

Accounts disclaimer

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Coverys Managing Agency Limited

Report and Financial Statements
Syndicate 3330
for the year ended
31 December 2020

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

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COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Administration

Managing agent

Coverys Managing Agency Limited
One Creechurch Place
London EC3A 5AF

Bankers

National Westminster Bank plc
City of London Office
PO Box 12258
1 Princes Street
London EC2R 8PA 5HP

Investment Managers

Payden & Rygel Global Limited
1 Bartholomew Lane
London EC2N 2AX

Independent Auditors

PKF Littlejohn LLP
Statutory Auditors
15 Westferry Circus
Canary Wharf
London E14 4HD

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Managing agent's report

Coverys Managing Agency Limited (trading as "Coverys at Lloyd's") presents its report for syndicate 3330 for the year ended 31 December 2020.

Strategic report

The managing agent's report should be read in conjunction with the strategic report as it includes information required to be disclosed in the managing agent's report. This information is primarily relating to a review of the business and a description of principle risks and uncertainties, although there is more extensive disclosure of risk management on page 20.

Directors

The directors of the managing agent who served during the year ended 31 December 2020 and up to the date of this report were as follows:

E B Bagley	Group non-executive director
M Bell	Executive director
C D Charles	Non-executive director
A G Chopourian	Executive director
S A Davies	Non-executive director – appointed on 15 January 2021
R D Forster	Executive director – appointed on 20 November 2020
D W Hipkin	Non-executive director – appointed on 6 February 2020
R E McCoy	Executive director
T C Mills	Group non-executive director
J Marshall	Secretary – appointed on 27 April 2020
D M Reed	Non-executive director – resigned on 25 September 2020
P M Sloan	Executive director – resigned on 15 July 2020
A D Smith	Secretary – resigned on 27 April 2020
D T Wright	Executive director – appointed 1 July 2020 and resigned on 11 January 2021

Disclosure of information to auditors

So far as each person who was a director of the managing agent at the date of approving this report is aware, there is no relevant audit information, being information needed by the auditor in connection with preparing its report, of which the auditor is unaware. Having made enquiries of fellow directors and the syndicate's auditor, each director has taken all the steps that he/she is obliged to take as a director in order to make himself/herself aware of any relevant audit information and to establish that the auditor is aware of that information.

Approved by order of the board of Coverys at Lloyd's and signed on its behalf:

R E McCoy
Chief Executive Officer
4 March 2021

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Strategic report

The directors of Coverys at Lloyd's present their strategic report for syndicate 3330 for the year ended 31 December 2020.

Review of the business

Activities and future development

Syndicate 3330 is managed by Coverys at Lloyd's. With effect from 1 January 2018, the 2018 year of account had accepted the RITC of the 2012 – 2014 years of account of syndicate 3334, previously managed by Hamilton Underwriting Limited (HUL).

On 16 February 2021, syndicate 1994 managed by Apollo Syndicate Management Limited accepted the RITC of the 2018 year of account. As this removes all the business of the syndicate, the accounts have not been prepared on a going concern basis.

Business reinsured

Syndicate 3334 was set up in 2006 as a specialist insurer of sport and leisure risks providing liability, personal accident, property and contingency cover. The entire 2014 and prior book of business was closed into the 2018 year of account of syndicate 3330.

Capacity is provided by R&Q Capital No.1 Limited and DBIO II Capital UK Limited (part of the AXA Group).

Result for the year

The total recognised profit for the year is £1.3m (2019 loss £5.6m). The key financial performance indicators during the year were as follows:

	Gross written premiums £m	Underwriting profit £m	Investment income £m	Profit/(Loss) on exchange £m	Administrative expenses £m	Total £m
2018 Year	<u>-</u>	<u>1.2</u>	<u>0.1</u>	<u>-</u>	<u>-</u>	<u>1.3</u>

The overall profit for the year has been driven by favourable outcomes on the Sportscover Europe account and reinsurance recoveries arising out of the Sportscover Australia account. The result includes an adverse movement relating to the risk premium included in the RITC policy that has been agreed with the reinsurer, syndicate 1994.

Post balance sheet events

The 2018 year of account has been closed by RITC into syndicate 1994 - 2021 year of account which is managed by Apollo Syndicate Management Limited and the syndicate will cease to operate.

On 25 January 2021 the syndicate made a cash call on the names of £3.5m.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Strategic report (continued)

Other performance indicators

Staff matters

The managing agent considers its staff to be a key resource and seeks to provide a good working environment for its staff that is rewarding and safe and complies with appropriate employee legislation. During the year there have been no significant injuries to staff in the workplace or any significant actions taken by any regulatory bodies with regard to staff matters.

Environmental matters

The managing agent does not consider that a business such as a syndicate at Lloyd's has a large adverse impact upon the environment. As a result, the agent does not manage its business by reference to any environmental key performance indicators.

Part VII transfer

On 30 December 2020, the Members of the syndicate, between 1993 and April 2019, transferred all relevant policies (and related liabilities) underwritten by them to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant years of account of the syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through RITC of earlier years of account.

Following the sanction of the scheme by the High Court, the scheme took effect on 15 September 2020 and the Members of the syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of £87k, €977k and US\$3k on 4 January 2021.

On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with equal amounts of cash. The combined effect of the two transactions had no economic impact for the syndicate, and accordingly there is no impact on the syndicate's income statement or balance sheet.

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd's guidance no movements were processed on these policies on 31 December 2020.

Approved by order of the board of Coverys at Lloyd's and signed on its behalf:

R E McCoy
Chief Executive Officer
4 March 2021

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Statement of managing agent's responsibilities

The managing agent is responsible for preparing the annual report and the syndicate annual financial statements in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice.

Regulation 5 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 (the 2008 regulations) requires the managing agent to prepare Syndicate Annual Financial Statements at 31 December each year which give a true and fair view of the state of affairs of the syndicate and of its profit or loss for that year.

In preparing those syndicate annual financial statements, the managing agent is required to:

- select suitable accounting policies, and apply them consistently except where relevant accounting requirements change;
- make judgments and estimates that are reasonable and prudent;
- state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the syndicate annual financial statements; and
- prepare the syndicate annual financial statements on a going concern basis unless it is inappropriate to do so. As the syndicate's only year of account has been closed by RITC to another syndicate it is deemed inappropriate to prepare the accounts on a going concern basis.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the syndicate and enable it to ensure that the syndicate annual financial statements comply with the 2008 regulations. It is also responsible for safeguarding the assets of the syndicate and hence for taking reasonable steps for prevention and detection of fraud and other irregularities.

