during the year	39,264	(8,906)	**30,358**
Currency exchange gain/(loss)	440	(317)	**123**
At 31 December 2020	**(73,709)**	**16,712**	**(56,997)**

	Gross £000	*Reinsurers share £000*	*Net £000*
At 1 January 2019	*(128,664)*	*19,639*	*(109,025)*
Claims incurred in current underwriting year	*(57,146)*	*17,524*	*(39,622)*
Claims paid during the year	*66,202*	*(12,085)*	*48,049*
Currency exchange gain/(loss)	*4,677*	*(922)*	*3,755*
At 31 December 2019	*(114,931)*	*24,156*	*(90,775)*

4. Provision for unearned premiums

	Gross £000	Reinsurers share £000	**Net £000**
At 1 January 2020	(7,590)	1,128	**(6,462)**
Premiums written in the year	(8,723)	557	**(8,166)**
Premiums earned in the year	13,630	(1,091)	**12,539**
Currency exchange (loss)	(118)	(2)	**(121)**
At 31 December 2020	**(2,801)**	**591**	**(2,210)**

	Gross £000	*Reinsurers share £000*	*Net £000*
At 1 January 2019	*(46,531)*	*10,062*	*(36,469)*
Premiums written in the year	*(26,949)*	*10,598*	*(16,351)*
Premiums earned in the year	*65,227*	*(19,422)*	*45,805*
Currency exchange gain/(loss)	*663*	*(110)*	*553*
At 31 December 2019	*(7,590)*	*1,128*	*(6,462)*

Notes to the financial statements

For the year ended 31 December 2020

5. Deferred acquisition costs

	£000
At 1 January 2020	1,800
Change in deferred acquisition costs	(1,204)
Currency exchange gain	28
At 31 December 2020	**623**

	£000
At 1 January 2019	*10,796*
Change in deferred acquisition costs	*(8,844)*
Currency exchange loss	*(152)*
At 31 December 2019	*1,800*

6. Net operating expenses

	2020 £000	*2019 £000*
Acquisition costs	**(566)**	*(7,475)*
Change in deferred acquisition costs	**(1,204)**	*(8,844)*
Administrative costs	**(3,775)**	*(9,863)*
Members' personal expenses*	**(722)**	*(1,100)*
	(6,267)	*(27,282)*

*Members' personal expenses include Lloyd's subscriptions, Central fund contributions, Managing agent's fees and non-standard personal expenses.

7. Staff costs

All staff that provided services to the Syndicate were employed by Charles Taylor Administration Services Limited until 16 March 2020. On 16 March 2020 all employment contracts were transferred to Premia UK Services Company Limited, a related company of PMAL. The following amounts were recharged to the Syndicate in respect of staff costs:

	2020 £000	*2019 £000*
Wages and salaries*	**(2,926)**	*(5,269)*
Social security costs	**(348)**	*(472)*
Pension costs	**(121)**	*(133)*
Other	**(38)**	*(29)*
	(3,433)	*(5,903)*

** includes fees charged for shared services support within Charles Taylor plc prior to change of control.*

The average number of employees working during the year for the Syndicate was as follows:

	2020 Number	*2019 Number*
Administration and finance	**26**	*31*
Underwriting	**3**	*8*
Claims	**3**	*3*
	32	*42*

8. Emoluments of the directors of PMAL

In their capacity as directors of PMAL, the following aggregate remuneration was charged to the Syndicate and is included within net operating expenses:

	2020 £000	2019 £000
Aggregate remuneration in respect of qualifying services	(750)	(900)

The Run-off Manager received the following remuneration charged to the Syndicate and included within net operating expenses:

	2020 £000	2019 £000
Aggregate remuneration in respect of qualifying services	(212)	(272)

No advance or credits were granted by PMAL to any of the directors during the year. We deem the directors of PMAL to be the key management personnel.

9. Auditor's remuneration

	2020 £000	2019 £000
Audit of the Syndicate annual accounts	(117)	(87)
Other services pursuant to Regulations and Lloyd's Byelaws	(78)	(58)
Statement of Actuarial Opinion	(67)	(64)
	(262)	(209)

Auditor's remuneration is included within net operating expenses as part of the administrative costs.

10. Investment return

The Syndicate generated net investment return of £238,465 in the year (2019: £480,341).

Average amount of funds available for investment during the period:	2020 £000	2019 £000
Sterling	6,544	12,342
United States dollars	22,634	20,155
Canadian dollars	2,553	2,778
Euro	551	306
Other	4,117	4,453
Combined in sterling	36,399	40,034

Gross calendar investment yield for the period:	2020 %	2019 %
Sterling	1.42	0.58
United States dollars	0.26	1.38
Canadian dollars	0.68	0.43
Euro	0.00	0.00
Other	1.62	2.35
Combined in sterling	0.65	1.16

'Average amount of funds' is the average of bank balances, overseas deposits and investments held at the end of each month during the period. For this purpose, investments are revalued at month end market prices, which include accrued income where appropriate.

Notes to the financial statements

11. Financial investments

At 31 December 2020	Carrying value £000	Purchase price £000	Listed £000
Deposits with credit institutions	**9,044**	**9,044**	-

At 31 December 2019	*Carrying value £000*	*Purchase price £000*	*Listed £000*
Deposits with credit institutions	*14,661*	*14,661*	-

The amount of change during the year in the fair value of financial investments, held at fair value through the income statement, attributable to changes in credit risk was nil (2019: nil).

There was no material change in fair value for financial investments held at fair value attributable to own credit risk in the reported period. There have been no day-one profits recognised in respect of financial instruments designated at fair value through the income statement.

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

At 31 December 2020	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deposits with credit institutions	**9,044**	-	-	**9,044**

At 31 December 2019	*Level 1 £000*	*Level 2 £000*	*Level 3 £000*	*Total £000*
Deposits with credit institutions	*14,661*	-	-	*14,661*

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

Level 2 category is financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Level 3 category is 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.

12. Debtors arising out of direct and reinsurance operations

All debtors arising from direct insurance operations and reinsurance operations are due from intermediaries (2019: due from intermediaries).

13. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

14. Cash and cash equivalents

	2020 £000	*2019 £000*
Cash at bank and in hand	**25,547**	*18,969*

15. Creditors arising out of direct and reinsurance operations

All creditors arising from direct insurance operations and reinsurance operations are due to intermediaries (2019: due to intermediaries).

16. Other creditors

	2020 £000	*2019 £000*
Due to PMAL affiliated companies	**(591)**	*(3,062)*

17. Related parties

Premia Managing Agency Limited ("PMAL") is wholly owned by Premia Managing Agency Holdings Limited ("PMAH"), which was owned by Charles Taylor Limited ("CT") and The Standard Club Limited ("Standard Club") until 16 March 2020. From 16 March 2020 the ultimate controlling party is Premia Holdings Limited ("Premia").

