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SYNDICATE CVS 1919

ANNUAL REPORT AND FINANCIAL STATEMENTS

FOR THE YEAR ENDED 31 DECEMBER 2021

Contents

Directors and administration

MANAGING AGENT
Starr Managing Agents Limited

Directors

N C T Pawson	(Non-executive Chairman)	
J Herbert	(Chief Executive Officer)	
D Stewart	(Director of Underwriting)	
G J L Broughton	(Finance Director)	
C W Buchanan	(Head of Casualty)	(resigned 4 June 2021)
A Missen	(Chief Operating Officer)	
N Childs	(Non-executive)	(resigned 31 March 2021)
S Blakey	(Non-executive)	
R Shaak	(Non-executive)	
N Newman-Young	(Non-executive)	(resigned 31 March 2021)
A P Hulse	(Non-executive)	
J Ribeiro	(Non-executive)	
J Helson	(Non-executive)	

Company secretary
A Bahia

Managing agent's registered office
4th Floor
30 Fenchurch Avenue
London
EC3M 5AD

Managing agent's registered number
6265337

SYNDICATE

Active underwriter
A Raven

Bankers
Citibank NA
Royal Bank of Canada
Barclays Plc

Statutory auditor
BDO LLP, London

Managing agent's report

The directors of Starr Managing Agents Limited ("SMAL") present their managing agent's report, incorporating the strategic report, for the year ended 31 December 2021.

This annual report is prepared using the annual basis of accounting as required by the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the 2008 Regulations").

Separate underwriting year accounts for the closed 2019 account have not been produced as the Syndicate member has agreed in writing that no underwriting year accounts shall be prepared in respect of the Syndicate.

Principal activity and review of the business
The principal activity of Syndicate 1919 during the period was the transaction of general insurance and reinsurance business. Note 4 (page 34) provides the analysis of gross written premium by geographic area in which the risks are written.

The Syndicate business is underwritten under a limited number of binding authority arrangements granted to Starr Underwriting Agents Limited ("SUAL") in London, an established and experienced underwriting agency. SUAL is a Financial Conduct Authority ("FCA") regulated insurance intermediary and an approved Society of Lloyd's ("Lloyd's") Coverholder. Lloyd's consortium business for the 2014 and post years of account is written via SMAL. Delegated authority is also given to a number of Starr offices in overseas territories to access local markets not otherwise available to Lloyd's. SUAL and SMAL share a single management team. SUAL and SMAL are both 100% owned by Starr Global Financial Inc. (Nevada) a group company.

On 30 December 2020, the Syndicate transferred all unexpired direct European Economic Area (EEA) based policies underwritten and all German reinsurance policies underwritten prior to October 2020 to Lloyd's Brussels, in accordance with Part VII of the Financial Services and Markets Act 2000. These risks were reinsured back into the Syndicate from Lloyd's Brussels on the same date. This portfolio transfer has had no impact on the financial result for the Syndicate during the period, however it is discussed in more detail in Note 18. The Part VII transfer had no impact on the financial result for 2021, though it can be seen by comparing the current and prior years in the analysis on Note 4 – Segmental Information as transferred EEA claims incurred are now classified as Reinsurance in the current period.

The Syndicate currently has a portfolio of six main divisions, namely:

Marine – direct and facultative business including hull, cargo and liability.
Aviation – direct and facultative business including airlines, products, and general aviation.
Technical risks – direct and facultative technical risks including onshore and offshore energy, process industries, power, chemical and other heavy industries, property and construction.
Accident and health – direct and facultative.
Political risk – direct and facultative business including credit risk and contract frustration.
Casualty – direct and facultative business including financial lines, construction, energy, export products and environmental and crisis management.

Managing agent's report

Results
The result for the calendar year 2021 is a loss of $11.8m (2020: profit of $15.2m). Losses will be distributed by reference to the results of individual underwriting years. The member's funds total surplus is $87.1m (2020: surplus $68.5m). In addition, the Syndicate has the right to call upon Funds at Lloyd's which are not shown on the Syndicate balance sheet.

Results in the 2021 calendar year have been mixed across the various underwriting divisions of Syndicate 1919. Despite the deceleration of the hardening market, the Syndicate has seen premium rate increases across the majority of classes, with the whole account risk adjusted rate increase percentage remaining in double figures.

Investment return and adverse performance on the Casualty portfolio are the material drivers for the loss during the year. Syndicate 1919's invested bond portfolio saw unfavourable valuation movements of $8.2m, largely due to increasing bond yields throughout the period. Meanwhile, similarly to the wider market, the syndicate's Casualty division saw poor experience against plan as a result of case loss reserve strengthening on the 2017 & prior underwriting years in the General Liability and Financial Lines classes. All Casualty portfolios have been remediated for the recent years of account and this division is one of the key drivers of the strong rate increases seen across the Syndicate.

Meanwhile, the Syndicate's Technical Risks ("Tech"), Aviation and Marine divisions performed well owing largely to lower than expected loss experience. Aviation benefitted from benign loss activity driven by reduced global flight activity off the back of the COVID-19 pandemic, while Tech saw a drop in levels of claims activity, at least in part, as a result of lower levels of economic activity, leading to strong profitability in Energy classes (Onshore and Offshore), Property and Construction. The other divisions of Syndicate 1919, including Accident and Health, Political Risks and the Aon Client Treaty division have had losses in the year, to a much smaller extent.