Independent auditor's report to the members of syndicate 3330

Opinion

We have audited the financial statements of Syndicate 3330 (the 'syndicate') for the year ended 31 December 2020 which comprise the Statement of Profit or Loss, the Balance Sheet, the Statement of Changes in Members' Balances, the Statement of Cash Flows and notes to the financial statements, 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 Financial Reporting Standard 102 *The Financial Reporting Standard applicable in the UK and Republic of Ireland* (United Kingdom Generally Accepted Accounting Practice).

In our opinion, the financial statements:

- give a true and fair view of the state 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 financial statements section of our report. We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the 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 – financial statements prepared on a basis other than going concern

We draw attention to the accounting policies – Going concern basis note which explains that the following the reinsurance to close no further business will be underwritten by the syndicate, therefore it will cease to exist and therefore the managing agent does not consider it to be appropriate to adopt the going concern basis of accounting in preparing the financial statements. Accordingly the financial statements have been prepared on a basis other than going concern.

Our opinion is not modified in this respect.

Other information

The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. The managing agent is responsible for the other information. Our opinion on the financial statements does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether there is a material misstatement in the financial statements or a material misstatement of the other information. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Independent auditor's report to the members of syndicate 3330 (continued)

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 report of the directors of the managing agent for the financial year for which the financial statements are prepared is consistent with the financial statements; and
- the report of the directors of the managing agent 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 report of the directors of the managing agent.

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

- adequate accounting records have not been kept on behalf of the syndicate; or
- the financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of managing agent emoluments and other benefits 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, the managing agent is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view and for such internal control as the managing agent determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the managing agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the managing agent either intend to liquidate the syndicate or to cease operations, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. The extent to which our procedures are capable of detecting irregularities, including fraud is detailed below:

- We obtained an understanding of the Syndicate and the insurance sector in which it operates to identify laws and regulations that could reasonably be expected to have a direct effect on the financial statements. We obtained our understanding in this regard through discussions with management, industry research and the application of our cumulative audit knowledge and experience of the insurance sector.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Independent auditor's report to the members of syndicate 3330 (continued)

- We determined the principal laws and regulations relevant to the Syndicate in this regard to be those arising from the FCA, PRA, Lloyd's, companies' legislation and the financial reporting framework.
- We designed our audit procedures to ensure the audit team considered whether there were any indications of non-compliance by the Syndicate with those laws and regulations. These procedures included, but were not limited to:
 - agreement of the financial statement disclosures to underlying supporting documentation;
 - enquiries of management and review of minutes of Board and management meetings throughout the period;
 - understanding the Syndicate's policies and procedures in monitoring compliance with laws and regulations;
 - inspection of correspondence with Lloyd's, the PRA and FCA; and
 - reviewing compliance reports and internal audit reports relating to the Syndicate.
- We also identified possible risks of material misstatement of the financial statements due to fraud. We considered in addition to the no-rebuttable presumption of a risk of fraud arising from management override of controls, that there was potential for management bias in the reporting of events and transactions in the financial statements relating to the valuation of technical provisions and the calculation of the reinsurer's share of technical provisions. To address this, we challenged the assumptions and judgements made by management when auditing those significant accounting estimates.
- As in all of our audits, we addressed the risk of fraud arising from management override of controls by performing audit procedures which included, but were not limited to, the testing of journals and reviewing accounting estimates for evidence of bias and evaluating the business rationale of any significant transactions that are unusual or outside the normal course of business.

Because of the inherent limitations of an audit, there is a risk that we will not detect all irregularities, including those leading to a material misstatement in the financial statements or non-compliance with laws and regulations. This risk increases the more that compliance with a law or regulation is removed from the events and transactions reflected in the financial statements, as we will be less likely to become aware of instances of non-compliance. This risk is also greater regarding irregularities occurring due to fraud rather than error, as fraud involves intentional concealment, forgery, conclusion, omission or misrepresentation.

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

Use of our report

This report is made solely to the syndicate's members, as a body, in accordance with Part 2 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. Our audit work has been undertaken so that we might state to the syndicate's members those matters we are required to state to them in an auditor's report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone, other than the syndicate and the syndicate's members as a body, for our audit work, for this report, or for the opinions we have formed.

Neil Coulson (Senior Statutory Auditor)
For and on behalf of PKF Littlejohn LLP
Statutory Auditor

15 Westferry Circus
Canary Wharf
London E14 4HD

4 March 2021

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Statement of profit or loss

Technical account - General business

Year ended 31 December 2020

		2020	2019
	Notes	£000	£000
Earned premiums, net of reinsurance			
Gross premiums written	1	-	(1)
Outward reinsurance premiums		(26)	(122)
Net written premiums		(26)	(123)
Earned premiums net of reinsurance		(26)	(123)
Allocated investment return transferred from the non-technical account		94	348
Claims incurred, net of reinsurance			
Claims paid			
Gross amount		(7,246)	(13,876)
Reinsurers' share		124	337
Net claims paid		(7,122)	(13,539)
Change in the provision for claims			
Gross amount		10,022	10,273
Reinsurers' share		(1,608)	(2,074)
Net change in the provision for claims		8,414	8,199
Claims incurred net of reinsurance		1,292	(5,340)
Net operating expenses	3,4,5	(25)	(322)
Balance on the technical account for general business		1,335	(5,437)

All business is continuing until the year-end after which it will be transferred to another syndicate by RITC. The continuing activity of the syndicate is the run-off of insurance liabilities.

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Statement of profit or loss

Non-technical account

Year ended 31 December 2020

	Notes	2020 £000	2019 £000
Balance on the technical account for general business		1,335	(5,437)
Investment income	6	218	436
Realised gains on investments	6	13	30
Unrealised gains on investments	6	107	82
Realised losses on investments	6	(111)	(132)
Unrealised losses on investments	6	(124)	(41)
Investment expenses and charges	6	(9)	(27)
Allocated investment return transferred to technical account – general business		(94)	(348)
Non-technical account income/(charges)		<u>(35)</u>	<u>(155)</u>
Profit/(loss) for the financial year		<u>1,300</u>	<u>(5,592)</u>

Statement of other comprehensive income for the year ended 31 December 2020

Profit/(loss) for the financial year	<u>1,300</u>	<u>(5,592)</u>
Total comprehensive income for the financial year	<u>1,300</u>	<u>(5,592)</u>

Statement of retained earnings

Balance due from members at 1 January		(5,653)	(3,061)
Total comprehensive income for the financial year		1,300	(5,592)
Loss collected from members on 2017 year of account		451	-
Cash call made		-	3,000
Balance due to/(from) members at 31 December	10	<u>(3,902)</u>	<u>(5,653)</u>