CT and its subsidiaries provided underwriting and management services, including claims, accounting, human resources, IT and infrastructure, to both the Syndicate and PMAL by way of inter-group cross charges through Premia UK Service Company Limited, a 100% subsidiary of PMAH. All transactions are entered into on normal market terms.

PMAH and PMAL wholly own two subsidiaries, Premia Syndicate Services Limited and Premia Syndicate Services (Asia) Pte. Limited respectively, which are service company coverholders approved by Lloyd's. The Syndicate utilises these service companies as coverholders to bind risks on its behalf. Under the terms of the arrangement with the Syndicate, the service companies charge fees to the Syndicate equal to their operating costs plus a margin of 5%. On behalf of the Syndicate, these service companies wrote in 2020 £2,495,000 and (£30,000) of gross premium respectively (2019: £3,409,000 and £1,692,000 respectively).

Some of the directors of PMAL during the year were also directors of other CT, Standard Club and London market companies and these individuals disclose and manage any potential conflicts of interest. Any business transacted has been and will continue to be conducted at an arm's length commercial basis with no involvement, either directly or indirectly by the individuals. Other than directorship fees, salaries and other related remuneration, no personal benefit is derived by the individuals concerned from any such arrangements.

Given the insurance-related activities undertaken within the broader Premia, CT and Standard Club groups it is possible that transactions may be entered between the Syndicate and other related parties. Any such related party transactions are entered by the Syndicate on a commercial basis.

Transactions with related parties:

	2020 £000	*2019 £000*
Premia Managing Agency Limited (formerly Charles Taylor Managing Agency Limited)		
Run-off fee	722	*654*
	722	*654*
Amount outstanding at 31 December	**527**	*1,278*
The Standard Club Limited		
Interest payable	-	*37*
	-	*37*
Amount outstanding at 31 December	**-**	*500*
Premia UK Services Company Limited (formerly Charles Taylor Managing Agency Services Limited)		
Recharges (administrative expenses)	**6,166**	*9,173*
Amount outstanding at 31 December	**(387)**	*1,088*
Premia Syndicate Services Limited (formerly The Standard Syndicate Services Limited)		
Service fees	**74**	*28*
Amount outstanding at 31 December	**(15)**	*153*
Premia Syndicate Services (Asia) Pte. Limited (formerly The Standard Syndicate Services (Asia) PTE Limited)		
Service fees	**110**	*205*
Amount outstanding at 31 December	**64**	*43*

Capital support

The Standard Club was the Syndicate's primary capital provider. It supported the Syndicate through its related corporate name, The Standard Club Corporate Name Limited. Charles Taylor Limited also supported the Syndicate through its related corporate name, Charles Taylor Corporate Name Limited. On 16 March 2020, these corporate names changed ownership and Premia Holdings Limited is now the ultimate controlling party.

All capital providers who underwrite on the Syndicate were charged managing agency fees and profit commission on a similar basis as disclosed in the Register of Underwriting Agency Charges.

18. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to many 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 annual accounts by way of such capital resources. However, the managing agent can make a call on the members' FAL to meet liquidity requirements or to settle losses. Refer to note 20 for further details.

19. Off-balance sheet items

The Syndicate has not been party to any arrangements that are not reflected in its Statement of financial position, where material risks and benefits arise for the Syndicate.

20. Risk management

(a) Risk management framework

Risk appetite, management tolerances and risk assessment:
PMAL's risk management framework is intended to keep the Syndicate within its overall risk appetite. Risk appetite is expressed in terms of:

- the probability and impact of losses to the Syndicate's FAL and to projected ultimate result,
- the potential that the Syndicate liquidity is insufficient to meet gross policyholder obligations under stressed circumstances at any time,
- the potential for events that could have an adverse impact on the levels of service provided to policyholders or otherwise damage the Syndicate's reputation,
- the potential for regulatory or legal sanction.

Monitoring and management of Syndicate risk against its risk appetite is implemented through more granular tolerances covering all the risks identified through the risk management framework. Risks are classified into categories, which are described in more detail below. The risk assessment process integrates the risk profile of the Syndicate and the risk controls in place. Tools used to assess and monitor risk include capital modelling, stress testing, and Syndicate-tailored scenarios.

Governance framework
The risk management framework includes clear governance processes and is designed to ensure proportionate and effective controls are operating to manage risk within each category. The central component of the risk management framework is the role played by PMAL governance committees, which monitor changes in the Syndicate's risk profile across underwriting, reserving, finance and operations. This is performed on both a qualitative basis and through monitoring of a range of risk indicators against management tolerances to identify where mitigating actions are required. An escalation process is in place which ensures emerging risks or issues are brought to the attention of senior management and the Board. A key role of PMAL's risk function is to ensure that the risk management process is operating effectively and leads to consideration and implementation of actions to manage risk and capital. Policies in respect of each area of risk have been put in place which set out the risk management approach.

(b) Capital management objectives, policies and approach

Regulatory capital requirements at Lloyd's
The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000. Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's complies with Solvency II capital requirements which became effective from 1 January 2016.

Solvency II requires insurers to maintain capital sufficient to cover a 1-in-200-year loss, reflecting uncertainty that could arise over a one-year time horizon (known as the Solvency Capital Requirement or "SCR"). Lloyd's has received approval from the PRA to calculate this value using its own internal capital model, based on inputs received from managing agents in respect of the syndicates they manage.

Lloyd's capital setting process
The Lloyd's capital setting process calculates capital requirements at syndicate level. Lloyd's requires each managing agent to calculate the SCR for its managed syndicates for the prospective underwriting year based on each syndicate's business forecast. This amount must be sufficient to cover a 1-in-200-year loss, reflecting the full uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). An SCR at the same confidence level but reflecting uncertainty over a one-year time horizon (one-year SCR) is also calculated for Lloyd's to use in calculating its own regulatory 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. The SCR 'to ultimate' is the basis for the Lloyd's capital requirement for each syndicate.

Lloyd's applies an additional capital uplift known as the Economic Capital Assessment (ECA) to each syndicate's ultimate SCR. The purpose of this uplift is to meet Lloyd's financial strength, licence and credit-rating objectives. This uplift, which applies to all syndicates, is currently set at 35% of SCR 'to ultimate'.

Provision of capital by members

Regulatory capital requirements for Lloyd's apply at an overall market level and at a member level. The Syndicate is comprised of many different underwriting members of Lloyd's. Each member is severally liable for its share of Syndicate liabilities and is required to provide capital that reflects this share. 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 that reflects the capital requirement to cover a 1-in-200-year loss 'to ultimate' for that member.

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (FAL), 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.