The Syndicate evaluates its performance using key performance indicators that allow the measurement of volumes of business being written and the underlying profitability of this business. The Syndicate's key performance indicators during the period were as follows:

	2021 $000	2020 $000
Gross written premiums	442,981	418,981
Net claims incurred	101,068	79,463
Profit / (Loss) for the period	(11,840)	15,204
Combined ratio*	110.36%	99.1%

*The combined ratio is calculated as net claims incurred plus net operating expenses, divided by net earned premiums.

Principal risks and uncertainties
The SMAL Board sets risk appetite annually as part of the Syndicate business planning and Syndicate Capital Requirement process. SMAL's Risk Committee meets quarterly to review and update the risk register and to monitor performance against risk appetite using a series of key risk indicators reported through the Own Risk and Solvency Assessment process. The principal

Managing agent's report

risks and uncertainties facing the Syndicate are as follows and are discussed in more detail in note 15.

At the time of writing the Syndicate is not expecting to have material exposure to the unfolding events in Russia and Ukraine but will continue to monitor the situation.

Insurance risk

Insurance risk includes the risk that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). The SMAL Board manages insurance risk by agreeing its appetite for these risks annually through the business plan, which sets out targets for volumes, pricing, line sizes and retention by class of business. The SMAL Board then monitors performance against the business plan throughout the year. SMAL sets upper limits on and monitors maximum probable losses from catastrophe-exposed business. Reserve adequacy is monitored through quarterly reviews by the Syndicate actuary.

The Syndicate has a defined event risk tolerance, which determines the maximum gross and net loss that the Syndicate limits its exposure to, from major catastrophe event scenarios. At 31 December 2021 the maximum net loss was $76m ($167m gross, reinsurers' share of $91m) for the Syndicate (2020: net loss $21m, $111m gross, reinsurers' share of $90m). This scenario has a probability around that of a 1 in 200 year event. The Syndicate also adopts risk tolerance maximum net limits for a number of non-elemental scenarios including aviation terror event and major complex loss.

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include non-renewal or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements. A detailed analysis of catastrophe exposures is carried out every month and measured against the event risk tolerance. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Syndicate by insureds and ceding companies. This may prove to be inaccurate or could develop during the policy period. To mitigate this risk, our data governance structure provides assurance that an effective data management framework is in place evidencing the accuracy, completeness and timeliness of data used within the Syndicate.
- The exposures are modelled using a mixture of physical models for natural catastrophe risks and underwriter input for man-made catastrophe risks to arrive at damage factors. These factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors may prove to be inadequate. To mitigate this risk; independent model validation ensures that the inputs used to derive our overall cat risk are thoroughly assessed and appropriate.
- The reinsurance programme as purchased is applied – a provision for reinsurer counterparty failure is analysed but may prove to be inadequate. To mitigate this risk; independent model validation ensures that the inputs used to derive our reinsurance credit risk are thoroughly assessed and appropriate.
- Reinstatement premiums both payable and receivable are included. Catastrophe data is captured at a variety of levels to ensure all aspects of our catastrophe losses are well understood, including reinstatement premiums.

Managing agent's report

There is no guarantee that the assumptions and techniques deployed in calculating these event loss estimates are entirely accurate; furthermore, there could also be a loss which exceeds these figures. The likelihood of such a catastrophe is considered to be remote but the most severe scenarios modelled are simulated events and these simulations could prove to be unreliable.

Credit risk
The Syndicate has credit risk exposure to its reinsurers, brokers, coverholders, banks and investments. The largest component of credit risk is the default by one or more of the Syndicate's reinsurers. SMAL has a Reinsurance Security Committee that reviews and agrees the security of the proposed reinsurers. The Committee assesses the acceptability of reinsurers and sets maximum usage limits based on each reinsurer's security rating. A listing of all acceptable security is maintained by the Reinsurance Security Committee of SMAL. Any reinsurer that does not appear on the list of approved reinsurers, or of an approved reinsurer in excess of its applicable limit, requires prior authorisation from the Reinsurance Security Committee. The Reinsurance Security Committee reviews and agrees the form and structure of the reinsurance programme to be purchased by the Syndicate and monitors progress on placement and exhaustion of cover. Aged debt in respect of premiums and reinsurance recoveries is actively managed and closely monitored by the SMAL Executive Committee. The associated credit rating of the reinsurer is provided within note 15d on page 51.

Market risk
The key aspect of market risk is that the Syndicate may incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The majority of assets and liabilities are denominated in the functional currency, US Dollars, however SMAL monitors net exposure to any other material currencies to determine whether further action is required.

Due to the nature of our investment portfolio we are not significantly exposed to realised market valuation differences on bonds as these are not traded on a regular basis. The factor which impacts our investments most is interest rates. Interest rates have a direct impact on investment return and the valuation of bonds is directly linked to interest rates and their anticipated movements.

Liquidity risk
This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash. To mitigate this risk the cash positions are monitored on a daily basis and investments are held in highly liquid instruments.

Operational risk
This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate, both from internal and external events. SMAL seeks to manage this risk through the use of control monitoring, detailed procedure manuals, peer reviews, internal audits and appropriate training courses. The findings of Internal Audit in relation to operational risk are presented to the Audit Committee which reviews the key findings and monitors the implementation of associated actions.