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

**Balance sheet - Assets
at 31 December 2020**

	Notes	2020 £000	2019 £000
Investments			
Other financial investments	7	1,259	8,303
Reinsurers' share of technical provisions			
Claims outstanding	2	1,407	4,538
Debtors			
Debtors arising out of direct insurance operations	8	521	340
Debtors arising out of reinsurance operations	8	-	430
Other debtors	8	1,248	6,612
		<u>1,769</u>	<u>7,382</u>
Other assets			
Cash at bank and in hand		1,630	2,952
Overseas deposits	9	2,029	4,120
		<u>3,659</u>	<u>7,072</u>
Prepayments and accrued income		23	297
Total assets		<u>8,117</u>	<u>27,592</u>

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

**Balance sheet - Liabilities
at 31 December 2020**

	Notes	2020 £000	2019 £000
Capital and reserves			
Members' balances	10	(3,902)	(5,653)
Technical provisions			
Claims outstanding	2	11,132	29,137
Creditors			
Creditors arising out of reinsurance operations	11	-	412
Other creditors	11	124	2,612
		<u>124</u>	<u>3,024</u>
Accruals and deferred income		763	1,086
Total liabilities		<u>8,117</u>	<u>27,592</u>

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

The syndicate annual accounts were approved by the board of directors of Coverys at Lloyd's and were signed on its behalf by

R E McCoy
Chief Executive Officer

M Bell
Finance Director
4 March 2021

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Statement of cash flows

Year ended 31 December 2020

	2020	2019
	£000	£000
Cash flow from operating activities		
Profit/(loss) for the financial year	1,300	(5,592)
Exclude investment return	(94)	(348)
(Decrease)/increase in gross technical provisions	(18,004)	(11,062)
Decrease/(increase) in reinsurers' share of technical provisions	3,131	2,137
Decrease/(increase) in debtors, prepayments and accrued income	5,796	3,638
(Decrease)/increase in creditors	<u>(3,223)</u>	<u>(1,464)</u>
Net cash generated from operating activities	<u>(11,094)</u>	<u>(12,691)</u>
Cash flows from investing activities:		
Investment income received	94	348
Purchases of debt and equity instruments	(6,944)	(28,627)
Sales of debt and equity instruments	16,105	35,246
Amount to/(due) from member	-	11
Foreign exchange	<u>(400)</u>	<u>552</u>
Net cash generated from investing activities	<u>8,855</u>	<u>7,530</u>
Cash flows from financing activities:		
Cash call made	-	3,000
Distribution loss	452	-
Other	<u>373</u>	<u>-</u>
Net cash generated from financing activities	<u>825</u>	<u>3,000</u>
Net (decrease)/increase in cash and cash equivalents	(1,414)	(2,161)
Cash and cash equivalents at 1 January	2,952	5,244
Foreign exchange on cash and cash equivalents	<u>92</u>	<u>(131)</u>
Cash and cash equivalents at 31 December	<u>1,630</u>	<u>2,952</u>

The accounting policies and notes on pages 15 to 34 form part of these financial statements.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Statement of accounting policies

General information

Syndicate 3330 is a Lloyd's syndicate domiciled in England and Wales. It is managed by Coverys at Lloyd's, a private company limited by shares that was incorporated in England and whose registered office is One Creechurch Place, London EC3A 5AF. The syndicate is a specialist syndicate underwriting Lloyd's legacy business. It accepted the RITC contract of syndicate 3334 into its 2018 year of account. Capacity for the 2018 year of account is provided 10% by R&Q Capital No.1 Limited and 90% by DBIO II Capital UK Limited (part of the AXA Group). The 2018 year of account has been closed by RITC into syndicate 1994 - 2021 year of account which is managed by Apollo Syndicate Management Limited and the syndicate will cease to operate.

Compliance with accounting standards

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

Basis of preparation

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through the profit or loss which are measured at fair value.

Going concern basis

On 16 February 2021 syndicate 1994 managed by Apollo Syndicate Management Limited accepted the RITC of the 2018 year of account. There is no further business underwritten in the syndicate and accordingly the going concern basis has not been adopted in the preparation of the financial statements. The financial statements reflect the values at which the balances will transfer to the reinsurer.

Basis of accounting

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

Premiums written

Premiums written comprise adjustments made in the year to premiums on contracts inception in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them.

Reinsurance premium ceded

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

Technical provisions - claims incurred and reinsurers' share

Gross claims incurred at 31 December 2020 comprise the estimated cost of all claims occurring up to 30 September 2020 less an adjustment for claims paid in the final quarter, whether reported or not, including related direct and indirect claims handling costs and adjustments to claims outstanding from previous years. The amount at the end of the year was adjusted by a risk premium calculated by the recipients of the RITC.

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

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

Statement of accounting policies (continued)

Technical provisions - claims incurred and reinsurers' share (continued)

The most critical assumption as regards claims provisions is that the past is a reasonable predictor of the likely level of claims development.

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

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

A reinsurance to close is a contract of insurance which, in return for a premium paid by the closing year of account transfers, all known and unknown liabilities arising out of transactions connected with insurance business underwritten by the closing year of account. However, it should be noted that a reinsurance contract does not extinguish the primary liability of the original underwriter. The RITC is transferring to Syndicate 1994, managed by Apollo Syndicate Management Limited.

Net operating expenses

Net operating expenses are accounted for on the accruals basis.

Employee costs include the cost of all employee benefits to which employees have become entitled as a result of service rendered to the entity during the reporting period, which the managing agent considers to be attributable to this syndicate.

Distribution of profits and collection of losses

Lloyd's operates a detailed set of regulations regarding solvency and the distribution of profits and payment of losses between syndicates and their members. Lloyd's continues to require membership of syndicates to be on an underwriting year of account basis and profits and losses belong to members according to their membership of a year of account. Normally profits and losses are transferred between the syndicate and members after results for a year of account are finalised after 36 months. This period may be extended if a year of account goes into run-off. The syndicate may make earlier on account distributions or cash calls according to the cash flow of a particular year of account and subject to Lloyd's requirements.

Foreign currencies

The presentational and functional currency of the syndicate is Sterling.

Transactions in US dollars, Euros and Canadian dollars are translated at the average rates of exchange for the period. Transactions denominated in other foreign currencies are included at the rate of exchange ruling at the date the transaction is processed.

In accordance with FRS 102 all monetary balance sheet assets and liabilities are translated into the Sterling functional currency at the rates of exchange at the balance sheet date. The profit or loss arising on the retranslation of balances to the closing rate of exchange is dealt with through the statement of comprehensive income – non technical account.

Statement of accounting policies (continued)

Financial assets and liabilities classification

The full provisions of FRS 102 have been applied to the treatment of financial instruments. The accounting classification of financial assets and liabilities determines their basis of measurement and how changes in those values are presented in the profit or loss or other comprehensive income. These classifications are made at initial recognition and subsequent reclassification is only permitted in restricted circumstances.

Investments in shares and other variable yield securities and unit trusts and debt securities and other fixed income securities are classified as fair value through profit or loss as they are managed on a fair value basis. cash at bank, deposits with credit institutions, debtors and accrued interest are classified as held at amortised cost.