(c) Insurance risk

The Syndicate's risks arise principally from its underwriting activities. Insurance risk includes a range of risks relating to collection of outstanding premiums, exposure to catastrophes, lack of diversification, reserve and reinsurance risk, as highlighted in the table below:

Risk	Examples of risk management approach
Premium collections are less than forecast	• analysis of actual verses expected premium income by policy to identify uncollected or outstanding amounts • monthly monitoring of actual collections verses actuarial forecasts of premium at class level to identify trends
Excessive accumulations of risk from a single source	• geographical exposure monitoring process, which identifies accumulations of risk and quantifies the extent to which any accumulations are exposed to natural hazards such as windstorm, flood or earthquake • exposure monitoring process, which seeks to identify potential additional accumulation from sources such as non-static cargo exposures or cyber risk • maximum line size limits on individual policies and per risk or asset • ensuring sufficient reinsurance protection is in place to mitigate the impact of severe events.
Exposure is insufficiently diversified, increasing the degree of variability in underwriting results	• seeking to manage the overall variability of underwriting results through de-risking of existing live exposures and the use of reinsurance.
Claims arising from prior year business cost more to settle than the amounts estimated in the Syndicate's reserves	• comparison of actual claims compared with expected claim development patterns • monitoring of the sources and types of incurred claims to identify unanticipated trends • performance of regular actuarial reviews • comparison between independent valuation and internal year end estimate of reserves
Reinsurance protections fail to protect the Syndicate in the manner expected	• alignment of reinsurance coverage terms with underlying gross exposures • analysis of the extent to which the reinsurance programme is exposed given the underlying gross exposure • monitoring of remaining cover given the level of incurred claims • placement of reinsurance is diversified such that it is not dependent on a single reinsurer

Notes to the financial statements

For the year ended 31 December 2020

The table below sets out the concentration of outstanding claim liabilities by type of contract:

At 31 December 2020	Gross Liabilities £000	Reinsurance of liabilities £000	**Net Liabilities £000**
Direct insurance:			
Marine, aviation and transport	(22,169)	946	**(21,223)**
Fire and other damage to property	(17,028)	7,830	**(9,198)**
Third-party liability	(9,980)	4,070	**(5,910)**
Credit and suretyship	(11,790)	3,109	**(8,681)**
	(60,967)	15,955	**(45,012)**
Reinsurance	(12,742)	757	**(11,985)**
	(73,709)	**16,712**	**(56,997)**

At 31 December 2019	*Gross Liabilities £000*	*Reinsurance of liabilities £000*	*Net Liabilities £000*
Direct insurance:			
Marine, aviation and transport	*(60,601)*	*3,774*	*(56,827)*
Fire and other damage to property	*(39,346)*	*9,905*	*(29,441)*
Third-party liability	*(7,983)*	*2,541*	*(5,442)*
Credit and suretyship	*(6,901)*	*7,936*	*1,035*
	(114,831)	*24,156*	*(90,675)*
Reinsurance	*(100)*	*-*	*(100)*
	(114,931)	*24,156*	*(90,775)*

The table below shows the Gross insurance contract outstanding claims provision at 31 December 2020:

Underwriting year	2015 £000	2016 £000	**2017 £000**	**2018 £000**	**Total £000**
Estimate of cumulative claims incurred					
At end of underwriting year	(7,711)	(26,443)	(59,007)	(42,266)	
12 months later	(31,215)	(69,575)	(100,352)	(84,189)	
24 months later	(30,685)	(68,297)	(111,664)	(78,793)	
36 months later	(30,364)	(68,809)	(119,523)	-	
48 months later	(29,788)	(65,084)	-	-	
60 months later	(30,234)	-	-	-	
Current estimate of cumulative claims incurred	(30,234)	(65,084)	(119,523)	(78,793)	**(293,634)**
Cumulative claims paid					
At end of underwriting year	(830)	(5,343)	(6,343)	(4,127)	
12 months later	(11,420)	(27,766)	(44,096)	(25,894)	
24 months later	(21,916)	(46,912)	(74,479)	(42,200)	
36 months later	(25,016)	(55,030)	(93,147)	-	
48 months later	(27,166)	(57,049)	-	-	
60 months later	(27,529)	-	-	-	
Cumulative payments to date	(27,529)	(57,049)	(93,147)	(42,200)	**(219,925)**
Total gross outstanding claims provision per the statement of financial position					**(73,709)**

All values are converted using the reporting period end rates.

The table below shows the Net insurance contract outstanding claims provision at 31 December 2020:

Underwriting year	2015 £000	2016 £000	**2017 £000**	**2018 £000**	**Total £000**
Estimate of cumulative claims incurred					
At end of underwriting year	(7,373)	(21,955)	(28,008)	(38,551)	
12 months later	(29,106)	(56,348)	(75,185)	(68,726)	
24 months later	(28,705)	(59,343)	(82,223)	(65,058)	
36 months later	(28,591)	(59,777)	(85,463)	-	
48 months later	(27,652)	(57,066)	-	-	
60 months later	(28,406)	-	-	-	
Current estimate of cumulative claims incurred	(28,406)	(57,066)	(85,463)	(65,058)	**(235,993)**
Cumulative claims paid					
At end of underwriting year	(830)	(4,843)	(5,354)	(4,107)	
12 months later	(11,420)	(24,989)	(30,686)	(25,149)	
24 months later	(21,632)	(39,857)	(52,638)	(39,447)	
36 months later	(24,230)	(46,809)	(64,966)	-	
48 months later	(25,385)	(48,836)	-	-	
60 months later	(25,747)	-	-	-	
Cumulative payments to date	(25,747)	(48,836)	(64,966)	(39,447)	**(178,996)**
Total net outstanding claims provision per the statement of financial position					**(56,997)**

All values are converted using reporting period end rates.

Key sensitivities

Estimated gross loss ratios – Estimated loss ratios are derived using a range of actuarial methodologies applied to emerging claims and reinsurance data. These methodologies rely on assumptions for loss emergence rates, premium rate adequacy and a general view of market strength and terms. There is a high degree of judgement in these assumptions leading to a significant level of uncertainty in the ultimate cost of claims.

Effectiveness of the reinsurance programme in protecting the underwriting result – Net underwriting profit is estimated after consideration of the mitigating effect of reinsurance on gross losses, including assumptions as to the number and size of losses that may exceed the attachment point on the programme, and the effective reinsurance recovery rate that will result.

The impact of the above uncertainties is illustrated by reference to the impact of a change in the estimated attritional loss ratio (i.e. relating to those claims that are smaller than the attachment points of the reinsurance programme) in the table below:

At 31 December 2020	Gross Loss £000	Net Loss £000	**Changes in members balance £000**
5% increase in forecast attritional loss ratio	(681)	(681)	**(681)**
5% decrease in forecast attritional loss ratio	681	681	**681**

At 31 December 2019	*Gross Loss £000*	*Net Loss £000*	*Changes in members balance £000*
5% increase in forecast attritional loss ratio	*(3,261)*	*(3,261)*	*(3,261)*
5% decrease in forecast attritional loss ratio	*3,261*	*3,261*	*3,261*

(d) Financial risk

The Syndicate is exposed to a range of financial risks in the normal course of business, including counterparty credit risk, liquidity risk, and market risk, as set out below:

(i) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. Credit risk is actively monitored and managed. This includes the risk of counterparty default on amounts due under reinsurance contracts, unpaid premiums on inwards insurance policies, premiums held by brokers or deposits held with credit institutions. PMAL monitors the Syndicate's level of overdue debt by counterparty and reviews the credit worthiness of the Syndicate's reinsurers based on an analysis of the financial condition of each reinsurer. This analysis uses a range of information including financial reports, published credit rating opinions and information provided by reinsurance brokers. All reinsurers must meet minimum security thresholds. Concentration risk is managed through the application of credit limits expressed in terms of each reinsurer's share of the overall reinsurance programme. Credit risk is actively monitored through PMAL's governance committees.