Managing agent's report

Regulatory risk

SMAL is required to comply with the requirements of the Prudential Regulation Authority ("PRA"), the FCA and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US Situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. SMAL has a compliance team which monitors regulatory developments, assesses the impact on agency policy and carries out a compliance monitoring programme which is reported to the SMAL Board throughout the year.

COVID-19

In accordance with the recommendations published by EIOPA on 20 March 2020, SMAL considers the situation with respect of COVID-19 to be a "major development".

As COVID-19 transitions from pandemic to endemic, SMAL has absorbed the impacts on the Syndicate's risk profile from the pandemic into its existing risk framework, as overseen by the Risk Committee, which reports to the SMAL Board.

Controls have been put in place to manage the risk, including:

i. Starr holds meetings, as required, to consider development of the global pandemic and review business continuity actions in line with the government advice;

ii. Emergency trading protocols were invoked during the national "lockdowns" in 2020 and 2021, which included the closure of Starr's offices and employees working remotely;

iii. Ongoing monitoring, as required, of the impact on underwriting and market conditions, claims notifications and exposures, the operation of systems and controls, cash flow, reinsurance security, the Syndicate's investment portfolio and solvency and capital adequacy; and

iv. Regular engagement with the market and regulators via several forums.

From an operational perspective, the Directors note that The Syndicate and Managing Agent have traded successfully during two national "lockdowns" where remote working was invoked. SMAL has since enacted its "return to office" plan, operating a hybrid working model.

From an insurance risk perspective, SMAL has not received material reports of claims, either by count or in financial value in relation to COVID-19. It should be noted that Syndicate 1919 has underwritten only a small number of travel insurance policies and does not operate within some of the most COVID affected insurance markets, such as SME business interruption or contingency. As a result of a review of all risks in the Syndicate 1919 portfolio, policy wordings have been amended to specifically exclude losses arising as a result of a pandemic. The results of this analysis have concluded that any future COVID-19 related claims will have a limited net impact to the profitability of the Syndicate

In 2021, the airline industry has again been hit by a reduction in the number of flights due to ongoing travel restrictions arising from COVID-19. Many airline insurance premiums are adjustable in nature and therefore reduced activity has led to a reduction in premium values. However as there has been a corresponding reduction in attritional losses through reduced flight activity, this has not had any impact on the underlying profitability of these insurance contracts.

Managing agent's report

Credit, market and liquidity risks associated with COVID-19, continue to be monitored as part of SMAL's risk framework.

The Directors are confident that the Syndicate is a going concern.

ESG and Climate Change risk

In 2021 SMAL continued its work to document relevant ESG requirements and to complete an assessment of its current business model against these requirements. This work culminated in a number of actions to strengthen SMAL's ESG Framework, including the establishment of a Diversity and Inclusion working group, introduction of a climate change risk policy and the inclusion of a proprietary US wild fire model in our catastrophe risk analysis. Further work on ESG initiatives will continue through 2022 as SMAL commits to action on ESG and climate change. This work will also inform SMAL's approach to the Syndicate's ESG framework to ensure it is aligned to our strategy and risk appetites.

Starr has put in place a policy to assist in managing the financial risks associated with the effects of climate change and to ensure that Starr has adequate oversight and control of this area and how climate change relates to other risk groups.

The financial risks emanating from climate change can impact other risk groups, specifically Strategy, Insurance, Credit and Market risk areas. Financial risks from climate change arises through two primary channels, being physical and transition factors. In addition, liability arising from third parties who have suffered loss or damage from physical or transition risk factors may also impact the financial risks from climate change.

The objective of the climate change risk policy is to ensure that:

i. There is an understanding of the implications of climate change across the organisation and the global insurance industry;
ii. The financial risks from climate change are understood, quantified, assessed and monitored;
iii. Financial resources (including capital) adequately reflect the impact of climate change;
iv. The reputational consequences to Starr with stakeholders, whether policyholders, regulators or staff are managed positively.

The Board is responsible for setting the climate change policy and ensuring that there are adequate processes in place to monitor and manage the financial risks therefrom within the parameters defined by our risk appetite. The Risk function is responsible for assessing and monitoring the resultant risk profile against our risk appetites and cascading tolerances. Stress and scenarios relating to financial risks from climate change are developed by the Risk Function and monitored quarterly. There is an annual process through the ORSA and quarterly updates which are reviewed by the Board and Risk Committee of all key risks, including those associated with climate change. These processes are subject to continuing enhancement.

During 2021 the Starr UK operations were estimated to have indirectly consumed 210,901 KWH of energy or an average of 890 KWH per employee (2020: 914 KWH per employee), based on 237 employees (2020: 229 employees). This estimate has been made using data supplied by commercial landlords, as well as general assumptions regarding electricity consumption during the period where staff have been working from home as a result of the COVID-19 pandemic. We consider the methodology used to be proportionate and repeatable, to ensure comparability

Managing agent's report

period on period. Starr does not currently have targets or commitments in respect of climate change or energy use.

Directors' Section 172 Statement

The Directors accept the responsibility to promote the success of the Syndicate as if s172(1)(a-f) of the Companies Act 2006 were applicable and have acted accordingly in the decisions taken during the year ended 31 December 2021.