Recognition

Financial assets and liabilities are recognised when the syndicate becomes party to the contractual provisions of the instrument. Financial liabilities and equity instruments are classified according to the substance of the contractual arrangements entered into. An equity instrument is any contract that evidences a residual interest in the asset after deducting all of its liabilities.

Initial measurement

All financial assets and liabilities are initially measured at transaction price (including transaction costs), except for those financial assets classified as at fair value through profit or loss, which are initially measured at fair value (which is normally the transaction price excluding transaction costs), unless the arrangement constitutes a financing transaction. If an arrangement constitutes a finance transaction, the financial asset or liability is measured at the present value of the future payments discounted at a market rate of interest for a similar debt instrument.

Subsequent measurement

Non-current debt instruments are subsequently measured at amortised cost using the effective interest method. Debt instruments that are classified as payable or receivable within one financial year and which meet the above conditions are measured at the undiscounted amount of the cash or other consideration expected to be paid or received.

Investments in shares and other debt instruments are measured at fair value through profit or loss. Movements in unrealised gains and losses on investments represent the difference between their valuation at the balance sheet date and their purchase price or, if they have been previously valued, their valuation at the last balance sheet date, together with the reversal of unrealised gains and losses recognised in previous calendar years in respect of the investment disposed of in the current period.

De-recognition of financial assets and liabilities

Financial assets are derecognised when and only when, a) the contractual rights to the cash flow from the financial asset expire or are settled, b) the syndicate transfers to another party substantially all of the risks and rewards of ownership of the financial asset, or c) the syndicate, despite having retained some significant risks and rewards of ownership, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer.

Financial liabilities are derecognised only when the obligation specified in the contract is discharged, cancelled or expires.

Fair value measurement

The best evidence of fair value is a quoted price for an identical asset in an active market. When quoted prices are unavailable, the price of a recent transaction for an identical asset provides evidence of fair value as long as there has not been a significant change in economic circumstances or a significant lapse in time since the transaction took place. If the market is not active and recent transactions of an identical asset on their own are not a good estimate of fair value, the syndicate's estimate the fair value by using a valuation technique.

Statement of accounting policies (continued)

Impairment of financial instruments measured at amortised cost or cost

For financial assets carried at amortised cost, the amount of an impairment is the difference between the asset's carrying amount and the present value of estimated future cash flows, discounted at the financial asset's original effective interest rate, i.e. using the effective interest method.

For financial assets carried at cost less impairment, the impairment loss is the difference between the asset's carrying amount and the best estimate of the amount that would be received for the asset if it were to be sold at the reporting date.

Where indicators exist for a decrease in impairment loss, and the decrease can be related objectively to an event occurring after the impairment was recognised, the prior impairment loss is tested to determine reversal. An impairment loss is reversed on an individual impaired financial asset to the extent that the revised recoverable value does not lead to a revised carrying amount higher than the carrying value had no impairment been recognised. The amount of the reversal is recognised in profit and loss immediately.

Offsetting

Debtors/creditors arising from insurance/reinsurance operations shown in the balance sheet include the totals of all outstanding debit and credit transactions as processed by the Lloyd's central facility. No account has been taken of any offsets which may be applicable in calculating the net amounts due between the syndicate and each of its counterparty insureds, reinsurers or intermediaries as appropriate.

Investment return

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

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

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account. Investment return has been wholly allocated to the technical account as all investments relate to the 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 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 during the year have been included in the balance sheet under the heading 'other debtors'.

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

Pension costs

Coverys MA Services Limited, a wholly owned subsidiary of Coverys at Lloyd's, operates a defined contribution scheme on behalf of the managing agency. Pension contributions relating to syndicate staff are charged to the syndicate and included within net operating expenses and other acquisition costs.

Statement of accounting policies (continued)

Key accounting judgements and estimation uncertainties

Of the various accounting judgements, assumptions and estimates made in the preparation of these financial statements those relating to the determination of the technical provisions and investment valuations are considered to be those most critical to understanding the syndicate's results and financial position.

Technical provisions

The accounting policy for technical provisions is described on page 15-16 and the related risks are described on page 20-22. The net technical provisions after the reinsurers' share is £9,725k (2019: £24,599k).

The most uncertain element within these technical provisions is the amount for claims outstanding which covers amounts where either the claim has been notified to the syndicate or where there has not yet been a notification or although notified there has been insufficient information to date to be certain regarding its ultimate costs. This amounted to £11,132k (2019: £29,137k). As described in the risk note there is a thorough review process of claims notifications and reserving estimates, including detailed actuarial evaluation of past claims development. There is however a risk that past performance may not be a good indicator of the future developments. This is however mitigated by a mixed spread of different types of business from a number of geographical areas across several years that should reduce the risk of a common trend of adverse development occurring. The RITC contract with syndicate 1994 has effectively set the value for these liabilities as at 31 December 2020.

Investment valuations

All investments are shown at their fair value as described in the accounting policies on page 18 and details of the risks relating to investments are disclosed on page 21. All investments are highly rated securities and regularly traded on major stock exchanges so that the risks in their valuations are reduced.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

Risk management

Coverys approach to syndicate risk management

The syndicate's activities expose it to a variety of financial and non-financial risks. The syndicate's core business is to accept significant insurance risk, whilst the appetite for other risks is low. The managing agent is responsible for understanding and managing the syndicate's exposure to such risks and does this through the deployment of its risk management framework.

The Coverys at Lloyd's risk management framework includes an annual review, setting and board approval of risk appetite for the syndicate as a part of the syndicate business planning and capital setting process. The risk management function regularly assess the risks to which the syndicate is exposed, and where deemed necessary, ensure that controls and procedures are in place to mitigate the effects of such risk to an acceptable level. A risk and capital committee meets regularly to monitor performance against the approved risk appetite using a set of key risk indicators and provide oversight and challenge to ensure the syndicate operates in a robust control environment.

Critical to the risk management of the syndicate is ensuring sufficient capital is in place to meet the solvency needs of the syndicate. An internally developed capital model (Coverys at Lloyd's internal model) is used to quantify the syndicate's capital requirements based on the assessment of the risks impacting the syndicate's business and the measures in place to manage and mitigate those risks from a quantitative and qualitative perspective. As described in note 12, the managing agent is required to prepare a Solvency Capital Requirement (SCR) return to Lloyd's annually, using the results of the internal model, to agree capital requirements of the syndicate with Lloyd's.

Syndicate risk exposures

Following the closure of this Syndicate by Reinsurance to Close with effect from 1 January 2021, these risks are effectively transferred to the reinsuring syndicate.