The tables below show the exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the Statement of financial position:

At 31 December 2020	Neither past due nor impaired £000	Past due £000	Impaired £000	**Total £000**
Deposits with credit institutions	9,044	-	-	**9,044**
Overseas deposits	3,531	-	-	**3,531**
Reinsurers' share of claims outstanding	16,712	-	-	**16,712**
Reinsurance debtors	1,977	-	-	**1,977**
Cash at bank and in hand	25,547	-	-	**25,547**
Insurance debtors	8,280	-	-	**8,280**
Other debtors	2,913	1,978	-	**4,891**
	68,004	**1,978**	**-**	**69,982**

At 31 December 2019	*Neither past due nor impaired £000*	*Past due £000*	*Impaired £000*	*Total £000*
Deposits with credit institutions	*14,661*	-	-	*14,661*
Overseas deposits	*7,705*	-	-	*7,705*
Reinsurers' share of claims outstanding	*24,156*	-	-	*24,156*
Reinsurance debtors	-	*1,300*	-	*1,300*
Cash at bank and in hand	*18,969*	-	-	*18,969*
Insurance debtors	*9,473*	-	-	*9,473*
Other debtors	*5,835*	-	-	*5,835*
	80,799	*1,300*	-	*82,099*

At 31 December 2020, there were no impaired reinsurance assets (2019: none).

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2020 by the credit ratings of the counterparties. AAA is the highest possible rating. Insurance debtors and other debtors have been excluded from the table below as these are not rated.

	Credit ratings						
At 31 December 2020	AAA £000	AA £000	A £000	BBB £000	<BBB £000	NR £000	**Total £000**
Deposits with credit institutions	-	-	9,044	-	-	-	**9,044**
Overseas deposits	9	890	106	94	1,031	1,401	**3,531**
Reinsurers' share of claims outstanding*	-	-	16,712	-	-	-	**16,712**
Reinsurance debtors	-	-	1,977	-	-	-	**1,977**
Cash at bank and in hand	-	-	25,547	-	-	-	**25,547**
	9	**890**	**53,386**	**94**	**1,031**	**1,401**	**56,811**

**The largest reinsurer counterparty represents no more than 20% of the overall reinsurance programme.*

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2019 by the credit ratings of the counterparties. AAA is the highest possible rating. Insurance debtors have been excluded from the table below as these are not rated.

			Credit ratings				
	AAA	*AA*	*A*	*BBB*	*<BBB*	*NR*	*Total*
At 31 December 2019	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*	*£000*
Deposits with credit institutions	-	-	*14,661*	-	-	-	*14,661*
Overseas deposits	*2,449*	*535*	*439*	*421*	*1,340*	*2,521*	*7,705*
*Reinsurers' share of claims outstanding**	-	*1,831*	*22,325*	-	-	-	*24,156*
Reinsurance debtors	-	*72*	*1,228*	-	-	-	*1,300*
Cash at bank and in hand	-	-	*18,969*	-	-	-	*18,969*
	2,449	*2,438*	*57,622*	*421*	*1,340*	*2,521*	*66,791*

**The largest reinsurer counterparty represented no more than 20% of the overall reinsurance programme.*

(ii) Liquidity risk

Liquidity risk includes the risk that the Syndicate is unable to meet its obligations to policyholders as they fall due, especially following a major loss. PMAL monitors the Syndicate’s liquidity position, regularly performs liquidity stress testing and has put in place a “shock loss” credit facility to manage liquidity risk in the event of large losses.

The table below summarises the maturity profile of the Syndicate’s financial and insurance liabilities based on remaining contractual obligations and outstanding claim liabilities based on the estimated timing of claim payments.

At 31 December 2020	Carrying Amount £000	Up to a Year £000	1 – 3 Years £000	3 – 5 Years £000	Over 5 Years £000	**Total £000**
Outstanding claim liabilities	(73,709)	(28,880)	(26,608)	(10,060)	(8,161)	**(73,709)**
Other creditors	(10,047)	(10,047)	-	-	-	**(10,047)**
	(83,756)	**(38,927)**	**(26,608)**	**(10,060)**	**(8,161)**	**(83,756)**

At 31 December 2019	*Carrying Amount £000*	*Up to a Year £000*	*1 – 3 Years £000*	*3 – 5 Years £000*	*Over 5 Years £000*	*Total £000*
Outstanding claim liabilities	*(114,931)*	*(85,007)*	*(28,398)*	*(1,526)*	-	*(114,931)*
Other creditors	*(15,932)*	*(15,932)*	-	-	-	*(15,932)*
	(130,863)	*(100,939)*	*(28,398)*	*(1,526)*	-	*(130,863)*

(iii) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk is actively monitored and managed in terms of currency risk, interest rate risk and asset value risk. For assets backing outstanding claims provisions, market risk is, where possible, managed by matching the duration and currency profile of assets to the technical provisions they are backing.

(iv) 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 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:

At 31 December 2020	GBP* £000	USD £000	CAD £000	EUR £000	**Total £000**
Total assets	11,679	51,592	2,771	3,940	**69,982**
Total liabilities	(11,034)	(70,755)	(1,877)	(9,457)	**(93,123)**
Currency exchange balances	(24,561)	21,459	(1,243)	4,345	-
Net assets/(liabilities)	**(23,916)**	**2,296**	**(349)**	**(1,172)**	**(23,141)**

** includes all other non-major currencies converted to sterling.*

At 31 December 2019	*GBP* £000*	*USD £000*	*CAD £000*	*EUR £000*	*Total £000*
Total assets	*20,488*	*53,656*	*3,051*	*4,904*	*82,099*
Total liabilities	*(14,590)*	*(118,626)*	*(1,946)*	*(11,675)*	*(146,837)*
Currency exchange balances	*(27,692)*	*20,692*	*(761)*	*7,761*	*-*
Net assets/(liabilities)	*(21,794)*	*(44,278)*	*344*	*990*	*(64,738)*

** includes all other non-major currencies converted to sterling.*

The non-sterling denominated net assets of the Syndicate may contribute to a reported loss (depending on the mix relative to the liabilities), should sterling strengthen against these currencies. Conversely, they may contribute to reported gains should sterling weaken.

Sensitivity to changes in foreign exchange rates

The table below shows the impact on profit of a percentage change in the relative strength of sterling against the value of the Syndicate settlement currencies simultaneously as at the reporting date.