The Director's priorities in stakeholder engagement are demonstrated through the decisions made by the Directors as well as the board's oversight of management. The impact of these decisions and oversight impact the Syndicate's stakeholders which are comprised of the Starr International Group of insurance companies of which the Syndicate's sole member is a part (the "Group"), its policyholders, employees, regulators and rating agencies and other stakeholder groups affected by SMAL's overall standards of business conduct.

- **Overall Group Strategy:** The Board remains cognisant of the evolving competitor and insurance landscape in which the Syndicate operates, and makes decisions for the Syndicate within the Group strategy to sustain the long-term profitability of its insurance carriers, while maximising capital efficiency. This is demonstrated in a well-maintained control environment ensuring that the Syndicate can take advantage of opportunities now and in the long term. The Syndicate's purpose and business model, in relation to the Group strategy, was reviewed by the Directors this year with no significant changes. The Board approves an annual business plan and it also considers the annual ORSA which contains a range of themes analysing the future including but not limited to business and performance, systems of governance, solvency and risk profile. The Board also receives yearly class by class presentations to ensure they align with the overall strategy set by the Board.

- **Policyholders:** The Board is committed to fostering the Syndicate's business relationships with policyholders and intermediaries and the quality of insurance products and services provided to them. Through its risk oversight, the Board ensures the liquidity and ability of the syndicate to pay its obligations to its policyholders, as well as monitoring the Syndicate is properly managing its operational risk. In addition, the Syndicate has compliance processes in place on anti-bribery and corruption. The Board also monitors data privacy initiatives and compliance with regulations to protect consumer data under the General Data Protection Regulation. Finally, the Board also regularly reviews the claims handling practices of the Syndicate, foremost through the quarterly Reserving Committee meeting and monitoring progress of the annually agreed Claims Plan.

- **Employees**: The Board recognises that employees are key to the success of the business. The Board has regard to employee interests through its oversight of senior management whilst also complying with the Senior Managers & Certification Regime. Through evaluating the performance of SMAL and its executive directors through the Remuneration and Nominations Committee, the Board engages and takes the workforce into consideration in its work and reinforces Starr's commitment to their interests. SMAL's Remuneration Policy sets out the remuneration structure to ensure a proper balance between variable and fixed remuneration to attract, motivate and retain qualified Staff members, whilst not incentivising risk-taking behaviour that is outside our risk appetites. Starr has also implemented a number of employee programmes including measurable annual performance reviews and comprehensive training and development plans. Starr values two-

Managing agent's report

way communication updating staff on strategy and performance through regular Town Hall meetings and listening to their concerns and feedback through a number of employee discussion and consultation forums. The board is committed to ensuring diversity throughout the employee population and senior management are working with staff representatives on initiatives and programmes to accelerate necessary change. Starr has also continued to adapt its offering to reflect current working conditions, with greater management focus on staff wellbeing and providing resources and assistance to those staff in need of help. SMAL also has a robust compliance programme, which aims to ensure that a culture of compliance and ethical behaviour permeates through all business operations and processes. To meet this objective, required practices and obligations are clearly communicated to all employees through a number of policies and procedures such as Anti-Fraud, Anti-Bribery & Corruption, Sanctions, Whistleblowing etc in order to support senior management in their compliance objectives.

- **Impact of operations on the community and the environment:** As noted above, SMAL is focused on managing the challenges of climate change both from a business perspective and the impact on its operations. From a business perspective there has been much research into the impacts of climate change which has been fed into the catastrophe models and the assessments of the impacts on exposures. In respects of operations, Starr continues to consult with its employees to change practices to ensure positive effects on the climate. Likewise, there is engagement with local community programmes to contribute to positive initiatives to develop and grow the community within which Starr operates.

- **Regulators and Rating Agencies** SMAL is committed to working with its regulators in a cooperative, responsive and transparent manner. SMAL seeks to ensure a strong regulatory compliance culture and the Directors receive regular compliance reports and updates from management. During the year, the PRA and FCA conducted routine meetings with several members of the Board and executive management. Regular management information is provided to assist the regulators with the supervision of the Group. Management interacts and provides information to our rating agency on a regular basis.

- **High standards of business conduct and further stakeholder groups:** Starr's intention is to ensure that it and its colleagues operate the business in an ethical and responsible way. A healthy corporate culture is the cornerstone of high standards of business conduct and governance. The Board's commitment to, and promotion of, these facets, and how they are monitored and the culture assessed during the year, is evidenced through regular review of business conduct and an open level of communication between management and the Board. Starr's commitment to high standards of business conduct is also enshrined in its Code of Conduct. Starr's culture also pervades its business dealings with stakeholders outside of the organisation, such as suppliers and the community, as exemplified by its work on suppliers in relation to the Modern Slavery Act, as further disclosed on the Starr website.

Future Developments

SMAL plans to continue writing a broadly similar book of business in 2022 and beyond. It will look to use the current positive market conditions by working responsibly with clients, many of whom are long term, for an appropriate return on risk, enhanced terms and conditions and adjusted net retentions. Syndicate 1919 will continue to develop in areas where business

Managing agent's report

opportunities for profitable growth present themselves. In addition, SMAL is continuously investigating new lines of business where opportunities may present themselves, to achieve improved returns. The Syndicate Business Forecast for the 2022 underwriting year has approved Capacity of £330m (2021 £320m).