Insurance risk

The very nature of the syndicate's business exposes it to the possibility that claims will arise on business written. Insurance risk is the principal risk the syndicate faces and arises from the inherent uncertainties in the occurrence, amount and timing of insurance liabilities. The main insurance risk which affects the syndicate is reserving risk as described below. Insurance risk is quantified in the internal model using projections (informed by syndicate experience and discussions with business owners) in relation to the key drivers of the risk.

Reserving risk

There are a number of drivers of reserving risk.

Reserves are established for earned premium income, there is no unearned premium as the syndicate is in its final year. The reserves in relation to the former are claims reserves. In relation to the latter, as there is no unearned premium reserve there is no unexpired risk provision. No reserve for unallocated loss adjustment expenses (ULAE) has been established but an allowance has been made for bad debt.

In order to mitigate reserving risk, the Coverys at Lloyd's actuarial function uses a number of actuarial techniques, to project gross and net premiums and gross and net insurance liabilities on a best estimate basis. The results of these techniques are then subject to formal peer review. This is an iterative process where the internal and external actuaries meet to discuss data, models, methods and assumptions. This involves a considerable amount of challenge.

Once both sets of actuaries have completed their view of reserves, the results of the external actuary's projections are then compared to those proposed by the Coverys at Lloyd's actuarial function. The chief actuary will then present the proposed reserves for scrutiny by the audit committee who then make a reserve recommendation to the board.

COVERYS MANAGING AGENCY LIMITED

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Risk management (continued)

Reserving risk (continued)

The level of booked reserves requires formal approval by the board and is subject to an external audit and further actuarial opinion. The independent reserve assessment is presented in a Statement of Actuarial Opinion (SAO) to confirm the adequacy of the reserves and is provided annually to Lloyd's.

	2020	2019
	£000	£000
Gross outstanding claims provision	11,132	29,137
Net outstanding claims provision	9,725	24,599
1% movement in net outstanding claims	(97)	(246)

The above assumes that the reinsurers share pro-rata in any deterioration in outstanding claims which may not be the case.

Investment risk

The syndicate's asset holdings expose it to investment risk, driven by the following sub-risk types: spread risk, currency and interest rate risks.

The syndicate's investment policy is established by the board following recommendations by the Coverys at Lloyd's investment committee and/or panel. In order to mitigate market risk, the board assesses reports from finance to monitor the economic situation and to seek to anticipate any future interest rate movements and to take appropriate action to mitigate its effect on the value of syndicate assets. At the time of writing this report, the investment committee's terms of reference and scope were being reviewed as a result of the recent Coverys at Lloyd's governance review.

Market risk is quantified in the internal model using the syndicate's asset holdings positions and an economic scenario generator (ESG) to simulate the impact of the risks below to the asset portfolio.

Liquidity risk

To mitigate liquidity risk the board regularly reviews cash flow projections and maintains cash levels consistent with the needs of the syndicate. The syndicate maximises the inflow of funds from reinsurance recoveries and controls costs through the reporting of the expense budget.

Free funds in the syndicate are very marginal and without an injection of cash, it may struggle to pay ongoing claims and expenses prior to the year of account loss being received through the Lloyd's distribution process in June. A cash flow forecast showed the need for additional funds sooner and following discussions with the majority member, a cash call was made for £3.5m on 25 January 2021.

To mitigate liquidity risk the board regularly reviews cash flow projections and maintains cash levels consistent with the needs of the syndicate. The syndicate maximises the inflow of funds from reinsurance recoveries and controls costs through the reporting of the expense budget.

The following is an analysis of the estimated timing of net cash flows for the net claims liabilities held at the end of the year and at the previous year-end. These forecasts are based upon current estimates and historic trends and the actual timings of these future settlements may differ materially from the estimates on the next table.

Risk management (continued)**Liquidity risk (continued)**

	<i>Within one year £000</i>	<i>Between one and three years £000</i>	<i>Between three and five years £000</i>	<i>Over five years £000</i>	<i>Total £000</i>
2020 net claims liabilities	4,753	3,727	1,109	136	9,725
2019 net claims liabilities	9,626	10,729	3,314	930	24,599

The following table summarises the maturity profile of the syndicate's gross financial liabilities.

	<i>Within one year £000</i>	<i>Between one and three years £000</i>	<i>Between three and five years £000</i>	<i>Over five years £000</i>	<i>Total £000</i>
As at 31 December 2020					
Outstanding claims liabilities	5,441	4,265	1,270	156	11,132
Creditors	124	-	-	-	124
As at 31 December 2019					
Outstanding claims liabilities	11,403	12,708	3,925	1,101	29,137
Creditors	3,024	-	-	-	3,024

Currency risk

The main exposure to foreign currency risk arises from insurance liabilities originating overseas. The syndicate attempts to fully match assets with liabilities on a regular basis. The syndicate is exposed to changes in the unmatched value of assets and liabilities due to movements in foreign exchange rates. The syndicate deals in five main currencies, UK sterling, Canadian dollars, Euros, Australian dollars and US dollars. Transactions also take place in other currencies, although these are immediately converted to UK sterling. A 10% fall in the value of all overseas net assets would lead to a £7k loss (2019: £547k loss) with Australian dollar net assets being the largest element of that at £91k (2019: US Dollars - £511k loss). The syndicate monitors these currency balances and aims to ensure excessive balances above accumulated profits do not accrue beyond those necessary to meet overseas trust fund requirements. The syndicate has not taken out any transactions to hedge these balances.

The table on the next page, all expressed in sterling shows that the total net assets held by the syndicate designated in Australian dollars at the year-end represented 23% (2019: US Dollars - 89%) of all currencies.

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Risk management (continued)

Currency risk (continued)

<i>At 31 December 2020</i>	<i>Sterling</i>	<i>US</i>	<i>CAD</i>	<i>Euro</i>	<i>Aus</i>	<i>Total</i>
	<i>£000</i>	<i>Dollar</i>	<i>£000</i>	<i>£000</i>	<i>Dollar</i>	<i>£000</i>
		<i>£000</i>			<i>£000</i>	
Financial investments	202	52	464	1	540	1,259
Overseas deposits	3	177	19	-	1,830	2,029
Reinsurers' share of technical provisions	1,116	(13)	-	-	304	1,407
Insurance and reinsurance debtors	766	-	(6)	76	(315)	521
Cash at bank and in hand	80	33	198	1,074	245	1,630
Other assets	306	2	-	30	933	1,271
Total assets	2,473	251	675	1,181	3,537	8,117
Technical provisions	5,564	(13)	160	2,801	2,620	11,132
Insurance and reinsurance creditors	-	-	-	-	-	-
Other creditors	882	(9)	14	-	-	887
Total liabilities	6,446	(22)	174	2,801	2,620	12,019
Surplus/(deficiency) of assets	(3,973)	273	501	(1,620)	917	(3,902)
<i>At 31 December 2019</i>	<i>Sterling</i>	<i>US</i>	<i>CAD</i>	<i>Euro</i>	<i>Aus</i>	<i>Total</i>
	<i>£000</i>	<i>Dollar</i>	<i>£000</i>	<i>£000</i>	<i>Dollar</i>	<i>£000</i>
		<i>£000</i>			<i>£000</i>	
Financial investments	2,059	737	860	3,071	1,576	8,303
Overseas deposits	838	201	61	-	3,020	4,120
Reinsurers' share of technical provisions	2,881	1,069	145	-	443	4,538
Insurance and reinsurance debtors	549	215	6	-	-	770
Cash at bank and in hand	253	2,206	198	101	194	2,952
Other assets	408	5,956	104	511	(160)	6,819
Total assets	6,988	10,384	1,374	3,683	5,073	27,502
Technical provisions	14,649	4,920	188	5,690	3,690	29,137
Insurance and reinsurance creditors	205	113	2	-	92	412
Other creditors	3,349	237	(2)	-	114	3,698
Total liabilities	18,203	5,270	188	5,690	3,896	33,247
Surplus/(deficiency) of assets	(11,215)	5,114	1,186	(2,007)	1,177	(5,745)