As at 31 December 2020

Impact on profit and members' balance	**£000**
Sterling weakens	
10% against other currencies	**(126)**
20% against other currencies	**(251)**
Sterling strengthens	
10% against other currencies	**126**
20% against other currencies	**251**

As at 31 December 2019

Impact on profit and members' balance	*£000*
Sterling weakens	
10% against other currencies	*(4,408)*
20% against other currencies	*(8,816)*
Sterling strengthens	
10% against other currencies	*4,408*
20% against other currencies	*8,816*

(v) 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.

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

(vi) Asset value risk

Asset value risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market. The Syndicate's non-insurance or reinsurance financial assets are primarily held in cash or short-term time deposits with credit institutions, so asset value risk is minimal.

(e) Other risks

In addition to the principal risks as described in sections above, the Syndicate faces the following other key risks. Each of these risks are assessed, monitored and managed through the risk management and governance framework including committees and working groups.

(i) Operational risk

Including the risk that the Syndicate is adversely affected by inadequate or failures of internal processes and control, shortfalls in resource, failures of systems or business continuity plans or external events. PMAL employs a range of processes to monitor and manage this risk, include process efficiency tracking, monitoring of project budgets and deliverables, consideration of staff turnover and unfilled positions, and testing of systems and business continuity plans.

(ii) Conduct risk

Including the risk that the strategy of the Syndicate or the actions of underwriters or claims staff leads to customer detriment. PMAL monitors the nature of policyholders and has processes in place to monitor any conduct risks that could arise.

(iii) Legal and compliance risk

Including the risk that the Syndicate suffers regulatory sanction or fines because of a breach of applicable laws or regulation – for example, with respect to breaches of sanctions. PMAL has put in place a compliance monitoring process including the use of external database systems to identify potential sanctions, anti-money laundering or bribery and corruption risks. It is the policy of PMAL to reassess regularly the legal and compliance risk of its portfolio and perform appropriate due diligence on all its trading partners, policyholders and transaction counterparties.

(iv) Strategy and group risk

Including the risk that the Syndicate is unable to develop and implement appropriate business plans, make effective decisions, adapt to changes in the business environment, or suffers adverse consequences from undue influence or distress of related parties. PMAL has put in place several measures to mitigate this risk, including strong internal governance processes whose operation is monitored, policies governing related party transactions and independent Board oversight by non-executive directors.

21. Subsequent events

On 1st January 2021, the 2018 and prior years of account was closed by a Reinsurance to close agreement (RITC) into the 2021 year of account. The value of the technical provisions transferred, which formed part of this agreement was £64.4 million.

2018 and prior CLOSED YEAR OF ACCOUNT – UNDERWRITING YEAR ACCOUNTS

Statement of managing agent’s responsibilities

For the 2018 closed year of account as at 31 December 2020

The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare syndicate underwriting year accounts for each syndicate in respect of any underwriting year which is being closed by reinsurance to close at 31 December. In accordance with the UK accounting standards, comprising Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland” (“FRS102”) and Financial Reporting Standard 103 “Insurance Contracts” (“FRS 103”) as modified by the Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd’s Syndicate Accounting Byelaw (No.8 of 2005). The Syndicate underwriting year accounts are required by law to give a true and fair view of the result of the closed year of account.

In preparing these syndicate underwriting year accounts, the managing agent is required to:

- select suitable accounting policies which are applied consistently and where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the Syndicate affected. The amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amounts of the liabilities reinsured;

- consider all income and charges relating to a closed year of account without regard to the date of receipt or payment.

- make judgements and estimates that are reasonable and prudent.

- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

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

On behalf of the Board:

R D Andrews
Director
3 March 2021

Independent auditor's report for the 2018 underwriting year to the members of Syndicate 1884

For the 36 months ended 31 December 2020

Opinion

We have audited the syndicate underwriting year accounts for the 2018 year of account of syndicate 1884 ('the syndicate') for the three years ended 31 December 2020 which comprise the Income Statement, the Statement of Financial Position, the Statement of Cash Flows and the related notes 1 to 12, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards including FRS 102 'The Financial Reporting Standard applicable in the UK and Republic of Ireland' and FRS 103 'Insurance Contracts' (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the syndicate underwriting year accounts:

- give a true and fair view of the loss for the 2018 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and have been properly prepared in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

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 underwriting year accounts 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 underwriting year accounts in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

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

Emphasis of matter – closure of the 2018 year of account

We draw attention to the Basis of preparation which explains that the 2018 year of account of syndicate 1884 has closed and all assets and liabilities transferred to the 2021 year of account by reinsurance to close at 31 December 2020.

As a result, the 2018 year of account of syndicate 1884 is no longer a going concern. The reinsurance to close occurs in the normal course of business for a syndicate year of account at the 36 months stage of development and the syndicate underwriting year accounts have been prepared on the basis that the recorded assets and liabilities will be realised and discharged in the normal course of business.

Our opinion is not modified in respect of this matter.

Other information

The other information comprises the information included in the annual report, other than the syndicate underwriting year accounts 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 underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in this report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate underwriting year accounts 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 there is a material misstatement in the syndicate underwriting year accounts themselves. If, based on the work we have performed, we conclude that there is a material misstatement of the other information, we are required to report that fact.

We have nothing to report in this regard.

Matters on which we are required to report by exception

We have nothing to report in respect of the following matters where The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) requires us to report to you, if in our opinion:

- the managing agent in respect of the syndicate has not kept adequate accounting re cords; or
- the syndicate underwriting year accounts are not in agreement with the accounting records

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 38 the managing agent is responsible for the preparation of the syndicate underwriting year accounts in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and for being satisfied that they give a true and fair view, and for such internal control as the managing agent determines is necessary to enable the preparation of the syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the managing agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

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

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

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

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

Our approach was as follows:

- We obtained a general understanding of the legal and regulatory frameworks that are applicable to the syndicate and determined that the most significant are direct laws and regulations, related to elements of Lloyd's Byelaws and Regulations, and the financial reporting framework (UKGAAP) and requirements referred to by Lloyd's in the Instructions. Our considerations of other laws and regulations that may have a material effect on the syndicate underwriting year accounts included permissions and supervisory requirements of Lloyd's of London, the Prudential Regulation Authority ('PRA') and the Financial Conduct Authority ('FCA').

- We obtained a general understanding of how the syndicate is complying with those frameworks by making enquiries of management, internal audit, and those responsible for legal and compliance matters of the syndicate. In assessing the effectiveness of the control environment, we also reviewed significant correspondence between the syndicate, Lloyd's of London and other UK regulatory bodies; reviewed minutes of the Board and Risk Committee of the managing agent; and gained an understanding of the managing agent's approach to governance.

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

- For both direct and other laws and regulations, our procedures involved: making enquiry of the directors of the managing agent and senior management for their awareness of any non-compliance with laws or regulations, inquiring about the policies that have been established to prevent non-compliance with laws and regulations by officers and employees, inquiring about the managing agent's methods of enforcing and monitoring compliance with such policies, inspecting significant correspondence with Lloyd's, the FCA and the PRA.