Medium to long-term developments
SMAL intends to maintain the position of its managed Syndicate within the Lloyd's market. It will do this in a number of ways:

- By maintaining existing product lines where rates and competition permit in addition to seeking improved terms and increased participations
- Leveraging available capital, operational and service resources within and across the Starr group as required to take advantage of opportunities; and
- Benefitting from Lloyd's global network of licences to operate in territories where Starr Group is not licenced or to satisfy client needs.

Directors
Details of the directors of the managing agent who served during the year to 31 December 2021 and as at the signing date of this report are provided on page 3.

Disclosure of information to the auditors
Each of the persons who is a director of the managing agent at the date of approval of this report confirms that:

- So far as the director is aware there is no relevant audit information of which the Syndicate's auditors are unaware; and
- The director has taken all the steps that he ought to have taken as a director in order to make himself aware of relevant audit information and to establish that the Syndicate's auditors are aware of that information.

This confirmation is given and should be interpreted in accordance with the provisions of section 418 of the Companies Act 2006.

The Directors also confirm their agreement with the disclosures within the managing agent's report.

Managing agent's report

Auditors
The auditors, BDO LLP, have indicated their willingness to continue in office and the directors of SMAL intend to reappoint them as the Syndicate auditors.

By order of the Board

……………………………………
Graham Broughton
Finance Director, London
01 March 2022

Statement of managing agent's responsibilities

Starr Managing Agents Limited is responsible for preparing the Syndicate annual accounts in accordance with applicable law and United Kingdom Generally Accepted Accounting Practice. 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 which 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:

1. Select suitable accounting policies which are applied consistently;
2. Make judgements and estimates that are reasonable and prudent;
3. State whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in the annual accounts; and
4. Prepare the annual 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 that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual accounts comply with the 2008 Regulations. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for 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.

The financial statements on pages 19 to 64 were approved by the Board of Starr Managing Agents Limited on 01 March 2022 and were signed on its behalf by:

………………………………………

Graham Broughton
Finance Director, London
01 March 2022

Independent auditor's report to the members of Syndicate 1919

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2021 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008.

We have audited the financial statements of Syndicate 1919 (the 'syndicate') for the year ended 31 December 2021 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Member Balances, the Statement of Financial Position, 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" and Financial Reporting Standard 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the 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 ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the Managing Agent's use of the going concern basis of accounting in the preparation of the financial statements is appropriate.

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 as a going concern for a period of at least twelve months from when the financial statements are authorised for issue.

Our responsibilities and the responsibilities of the Managing Agent with respect to going concern are described in the relevant sections of this report.

Other information

The Managing Agent is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. Our opinion on the financial statements does not cover the other

Independent auditor's report to the members of Syndicate 1919

information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon. Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the 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.

Opinion 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 for which the financial statements are prepared is consistent with the financial statements; and

- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

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 Agents 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:

- adequate accounting records have not been kept; or

- the financial statements are not in agreement with the accounting records;

- certain disclosure 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 out on page 14, 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.

Independent auditor's report to the members of Syndicate 1919

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 intends to cease the underwriting business of the syndicate, 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.

Extent to which the audit was capable of detecting irregularities, including fraud

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

- Obtaining an understanding of the legal and regulatory framework applicable to the Syndicate's operations and the control environment in monitoring compliance with laws and regulations;
- Review of correspondence with the Prudential Regulation Authority (PRA) and Financial Conduct Authority (FCA);
- Our responses to significant audit risks over technical provisions and management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specifically we engaged an actuary as auditors expert to review the assumptions and methodology applied by the Syndicate in the valuation of technical provisions to ensure the methods utilised are in compliance with Technical Actuarial Standards (TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance);
- Enquiries of management;
- Review of minutes of board meetings throughout the period; and
- Agreement of the financial statement disclosures to underlying supporting documentation

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that 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, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Independent auditor's report to the members of Syndicate 1919

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 The Insurance Accounts Directive (Lloyd's Syndicates 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.

Thomas Reed, *Senior Statutory Auditor*

For and on behalf of BDO LLP, Statutory Auditor

London, UK

01 March 2022

BDO LLP is a limited liability partnership registered in England and Wales (with registered number OC305127).

Income Statement: technical account – general business
for the year ended 31 December 2021

	Notes	2021 $000	2020 $000
Gross premiums written	4	442,981	418,981
Outward reinsurance premiums		(328,829)	(315,605)
Net premiums written		114,152	103,376
Change in the provision for the unearned premiums			
Gross amount	12	(14,568)	(6,639)
Reinsurers' share	12	11,918	8,759
Change in the net provision for unearned premiums		(2,650)	2,120
Earned premiums, net of reinsurance		111,502	105,496
Allocated investment return transferred from the non-technical account		(3,023)	9,081
Claims incurred, net of reinsurance			
Clams paid			
Gross amount		(215,678)	(286,707)
Reinsurers' share		147,172	201,901
Net claims paid		(68,506)	(84,806)
Change in the provision for claims			
Gross amount	12	(100,051)	14,614
Reinsurers' share	12	67,489	(9,271)
Change in the net provision for claims		(32,562)	5,343
Claims incurred, net of reinsurance		(101,068)	(79,463)
Net technical operating expenses	4,5	(21,985)	(25,095)
Balance on technical account for general business		(14,574)	10,019

Income Statement: technical account – general business

for the year ended 31 December 2021

All operations are continuing.