Interest rate risk

The syndicate's main exposure to fluctuation in interest rates arises from its effect on the valuation of funds invested in bonds and equities. In order to mitigate this risk, the board, advised by its external investment managers, monitors the economic situation to seek to anticipate any future interest rate movement and to take appropriate action to mitigate its effect on the value of investments held.

Risk management (continued)**Interest rate risk (continued)**

The large element of the syndicate's investments is comprised of fixed income securities. The fair value of the investment in fixed income securities is inversely correlated to the movement in market interest rates. If market rates fall, the fair value of the syndicate's fixed interest investments would tend to rise and vice versa. Fixed income assets are predominantly invested in high quality corporate and government securities. The investments typically have relatively short durations and terms to maturity.

	2020	2019
	£000	£000
Impact of a 50 basis point increase in interest rates on result	(16)	(48)
Impact of a 50 basis point decrease in interest rates on result	16	48
Impact of a 50 basis point increase in interest rates on net assets	(16)	(48)
Impact of a 50 basis point decrease in interest rates on net assets	16	48

Credit risk

Credit risk arises where counterparties fail to meet their financial obligations in full as they fall due. The primary sources of credit risk for the syndicate are:

- **Reinsurers:** Whereby reinsurers may fail to pay valid claims against a reinsurance contract held by the syndicate.
- **Brokers and intermediaries:** Whereby counterparties fail to pass on premiums collected or claims paid on behalf of the syndicate.
- **Financial instruments:** Whereby issuer default results in the syndicate losing all or part of the value of a financial instrument.

Reinsurance credit risk

The syndicate is in run-off and many of the external reinsurance programs in place would have been purchased some time ago. Reinsurance aged debt and risk of default are monitored by AXA who report to Coverys at Lloyd's through the 3330 working group. There are a number of ways in which the syndicate considers and monitors reinsurance counterparty financial strength. The Coverys at Lloyd's internal model calculates the effect of reinsurer default on the syndicate's ability to make reinsurance recoveries. The methodology is captured in the model documentation.

Financial instruments risk

The syndicate has debtors, creditors, bank balances and investments in various currencies in the normal course of its business. The risks with regard to these transactions are detailed above and none of these financial instruments are considered to present any risks that are exceptional in their nature for their type of instrument. The syndicate does not actively enter into derivatives, hedging or other uses of financial instruments as part of its financial risk management. The following tables analyse the syndicate's major exposures to counterparty credit risk excluding loans and receivables, based on Standard & Poor's or equivalent rating at 31 December 2020.

Risk management (continued)**Financial instruments risk (continue)****At 31 December 2020**

	AAA	AA	A	BBB	Other/ non rated	Total
	£000	£000	£000	£000	£000	£000
Variable yield securities and unit trusts	-	-	132	-	-	132
Debt securities	-	-	-	-	-	-
Investment pools	-	1,127	-	-	-	1,127
Deposits with credit institutions	-	-	-	-	-	-
Reinsurers' share of outstanding claims	-	34	1,373	-	-	1,407
Reinsurance debtors	-	-	-	-	-	-
Cash at bank and in hand	-	-	1,630	-	-	1,630
Overseas deposits	-	1,984	-	45	-	2,029
Total	-	3,145	3,135	45	-	6,325

At 31 December 2019

Variable yield securities and unit trusts	-	-	413	-	-	413
Debt securities	-	2,866	1,795	898	-	5,559
Investment pools	-	-	2,058	-	-	2,058
Deposits with credit institutions	-	-	-	273	-	273
Reinsurers' share of outstanding claims	21	433	4,090	10	(16)	4,538
Reinsurance debtors	21	134	176	65	34	430
Cash at bank and in hand	-	237	2,715	-	-	2,952
Overseas deposits	-	4,074	-	46	-	4,120
Total	42	7,744	11,247	1,292	18	20,343

Insurance receivables and other debtors are not shown above but would be categorised as 'unrated' as a majority of the balance relates to insurance broker debt which falls outside credit rating requirements.

Operational risk

Much of the effect of the syndicate's exposure to operational risks is reflected in the various other risk headings above and is mitigated and managed through the exercise of the management controls and actions described above. The main additional exposures are in relation to business continuity, i.e. the risk that the ability of the syndicate to continue in business will be affected by events not reflected under other headings, for example the impact of terrorist activity, and in the management of relationships and arrangements with key individuals. In relation to the former, the managing agent maintains a business continuity plan (BCP) which sets out the main anticipated risks, including those relating to the robustness and sustainability of IT infrastructure and business applications, and the arrangements in place to mitigate those risks. The BCP is monitored and updated regularly. In relation to the latter, the managing agent has established arrangements designed to achieve an appropriate commonality of interest between the syndicate and the individuals concerned, and these arrangements are reviewed periodically. In addition, to mitigate the risk of loss of key staff, the managing agent seeks to maintain a sufficient personnel resource with appropriate experience and expertise to reduce the dependence on any one individual so far as is practicably possible. Operational risk is monitored via regular risk and control assessments and tested for adequate risk mitigation in place through scenario assessments; the insight from these processes is used to quantify operational risk in the internal model.

Risk management (continued)

Regulatory risk

The managing agent is required to comply, inter alia, with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Failure to comply with applicable regulations could result in a variety of sanctions, the most extreme being a withdrawal of the right to underwrite business. The managing agent has established a business ethos in which best practice is the required standard for all operations, both in the commercial interests of the business and to ensure regulatory compliance. Management has also put in place appropriate monitoring structures to mitigate the risk of failing to meet this standard. The Coverys at Lloyd's compliance committee monitors regulatory developments to ensure the managing agent remains compliant. In addition the risk management function monitors the position. The internal audit function supports the monitoring process, and directly reports into the Coverys at Lloyd's audit committee, itself comprised of non-executive directors of the managing agent.