- The syndicate operates in the insurance industry which is a highly regulated environment. As such the Senior Statutory Auditor considered the experience and expertise of the engagement team to ensure that the team had the appropriate competence and capabilities, which included the use of specialists where appropriate.

- We assessed the susceptibility of the syndicate's underwriting year accounts to material misstatement, including how fraud might occur by considering the controls that the managing agent has established to address risks identified by the managing agent, or that otherwise seek to prevent, deter or detect fraud. We also considered areas of significant judgement and the impact these have on the control environment. Where this risk was considered to be higher, we performed audit procedures to address each identified fraud risk, including the valuation of insurance liabilities. These procedures included testing manual journals and were designed to provide reasonable assurance that the syndicate underwriting year accounts were materially free from fraud or error.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with The Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Angus Millar (Senior statutory auditor)
for and on behalf of Ernst & Young LLP, Statutory Auditor
London
3 March 2021

Notes:

1. The maintenance and integrity of the syndicate web site is the responsibility of the manager; the work carried out by the auditors does not involve consideration of these matters and, accordingly, the auditors accept no responsibility for any changes that may have occurred to the syndicate underwriting year accounts since they were initially presented on the web site.

2. Legislation in the United Kingdom governing the preparation and dissemination of syndicate underwriting year accounts may differ from legislation in other jurisdictions.

Income statement
Technical account – General business
For the 36 months ended 31 December 2020

	Notes	£000	2018 closed year of account £000
Syndicate allocated capacity			**99,985**
Gross premiums written	*2*	115,956	
Outward reinsurance premiums		(26,229)	
Earned premiums, net of reinsurance			**89,727**
Reinsurance to close premiums, received, net of reinsurance			**48,419**
Allocated investment return transferred from the non-technical account			**541**
Claims paid:			
Gross amount		(63,250)	
Reinsurers' share		9,087	
Reinsurance to close premium payable, net of reinsurance	*3*	(64,984)	
			(119,147)
Net operating expenses	*4*		**(55,433)**
Balance on technical account	*5*		**(35,893)**

Income statement
Non-technical account – General business
For the 36 months ended 31 December 2020

	Notes	2018 closed year of account £000
Balance on technical account - general business		**(35,893)**
Investment income		**476**
Realised gains on investments		**96**
Investment expenses and charges		**-**
Realised loss on investments		**(31)**
Allocated investment return transferred to the technical account		**(541)**
Currency exchange gain		**468**
Loss for the 2018 closed year of account		**(35,425)**

There are no recognised gains or losses in the accounting period other than those dealt with in the technical and non-technical accounts. All results for the closed year relate to continuing activities.

The notes on pages 47 to 53 form part of these financial statements.

Statement of financial position

For the 2018 closed year of account as at 31 December 2020

ASSETS	Notes	£000	**£000**
Investments			
Financial investments	*6*		**9,044**
Reinsurance recoveries anticipated on gross reinsurance to close premium payable to close the account	*3*		**17,076**
Debtors			
Debtors arising out of direct insurance operations	*7*	8,376	
Debtors arising out of reinsurance operations	*7*	3,319	
Other		756	
			12,451
Cash and other assets			
Cash at bank and in hand	*8*	25,547	
Other assets	*9*	3,531	
			29,078
Total assets			**67,649**

Statement of financial position

For the 2018 closed year of account as at 31 December 2020

MEMBERS' BALANCES AND LIABILITIES	*Notes*	£000	**£000**
Members balance			
Amount due from members		35,425	
Cash call(s) made		(10,000)	
			25,425
Reinsurance to close premium payable to close the account – gross amount	*3*		**(82,060)**
Creditors			
Creditors arising out of direct insurance operations	*10*	(8,374)	
Creditors arising out of reinsurance operations	*10*	(1,342)	
Other creditors	*11*	(591)	
			(10,307)
Accruals and deferred income			**(707)**
Total members' balances and liabilities			**(67,649)**

The financial statements on pages 42 to 53 were approved by the Board of directors on 2 March 2021 and were signed on its behalf by:

SGW Tuvnes
Finance Director

Statement of cash flows

For the 2018 closed year of account as at 31 December 2020

	Notes	**£000**
Loss on ordinary activities		**(35,425)**
Movement in reinsurance to close premium		64,984
Movement in debtors		(12,451)
Movement in creditors		10,307
Movement in other assets/liabilities		(2,812)
Investment return		(541)
Net cash flows from operating activities		**24,062**
Cash flow from investing activities		
Investment income received		541
Cash flow from financing activities		
Distribution loss/open year cash calls		10,000
Cash flow from investing and financing activities		**10,541**
Net increase in cash and cash equivalents		**34,603**
Cash at bank and in hand	*8*	25,547
Short term deposits with credit institutions	*6,9*	9,056
Cash and cash equivalents at end of year		**34,603**

1. Accounting policies

1.1 Statement of compliance

These syndicate underwriting year accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the Regulations') and applicable Accounting Standards in the United Kingdom, including Financial Reporting Standard 102 (FRS 102) and Insurance Contracts 103 (FRS 103).

1.2 Basis of preparation

The financial statements for the 2018 closed year of account as at 31 December 2020 were approved for issue by the Board of directors on 2 March 2021.

Whilst the directors of the managing agent have a reasonable expectation that the syndicate has adequate resources to continue in operational existence for the foreseeable future, these financial statements represent the participation of members in the 2018 year of account which closed on 31 December 2020. The accumulated losses of the 2018 year of account will be called shortly after publication of these accounts. Therefore the 2018 year of account is not continuing to trade and, accordingly, the directors have not adopted the going concern basis in the preparation of these accounts. The amounts reported would be identical if the accounts had been prepared on a going concern basis as the 2018 year of account will be closed by payment of a reinsurance to close premium, which is consistent with the normal course of business for a Lloyd's syndicate and with the approach we have applied to earlier underwriting years. The financial statements are prepared in Sterling which is the functional and presentational currency of the Syndicate and are rounded to the nearest £000.

1.3 Judgements and key sources of estimation uncertainty

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the balance sheet date and the amounts reported for revenues and expenses during the period. However, the nature of estimation means that actual outcomes could differ from those estimates. The following are the Syndicate's key sources of estimation uncertainty:

Insurance contract technical provisions

For insurance contracts, estimates must be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred, but not yet reported (IBNR), at the reporting date. It can take a significant period before the ultimate claims cost can be established with certainty and for some type of policies, IBNR claims form most of the liability in the Statement of financial position. The ultimate cost of outstanding claims is estimated by using a range of standard actuarial claims projection techniques, including the Chain Ladder and the Bornhuetter-Ferguson methods.