	Notes	2021 $000	2020 $000
Balance on technical account for general business		(14,574)	10,019
Investment return	8	(2,924)	11,106
Allocated investment return transferred to general business technical account		3,023	(9,081)
Foreign exchange gain / (loss)		2,635	3,160
Profit / (Loss) for the year		(11,840)	15,204

Statement of comprehensive income
for the year ended 31 December 2021

	Notes	2021 $000	2020 $000
Profit / (Loss) for the year		(11,840)	15,204
Total comprehensive Profit / (Loss)		(11,840)	15,204

Statement of member balances
as at 31 December 2021

	Notes	2021 $000	2020 $000
Balance at 1 January		68,516	87,310
Profit / (Loss) for the year		(11,840)	15,204
Call of Loss		28,497	13,439
Loss released from FIS		-	(44,978)
Other		2,011	(2,459)
Balance at 31 December		87,184	68,516

Statement of financial position - assets
as at 31 December 2021

	Notes	2021 $000	2020 $000
Investments			
Financial investments	9,11	364,124	335,493
Overseas deposits	11	89,981	86,461
		454,105	421,954
Reinsurers' share of technical provisions			
Provision for unearned premiums	12	211,118	200,290
Claims outstanding	12	569,058	505,937
		780,176	706,227
Debtors			
Debtors arising out of direct insurance operations	10	197,728	232,738
Debtors arising out of reinsurance operations		55,241	72,408
Other debtors		8,644	8,057
		261,613	313,203
Other assets			
Cash at bank and in hand		2,271	2,532
Deposits with ceding undertakings		6,031	-
		8,302	2,532
Prepayments and accrued income			
Deferred acquisition cost	12	60,498	61,581
Prepayments		2,035	1,558
		62,533	63,139
Total assets		1,566,729	1,507,055

Statement of financial position - liabilities
as at 31 December 2021

	Notes	2021 $000	2020 $000
Capital and reserves			
Member balances		87,184	68,516
Technical provisions			
Provision for unearned premium	12	293,669	280,724
Claims outstanding - gross amount	12,15	885,053	793,373
		1,178,722	1,074,097
Creditors			
Creditors arising out of reinsurance operations		171,558	168,489
Creditors arising out of direct insurance operations		37,888	73,708
Other creditors	14	6,287	38,767
		215,733	280,964
Reinsurers' share of deferred acquisitions costs	12	38,990	40,039
Accruals and other liabilities	13	46,100	43,439
		85,090	83,478
Total liabilities and member balances		1,566,729	1,507,055

The financial statements on pages 19 to 64 were approved by the Board of Starr Managing Agents Limited on 01 March 2022 and were signed on its behalf by

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Graham Broughton

Finance Director, London

01 March 2022

Statement of cash flows
for the year ended 31 December 2021

	Notes	2021 $000	2020 $000
Profit / (Loss) for the year		(11,840)	15,204
Movement in net technical provisions		30,678	1,725
Movement in debtors		52,195	(26,334)
Movement in creditors		(63,620)	63,370
Unrealised gains	8	(7,828)	1,693
Foreign exchange movements		9,645	(14,254)
Net cash flow from operating activities		9,230	41,404
Purchase of equity and debt instruments		(244,804)	(175,856)
Sale of equity and debt instruments		206,823	165,712
Net cash flow from investing activities		(37,981)	(10,144)
Call of loss (distribution of profit)		28,497	13,439
(Loss released from FIS) / profits added in FIS		-	(44,978)
Other financing activity		-	-
Net cash flow from financing activities		28,497	(31,539)
Movement on cash and cash equivalents		(254)	(279)
Foreign exchange translation loss on cash		(7)	28
Cash and cash equivalents at 1 January		2,532	2,783
Cash and cash equivalents at 31 December		2,271	2,532

Notes to the financial statements
For the year ended 31 December 2021

1. Basis of preparation
Syndicate 1919 is a Lloyd's Syndicate managed by SMAL, incorporated in the United Kingdom. SMAL's registered office is 4th Floor, 30 Fenchurch Avenue, London, EC3M 5AD with a registered number 6265337. The financial statements cover those of the individual entity and are for the year ended 31 December 2021. A description of the nature of the entity's operational and principal activities is provided within the Managing Agent's report.

Statement of compliance
The financial statements are prepared on the annual basis of accounting in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, and applicable Accounting Standards in the United Kingdom, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.. The financial statements are determined on the annual basis of accounting in accordance with Financial Reporting Standard 102 (applicable in the UK) and Financial Reporting Standard 103: 'Insurance Contracts'.

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

Basis of preparation
The financial statements for the year ended 31 December 2021 were approved for issue by the Board of Directors on 01 March 2022.

Financial Reporting Standard 102 requires each entity to identify its functional currency and a presentational currency. The functional currency is identified as the currency of the primary economic environment in which the entity operates.

The functional currency of the Syndicate is US Dollar as the majority of the underwriting business, cash flows and expenses are in US Dollars. For this reason we have adopted US Dollar as the presentation currency for these financial statements. The financial statements are rounded to the nearest $000.