Regulatory risk is quantified under operational risk in the internal model.

Solvency risk

The board sets the risk appetite in line with its strategy and ensures that sufficient capital resources are raised to cover those risks in line with Regulatory and Lloyd's capital setting processes. The Coverys at Lloyd's risk and capital committee monitors risk appetite and tolerances on behalf of the board.

In the event of extreme adverse claims experience, it is possible that the syndicate may not be able to settle its claim liabilities out of its own funds. In that event, the capital structure underpinning the syndicate is such that any deficits can be called from the syndicate's capital providers (members) in accordance with Lloyd's rules. In the event of any member being unable to fulfil its share of such a call, Lloyd's Central Guarantee Fund may, at Lloyd's discretion, be applied to make good any deficits for the benefit of policyholders.

Brexit

The UK formally left the EU on the 31 January 2020. Lloyd's Insurance Company SA has been established to mitigate this risk on EU business for all Lloyd's syndicates. The creation of a regulated, capitalised insurance company in Europe enables the syndicate to retain access to the EU underwriting market.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

**Notes to the annual financial statements
at 31 December 2020**

1. Analysis of underwriting results

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

	Gross written premiums £000	Gross premiums earned £000	Gross claims incurred £000	Gross operating expenses £000	Reinsurance balance £000	Total £000
2020						
Direct insurance:						
Accident and health Marine, aviation and transport	-	-	2,948	-	(4)	2,944
Fire and other damage to property	-	-	519	(1)	(35)	483
Third party liability	-	-	(270)	(24)	(1,471)	(1,765)
Credit and suretyship	-	-	-	-	-	-
Pecuniary loss	-	-	(421)	-	-	(421)
Motor	-	-	-	-	-	-
	-	-	2,776	(25)	(1,510)	1,241
Reinsurance	-	-	-	-	-	-
	-	-	2,776	(25)	(1,510)	1,241

2019

Direct insurance:

Accident and health Marine, aviation and transport	-	-	(323)	(12)	86	(249)
Fire and other damage to property	-	-	(99)	(5)	(31)	(135)
Third party liability	3	3	(1,597)	(295)	(1,873)	(3,762)
Credit and suretyship	-	-	-	-	-	-
Pecuniary loss	-	-	(339)	-	2	(337)
Motor	-	-	(1,232)	(1)	51	(1,182)
	3	3	(3,131)	(321)	(2,139)	(5,588)
Reinsurance	(4)	(4)	(472)	(1)	280	(197)
	(1)	(1)	(3,603)	(322)	(1,859)	(5,785)

2. Claims incurred net of reinsurers' share

	2020 £000	2019 £000
Gross technical provisions	11,132	29,137
Reinsurers' share of technical provisions	(1,407)	(4,538)
Net technical provisions	9,725	24,599

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

**Notes to the annual financial statements (continued)
at 31 December 2020**

2. Claims incurred net of reinsurers' share (continued)

Reconciliation of movements in year

2020	Gross £000	Reinsurers' share £000	Net £000
At 1 January 2020	29,137	(4,538)	24,599
Movement in technical account	(18,601)	3,185	(15,416)
Foreign exchange	596	(54)	542
At 31 December 2020	<u>11,132</u>	<u>(1,407)</u>	<u>9,725</u>
2019	Gross £000	Reinsurers' share £000	Net £000
At 1 January 2019	40,197	(6,674)	33,523
Movement in technical account	(10,273)	2,075	(8,198)
Foreign exchange	(787)	61	(726)
At 31 December 2019	<u>29,137</u>	<u>(4,538)</u>	<u>24,599</u>

Claims development triangulations

Gross claims development as at 31 December 2020

Pure Underwriting year	2018 £000	Total £000
Estimate of gross claims incurred		
After one year	246,543	
After two years	247,406	
After three years	241,630	
Less gross claims paid	<u>230,498</u>	
Gross reserves	<u>11,132</u>	<u>11,132</u>

COVERYS MANAGING AGENCY LIMITED

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**Notes to the annual financial statements (continued)
at 31 December 2020**

Claims development triangulations (continued)

Net claims development as at 31 December 2020

Pure Underwriting year	2018	Total
	£000	£000
Estimate of gross claims incurred		
After one year	226,672	
After two years	229,420	
After three years	225,155	
Less net claims paid	<u>215,430</u>	<u> </u>
Net reserves	<u>9,725</u>	<u>9,725</u>

Balances have been translated at exchange rates prevailing at 31 December 2020.

3. Net operating expenses

	2020	2019
	£000	£000
Administrative expenses	<u>25</u>	<u>322</u>
Administrative expenses include:		
Fees payable to the syndicate auditors for:		
Audit of the syndicate accounts	48	132
Other services relating to regulations and Lloyd's byelaws	30	20

Administrative expenses, where they relate to unallocated loss adjustment expenses (ULAE), are treated as paid claims and charged against the ULAE reserve.

4. Employees

The following amounts were recharged to the syndicate in respect of salary and related costs:

	2020	2019
	£000	£000
Wages and salaries	1,249	1,124
Social security costs	170	165
Other pension costs	82	82
	<u>1,501</u>	<u>1,371</u>

Salaries and related costs, where they relate to ULAE, are treated as paid claims and charged against the ULAE reserve.

COVERYS MANAGING AGENCY LIMITED

Syndicate 3330

**Notes to the annual financial statements (continued)
at 31 December 2020**

4. Employees (continued)

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

	2020	2019
Administration and finance	7	8
Claims	-	-
	<u>7</u>	<u>8</u>

5. Directors' and run-off managers' emoluments

The following amounts in respect of emoluments paid to the directors of the managing agent and the run-off manager were charged to the syndicate during the year:

	2020 £000	2019 £000
Run-off managers' emoluments	-	25
Other directors' emoluments	<u>64</u>	<u>102</u>
	<u>64</u>	<u>127</u>

S Hennessey stepped down and replaced by A Chopourian (regulatory approval received 14 January 2021).