The main assumption underlying these techniques is that past claims development experience can be used to project future claims development and hence ultimate claims costs. The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date, together with the provision for related claims handling costs. The provision also includes the estimated cost of claims incurred but not reported (IBNR) at the balance sheet date based on statistical methods. These methods generally involve projecting from experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility can arise from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

Similar judgements, estimates and assumptions are employed in the assessment of adequacy of provisions for unearned premium. Judgement is also required in determining whether the pattern of insurance service provided by a contract requires amortisation of unearned premium on a basis other than time apportionment.

Reinsurance to close

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can be normally estimated with enough accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account. The reinsurance to close premium is estimated by reference to the outstanding technical provisions, including outstanding claims, unearned premium net of deferred acquisition costs, and unexpired risks for the closed year(s) of account. Although the estimate for these liabilities is considered fair and reasonable, it is implicit in the estimate that there could be a variance from this premium amount.

The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of the receiving year of account and gives them the benefit of refunds, recoveries and premium receivable falling due and other income for the closing year of account not credited to date.

1.4 Significant accounting policies

Insurance contracts – Product classification

Insurance contracts are those contracts where the Syndicate (the insurer/reinsurer) has accepted significant insurance risk from another party (the policyholder/reinsured) by agreeing to compensate the policyholder if a specified uncertain future event (the re/insured event) adversely affects the policyholders. As a general guideline, the Syndicate determines whether it has significant insurance risk by comparing benefits paid with benefits payable, if the insured event did not occur. Insurance contracts can also transfer financial risk.

Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period, unless all rights and obligations are extinguished or expire. Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with FRS 102 unless the embedded derivative is itself an insurance contract (i.e., the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

Gross premium

Gross written premium comprises the total premiums receivable for the whole period of cover provided by the contracts entered during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a remeasurement of the initial premium. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.
Written premiums include an estimate for pipeline premiums (i.e., premiums written but not reported to the Syndicate by the reporting date) relating only to those underlying contracts of insurance where the period of cover has commenced prior to the reporting date. The most significant assumption in this estimate is that prior year experience will be consistent with current experience.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience. Where written premiums are subject to an increase or decrease retrospectively, recognition of any movement is deferred until the additional amount can be ascertained with reasonable certainty. Where written premiums are subject to a reduction, a remeasurement taking account of such a reduction is made as soon as there is an obligation to the coverholder.

Reinsurance premium

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

Under some policies, reinsurance premiums payable is adjusted retrospectively in the light of claims experience or where the claims experience differs from expected at the time the policy commenced. Where written premiums are subject to an increase retrospectively, recognition of any potential increase is recognised as soon as there is an obligation to the policyholder.

Profit commission

Profit commission is charged by the managing agent on the profit on a year of account taking into consideration any deficit clause. This is charged to the Syndicate as incurred but does not become payable until after the appropriate year of account closes, normally at 36 months.

Claims

Claims include all claims occurring during the period, whether reported or not, related internal and external claims handling costs that are directly related to the processing and settlement of claims, if applicable, a reduction for the value of salvage and other recoveries, and any adjustments to claims outstanding from previous years.

Reinsurance recoveries are recognised when the related gross insurance claim is recognised according to the terms of the relevant contract.

Investment return

Dividends are recognised when the investments to which they relate are declared 'ex-dividend'. Interest income is recognised on a time proportionate basis considering effective interest yield.

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

An allocation of actual investment return on investments supporting the general insurance technical provisions and associated members' balance is made from the non-technical account to the technical account. Investment return related to non-insurance business and members' balance is attributed to the non-technical account. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Foreign currencies

The Syndicate's functional currency and presentational currency is Sterling being the primary currency of the economic environment in which the Syndicate operates.

Transactions in foreign currencies are translated using the average exchange rates applicable in the year in which the transaction occurs. This is deemed to be a reasonable approximation of the rate at which the transaction took place. 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.

Non-monetary items where applicable are measured in terms of historical cost in a foreign currency and translated using the exchange rate as at the date of the initial transaction and are not subsequently restated. Non-monetary items denominated in a foreign currency and measured at fair value are translated into the functional currency using the exchange rate ruling at the date when the fair value was determined.

Exchange differences are recorded in the non-technical account.

Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings, and no provision has been made for any overseas tax payable by members on underwriting results. It is the responsibility of members to agree and settle their tax liabilities with the taxation authorities of their country of residence.

Investments

Investments are stated at current value at the balance sheet date. For this purpose, listed investments are stated at market value (bid value), and deposits with credit institutions and overseas deposits are stated at cost. Unlisted investments for which a market exists are stated at the average price at which they are traded on the balance sheet date or the last trading day before that date.

Fair value of financial assets and derivatives determined using valuation techniques

Where the fair values of financial assets and financial liabilities recorded on the Statement of financial position cannot be derived from active markets, they are determined using a variety of valuation techniques that include the use of discounted cash flow models and/or mathematical models. The inputs to these models are derived from observable market data where possible, but where observable market data are not available, judgement is required to establish fair values. The judgements include considerations of liquidity risk, credit risk, and model inputs such as estimated future cash flows based on management's best estimates and discount rates.

For discounted cash flow analysis, estimated future cash flows and discount rates are based on current market information and rates applicable to financial instruments with similar yields, credit quality and maturity characteristics. Estimated future cash flows are influenced by factors such as economic conditions (including country specific risks), concentrations in specific industries, types of instruments or currencies, market liquidity, and financial conditions or counterparties. Discount rates are influenced by risk-free interest rates and credit risk.

Changes in assumptions about these factors could affect the reported fair value of financial instruments. Further details are given in Notes 11 and 20 of the annual accounts.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities
- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly
- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data

Cash and cash equivalents
Cash and cash equivalents in the Statement of financial position comprise cash at banks and in hand and short-term deposits with an original maturity date of three months or less. For the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above.

Claims outstanding
The outstanding claims provision is based on the estimated ultimate cost of all claims incurred but not settled at the reporting date, whether reported or not, together with related claims handling costs and reduction for the expected value of salvage and other recoveries. Delays can be experienced in the notification and settlement of certain types of claims; therefore, the ultimate cost of these cannot be known with certainty at the reporting date. The liability is calculated at the reporting date using a range of standard actuarial claim projection techniques, based on empirical data and current assumptions. The liability is not discounted for the time value of money.

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 because 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 or losses recognised in the period.

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. After 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 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. After initial recognition, they are measured at amortised cost using the effective interest rate method.

Risk management
Because of the 2018 and prior years of account reinsuring to close into the 2021 year of account, the residual risks to the members on the closed years have been minimised. The risk disclosure requirements of FRS 102 are deemed not applicable to these underwriting year accounts. It should be noted however, that a reinsurance contract does not extinguish the primary liability of the original underwriting year of account.