The Directors have considered the impact of Covid-19, as disclosed in the Managing Agent's Report. The Directors have a reasonable expectation that continued capital support will be in place such that the Syndicate will continue to underwrite new business in future. Accordingly, they continue to adopt the going concern basis in preparing the annual accounts.

2. Significant Accounting Policies
Premiums written
Premiums written comprise premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due to the Syndicate not yet notified.

Notes to the financial statements
for the year ended 31 December 2021

Unearned premiums

Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the balance sheet date, calculated on a combination of time apportionment and risk profile of the policy.

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.

Claims provisions and related recoveries

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

The provision for claims outstanding is assessed and is based on the estimated ultimate cost of all claims notified but not settled by the balance sheet date. The provision also includes the estimated cost of claims incurred but not reported ("IBNR") at the balance sheet date based on statistical methods. Market standard statistical methods including Bornhuetter-Ferguson and Chain Ladder are used to assist in making these estimates.

These methods generally involve analysing historic experience of the development of claims over time, and use this to project a view of the likely ultimate claims to be experienced for current and prior underwriting years, having regard to variations in the business accepted and the underlying terms and conditions. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on the amounts of outstanding claims and projections for IBNR, having regard to the reinsurance programme in place for the class of business and the claims experience for the year.

The two most critical assumptions as regards claims provisions are that the historic claim experience can generally be considered a reasonable predictor of the likely level of claims development, and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

IBNR is estimated using the above techniques on two bases. The held IBNR is estimated as part of the quarterly reserving exercises, approved by the board, and forms the basis of the reserves in the balance sheet along with the outstanding claims. This is reliant to some extent on the business plan loss ratio, and for some classes the provision has a degree of caution embedded in the selections. The aim of the best estimate exercise is to independently estimate outcomes which are neither optimistic or prudent. The output of this exercise is a central point best estimate as well as a range around this based on plausible alternative best estimate basis assumptions. This exercise acts as an additional validation to the held reserves.

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

Notes to the financial statements
for the year ended 31 December 2021

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.

Unexpired risks provision
A provision for unexpired risks is made where claims and related expenses arising after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred. The provision for unexpired risks is calculated by reference to classes of business which are managed together, after taking into account relevant investment return.

Acquisition costs

Acquisition costs, comprising commission and other costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums unearned at the balance sheet date. Deferred acquisition costs are amortised systematically over the life of the contracts.

Reinsurance commission receivable from quota share and facultative reinsurers, are deferred to the extent that they represent the reinsurers' share of acquisition costs. Overrider commissions receivable from reinsurers are recognised on inception of the related insurance contracts.

Foreign currencies
Monetary items are retranslated at the closing rate with exchange differences reported through the non-technical account. Non-monetary items (for example, tangible assets) are translated into the functional currency using period average rates of exchange prevailing at the time of the transaction as a proxy for transactional rates.

The results and financial position of the Syndicate are retranslated from underlying currencies into the functional currency as follows:

- assets and liabilities are translated at the closing rate at the balance sheet date; and
- income and expenses are translated at the average rate of exchange during each quarter of the year.

Financial investments

The Syndicate has adopted Sections 11 and 12 of FRS 102 in respect of financial instruments.

The Syndicate classifies its financial assets held for investment purposes (investments) into 'shares and other variable-yield securities', 'debt securities and other fixed-income securities', 'overseas deposits' and 'other investments' (asset and mortgage backed securities) – all at fair value through profit or loss. Management determines the classification of its investments at initial recognition and re-evaluates this at every reporting date.

The Syndicate determines the classification of its financial assets at initial recognition. The classification depends on the purpose for which the investments are acquired or originated.

Notes to the financial statements
for the year ended 31 December 2021

Financial assets are classified as fair value through profit or loss as the Syndicate's documented investment strategy is to manage financial investments acquired on a fair value basis.

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

Cash and cash equivalents

Cash and cash equivalents in the statement of financial position comprise cash at banks and in hand and short term deposits with an original maturity date of three months or less. For the purpose of the cash flow statement, cash and cash equivalents consist of cash and cash equivalents as defined above, net of outstanding bank overdrafts of which there are none at 31 December 2021.

Fair value of financial assets

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

- Level 1: The unadjusted quoted price 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.

The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets. Where there is an active market for financial investments and their fair value is the unadjusted quoted market price, these are classified as Level 1. Level 1 also includes bond funds, where fair value is based upon quoted prices. Where the market is inactive or the price is adjusted, but significant market observable inputs have been used by the pricing sources, then these are considered to be Level 2. This is typically the case for government agency debt, corporate debt, mortgage and asset-backed securities and catastrophe bonds. Certain assets, such as the Lloyd's Syndicate loans (discussed further in Note 9) for which prices or other market inputs are unobservable, are classified as Level 3.

Deposits with ceding undertakings

To facilitate the settlement of Part VII claims, the Syndicate pays advanced funds into segregated Part VII settlement bank accounts, managed by the Managing Agent on behalf of Lloyd's Brussels. The amount to be held within the settlement float is calculated by Lloyd's

Notes to the financial statements
for the year ended 31 December 2021

Brussels every six months with excess funds being then released. As amounts held in the settlement accounts are held in cash, fair value is considered to be the same as cost. Consistent with other reinsurance assets, the asset are considered impaired if objective evidence is available to suggest that it is probable that the Syndicate will not be able to collect the amounts due from Lloyds Brussels. At 31 December 2021 amounts held within the settlement accounts equalled $6.0m.