6. Investment return

	2020 £000	2019 £000
Income from financial investments	218	436
Realised gains on investments	13	30
Unrealised gains on investments	<u>107</u>	<u>82</u>
Investment income	338	548
Realised losses on investments	(111)	(132)
Unrealised losses on investments	(124)	(41)
Investment expenses and charges	<u>(9)</u>	<u>(27)</u>
Allocated investment return transferred to the technical account from the non-technical account.	<u>94</u>	<u>348</u>

This can also be presented as follows:

Interest and similar income

Interest from financial instruments designated at fair value	<u>218</u>	<u>436</u>
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Other income from investments designated at fair value

Realised gains and losses	(98)	(102)
Unrealised gains and losses	(17)	41
Investment management expenses, including interest	<u>(9)</u>	<u>(27)</u>
	<u>(124)</u>	<u>(88)</u>

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**Notes to the annual financial statements (continued)
at 31 December 2020**

7. Other financial investments

	2020	2020	2019	2019
	Cost	Market	Cost	Market
	£000	value	£000	value
	£000	£000	£000	£000
Listed securities				
Shares and other variable yield securities	132	132	413	413
Debt securities and other fixed income securities	-	-	5,559	5,236
Participation in investment pools	1,120	1,127	2,058	2,000
Deposits with credit institutions	-	-	273	273
	<u>1,252</u>	<u>1,259</u>	<u>8,303</u>	<u>7,922</u>

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

	Level 1	Level 2	Level 3	Total
	£000	£000	£000	£000
Year ended 31 December 2020				
Shares and other variable yield securities and units in unit trusts	132	-	-	132
Debt securities and other fixed income securities	-	-	-	-
Participation in investment pools	1,127	-	-	1,120
Loans and deposits with credit institutions	-	-	-	-
Total	<u>1,259</u>	<u>-</u>	<u>-</u>	<u>1,252</u>
Year ended 31 December 2019				
Shares and other variable yield securities and units in unit trusts	413	-	-	413
Debt securities and other fixed income securities	5,559	-	-	5,559
Participation in investment pools	2,058	-	-	2,058
Loans and deposits with credit institutions	273	-	-	273
Total	<u>8,303</u>	<u>-</u>	<u>-</u>	<u>8,303</u>

In accordance with FRS 102 paragraph 11.27 the above financial instruments have been classified using three levels to estimate their fair values, with Level 1 being the most reliable. The levels within the fair value hierarchy are defined as follows:

Level 1: The unadjusted quoted prices in an active market for identical assets or liabilities that the entity can access at the measurement date.

Level 2: Inputs other than quoted prices included within Level 1 that are observable (i.e. developed using market data), for the asset or liability, either directly or indirectly.

Level 3: Inputs are unobservable (i.e. for which market data is unavailable) for the asset or liability.

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**Notes to the annual financial statements (continued)
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8. Debtors

	2020	2019
	£000	£000
Debtors due within one year		
Due from intermediaries		
Amounts arising out of direct insurance operations	521	340
Amounts arising out of reinsurance operations	-	430
Other debtors	1,248	1,536
	<u>1,769</u>	<u>2,306</u>
Debtors due after one year		
CCI Asset valuation	-	5,076
	<u>1,769</u>	<u>7,382</u>

9. Overseas Deposits

	2020	2019
	£000	£000
Amounts advanced in other countries as a condition of carrying on business there, in particular Australia	<u>2,029</u>	<u>3,020</u>

10. Reconciliation of members' balances

	£000	£000
Members' balances at 1 January	(5,653)	(3,061)
Cash call made	-	3,000
Loss collected from 2017 year of account	451	-
Total comprehensive income for the financial year	<u>1,300</u>	<u>(5,592)</u>
Members' balances carried forward at 31 December	<u>(3,902)</u>	<u>(5,653)</u>

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

11. Creditors

	2020	2019
	£000	£000
Creditors due within one year		
Amounts arising out of:		
Reinsurance operations	-	412
Inter-syndicate loan (S1110)	-	2,500
Other creditors including taxation	124	112
	<u>124</u>	<u>3,024</u>

**Notes to the annual financial statements (continued)
at 31 December 2020**

12. Regulatory capital requirements

Funds at Lloyd's

Every member of Lloyd's is required to hold additional capital at Lloyd's which is held in trust and known as Funds at Lloyd's ("FAL"). These funds are required primarily in case syndicate assets prove insufficient to meet members' underwriting liabilities.

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's according to the nature and the amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of that business. FAL is not hypothecated to any specific syndicate participation by a member, therefore there are no specific funds available to a syndicate which can be precisely identified as its capital.

In addition to the FAL and any additional funds a member may introduce to meet losses, there is a Central Guarantee Fund controlled by Lloyd's which they may utilise to meet any syndicate liabilities that are not met by a member.

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority (PRA) under the financial services and markets Act 2000 and in accordance with Solvency II requirements.

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

Although, as described below, Lloyd's capital setting processes use a capital requirement set at syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at syndicate level. Accordingly the capital requirement in respect of syndicate 3330 is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each syndicate are subject to review by Lloyd's and approval by the Lloyd's capital and planning group. A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate SCR 'to ultimate'. Where a member participates on more than one syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% (2019: 25%) of the member's SCR 'to ultimate'.

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Notes to the annual financial statements (continued) at 31 December 2020

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (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. There are no funds in syndicate held for this syndicate, accordingly all of the assets less liabilities of the syndicate, as represented by the member's balances reported on the balance sheet represent resources available to meet members' and Lloyd's capital requirements.

13. Derivatives

During the year, the syndicate has not held or purchased any derivative contracts.

14. Off-balance sheet items

The syndicate has not been party to an arrangement, which is not reflected in its balance sheet, where material risks and benefits arise for the syndicate.

15. Related parties

- (i) A number of executive directors of Coverys at Lloyd's were also directors and approved persons of other UK subsidiaries of the Coverys Group (see note 16).
- (ii) During the year Coverys MA Services Limited (CMAS), a UK subsidiary of the Coverys Group, was paid £1,504k (2019: £1,687k) by the syndicate for services provided. This amount has been charged at arms-length based on time spent by individuals. CMAS also provided a number of services to syndicate 3330 including Accommodation and Human Resources.
- (iii) R McCoy, R Forster and M Bell are directors of CMAS.
- (iv) For part of the year funds have been managed by AXA Investment Managers UK Limited (AXAIM) under an investment management agreement. The amount charged by AXAIM was £9k (2019: £25k).
- (v) During the year R&Q Central Services Limited provided IT services and were paid £180k (2019: £1,252k) by the syndicate.
- (vi) During the year AXA Liability Managers (AXALM) provided services for claims management. The amount charged was £498k.
- (vii) In 2018, syndicate 3330 borrowed funds from syndicate 1110. The closing balance was nil (2019: £2.5m). Interest has been charged by syndicate 1110 on commercial terms.

16. Controlling Party – Coverys Group

The ultimate Parent undertaking is Medical Professional Mutual Insurance company, a company registered in Massachusetts, USA.

The immediate parent undertaking is Coverys UK Holding Co. Limited which is registered in England and Wales.

Group Financial Statements are prepared by the immediate parent undertaking, Coverys UK Holding Co. Limited, a company registered in England & Wales, and can be obtained from Coverys UK Holding Co. Limited, 6th Floor, One Creechurch Place, London, EC3A 5AF.