2. Segmental analysis

An analysis of the underwriting result before investment return and profit/(loss) on exchange is set out below:

	Gross written premium £000	Gross earned premium £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	**Total £000**
Direct insurance:						
Marine, aviation and transport	40,277	40,277	(28,044)	(19,254)	(3,246)	**(10,267)**
Fire and other damage to property	32,192	32,192	(11,773)	(15,389)	(12,588)	**(7,558)**
Third-party liability	10,596	10,596	(1,973)	(5,066)	(7,674)	**(4,117)**
Credit and suretyship	11,100	11,100	(4,291)	(5,307)	(7,796)	**(6,294)**
	94,165	94,165	(46,081)	(45,016)	(31,304)	**(28,236)**
Reinsurance	21,791	21,791	(17,169)	(10,417)	(2,403)	**(8,198)**
	115,956	**115,956**	**(63,250)**	**(55,433)**	**(33,707)**	**(36,434)**

Commissions on direct insurance gross premiums written on the 2018 and prior years of account were £22,348,000.

The reinsurance balance is the aggregate of all those items included in the technical account that relate to outward reinsurance transactions, including items recorded as reinsurance commissions, profit participation and reinsurers' share of paid claims. The reinsurance balance includes reinsurance commission receivable.

The geographical analysis of gross premiums written on the 2018 year of account by destination (or operating territory) is as follows:

	£000
UK	1,333
Canada	2,405
United States of America	8,132
EU member states (excluding UK)	3,029
Other countries	20,657
Worldwide	80,400
	115,956

3. Reinsurance to close premium payable

	Reported £000	IBNR £000	**Total £000**
Gross reinsurance to close premium payable	(34,584)	(47,476)	**(82,060)**
Reinsurance recoveries anticipated	4,685	12,391	**17,076**
Reinsurance to close premium, net of reinsurance	**(29,899)**	**(35,085)**	**(64,984)**

4. Net operating expenses

	£000
Acquisition costs	**(27,454)**
Administrative costs	**(24,332)**
Members' personal expenses*	**(3,641)**
Members' agent fees	**(6)**
	(55,433)

**Members' personal expenses include Lloyd's subscriptions, Central fund contributions, Managing agent's fees and non-standard personal expenses.*

Notes to the financial statements

For the 2018 closed year of account as at 31 December 2020

5. Result on the technical account

	2017 & prior years of account £000	2018 pure year of account £000	**Total £000**
Technical account before operating expenses and investment return	3,356	15,643	**18,999**
Operating expenses*	2,524	(57,957)	**(55,433)**
Investment return	106	435	**541**
	5,986	(41,879)	**(35,893)**

**Operating expenses includes Acquisition costs, Administration costs, Members' Lloyd's personal expenses and Members' Agency fees.*

6. Financial investments

	Carrying value £000	Purchase price £000	Listed £000
Deposits with credit institutions	**9,044**	**9,044**	-

The amount of change in the fair value of financial investments, held at fair value through the income statement, attributable to changes in credit risk was nil. There was no material change in fair value for financial investments held at fair value attributable to own credit risk. There have been no day-one profits recognised in respect of financial instruments designated at fair value through the income statement.

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

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
Deposits with credit institutions	**9,044**	-	-	**9,044**

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

Level 2 category is financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions.

Level 3 category is 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.

7. Debtors arising out of direct and reinsurance operations

All debtors arising from direct insurance operations and reinsurance operations are due from intermediaries.

8. Cash and cash equivalents

	£000
Cash at bank and in hand	**25,547**

9. Other assets

Other assets comprise overseas deposits which are lodged as a condition of conducting underwriting business in certain countries.

10. Creditors arising out of direct and reinsurance operations

All creditors arising from direct insurance operations and reinsurance operations are due to intermediaries.

11. Other creditors

	£000
Due to PMAL affiliated companies	**(591)**

12. Related parties

Relevant information regarding relating parties as they affect the 2018 closed year of account is detailed in note 17 of the annual accounts on pages 27 to 28.

Summary of results

Year of account	2015	2016	2017	2018
Status	**Closed**	**Closed**	**Closed**	**Closed**
Syndicate allocated capacity (£m)	36,000	90,000	99,985	99,985
Number of underwriting members	477	498	397	8
Net premiums net of brokerage (£m)	23,346	46,399	56,540	62,274
Results for an illustrative share of £10,000				
Gross premiums	10,125	8,868	10,997	11,597
Net premiums	**8,723**	**7,370**	**8,365**	**8,974**
RITC from an earlier year of account	-	822	2,693	4,843
Net claims incurred	(6,119)	(5,010)	(6,204)	(5,417)
RITC for the year of account	(1,977)	(3,032)	(5,040)	(6,499)
Underwriting result	**627**	**150**	**(186)**	**1,900**
Profit/(loss) on exchange	(106)	(64)	102	47
Syndicate operating expenses	(4,489)	(3,813)	(4,790)	(5,179)
Balance on the technical account	**(3,968)**	**(3,727)**	**(4,874)**	**(3,232)**
Investment return	2	8	32	54
Result before personal expenses	**(3,966)**	**(3,719)**	**(4,842)**	**(3,178)**
Illustrative personal expenses:				
Managing agent fee	(125)	(121)	(157)	(219)
Lloyd's central fund	(82)	(72)	(101)	(38)
Lloyd's subscription	(36)	(38)	(44)	(39)
Non-standard personal expense	(84)	(92)	(58)	(68)
Members agent fee	(19)	(23)	(11)	(1)
	(346)	**(346)**	**(371)**	**(365)**
Result after personal expenses	**(4,312)**	**(4,065)**	**(5,213)**	**(3,543)**

Corporate information

Managing Agent
Premia Managing Agency Limited

Directors

JMP	Taylor (Chairman)*	*appointed 16 March 2020*
T J	Carroll *	*appointed 16 March 2020*
S L	McCann *	*appointed 16 March 2020*
R D	Andrews	
C M	Grint	*appointed 18 February 2021*
P	Koslover	*appointed 15 October 2020*
S L	Maries	*appointed 26 March 2020*
SGW	Tuvnes	*appointed 17 November 2020*
S S	Sihota	*resigned 11 September 2020*
Z	Szalkai	*appointed 26 March 2020, resigned 1 November 2020*
B J	Hurst-Bannister *	*resigned 16 April 2020*
T A	Rhodes *	*resigned 16 March 2020*
S J	Riley *	*resigned 16 April 2020*
J P	Grose*	*resigned 16 March 2020*

** Non-executive directors*

Company Secretary

L A	Dlaboha	*appointed 23 September 2020*
R H	Durowse	*appointed 16 March 2020, resigned 23 September 2020*
Charles Taylor & Co. Limited		*resigned 16 March 2020*

Managing Agent's Registered Office
The Minister Building
21 Mincing Lane
London
EC3R 7AG

Managing Agent's Registered Number
09147885

Syndicate
Premia Syndicate 1884

Run-off Manager
R D Andrews

Bankers
Barclays PLC
Citibank NA
RBC Dexia

Independent Auditor
Ernst & Young LLP, London

Premia Managing Agency Ltd.
Registered office: The Minister Building, 21 Mincing Lane, London EC3R 7AG.

Registered in England No. 9147885