Loans and deposits with credit institutions

As a condition of underwriting, certain countries require a level of capital to be held in restricted accounts. These are known as 'overseas deposits' and are lodged centrally with Lloyd's. The split between levels is determined by Lloyd's who provide a working schedule detailing the underlying assets.

Derecognition of financial assets

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

a) The rights to the cash flows from the asset have expired; or

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

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

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 fair 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 for the investment return

Notes to the financial statements
for the year ended 31 December 2021

generated on investments supporting technical balances. Investment return generated on Funds in Syndicate capital balances are retained in the non-technical account.

The tables provided in note 9 give further analysis on the syndicate's investments detailing credit rating, ageing and fair value hierarchy.

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 member 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 during the year are 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.

Insurance debtors
Insurance receivables are recognised when due and measured on initial recognition at the fair value of the consideration received or receivable. Subsequent to initial recognition, insurance receivables are measured and reviewed for impairment whenever events or circumstances indicate that the carrying amount may not be recoverable, with the impairment loss recorded in the income statement. Insurance receivables are derecognised when the derecognition criteria for financial assets have been met.

Insurance creditors
Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs. Subsequent to initial recognition, insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Profit commission
No profit commission arrangements are in place with the managing agent for the closing 2019 year of account and all subsequent years of account.

3. Critical accounting judgements and key sources of estimation uncertainty

In the application of the Syndicate's accounting policies, which are described in note 2, the directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an ongoing basis. Changes to accounting estimates are recognised in the period in which the estimate is revised if the change

Notes to the financial statements
for the year ended 31 December 2021

affects only that period, or in the period of the revision and future periods if the change affects both current and future periods.

Critical judgements in applying the Syndicate's accounting policies

The following are the critical judgements, apart from those involving estimations (which are dealt with separately below), that the directors have made in the process of applying the Syndicates accounting policies and that have the most significant effect on the amounts recognised in financial statements.

Reinsurance assets

Reinsurance assets include balances due from reinsurance companies for paid and unpaid losses. Reinsurance assets are measured in accordance with the accounting policy stated in note 2. Reinsurance assets are subject to impairment testing and the carrying amount is reduced to its recoverable amount. The asset is impaired if objective evidence is available to suggest that it is probable that the Syndicate will not be able to collect the amounts due from reinsurers.

Provision for unearned premiums and deferred acquisition costs

The directors use their judgement in selecting appropriate earnings patterns for the business underwritten and associated acquisition costs. Two main patterns are used being (1) a straight-line pattern over the life of the policy for open market risks and (2) an extended pattern for delegated authority premium to take into account the expected pattern for written business attached to the master contract. Both of these patterns are calculated with reference to the inception and expiry dates of the policies concerned. At the balance sheet date the carrying amount for the unearned premium reserve (net of reinsurance) was $82.5m (2020: $80.4m) and deferred acquisition costs were $21.5m (2020: $21.5m).

Key sources of estimation uncertainty

The key assumptions concerning the future, and other key sources of estimation uncertainty at the balance sheet date, that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within future financial years, are discussed below.

- **Valuation of liabilities of non-life insurance contracts**
  Estimates are made for both the expected ultimate cost of claims reported and IBNR at the reporting date. The estimate of IBNR is generally subject to a greater degree of uncertainty than that for reported claims. In calculating the estimated liability, the Syndicate uses a variety of estimation techniques based upon statistical analyses of historical experience which generally assume past trends can be used to project future developments. The gross carrying amount for non-life insurance contract liabilities, the summation of IBNR and unearned premium reserve ("UPR"), at the balance sheet date is $1,178.7m (2020: $1,074.1m).

- **Valuation of financial instruments**
  The directors use their judgement in selecting an appropriate valuation technique. Where possible, financial instruments are marked at prices quoted in active markets. In certain instances, such price information is not available for all instruments and the Syndicate uses

Notes to the financial statements
for the year ended 31 December 2021

valuation techniques to measure such instruments. These techniques use "market observable inputs" where available, derived from similar assets in similar and active markets, from recent transaction prices for comparable items or from other observable market data. For positions where observable reference data are not available for some or all parameters the Syndicate estimates the non-market observable inputs used in its valuation models. More details on this are given in note 15.

Inputs are used in applying the various valuation techniques and broadly refer to the assumptions that market participants use to make valuation decisions, including assumptions about risk. Inputs may include price information, volatility statistics, yield curves, credit spreads, liquidity statistics and other factors. The use of different valuation techniques could lead to different estimates of fair value.

- **Gross written premium**

A significant proportion of revenue recognised in a year is estimated premium income ("EPI"). The extent of coverage under certain contracts at the year-end is unknown and hence the premium income in respect of these requires estimation. The main area of estimation relates to third party coverholder arrangements. EPI is estimated based on information supplied by coverholders, review of the performance of previous years' contracts and takes into account whether the contract is a renewal or new to Starr.

Notes to the financial statements
for the year ended 31 December 2021

4. Class of business analysis

An analysis of the underwriting result before investment return and currency translation adjustment is set out below:

2021	Gross written premiums $'000	Gross premiums earned $'000	Gross claims incurred $'000	Net operating expenses $'000	Reinsurance balance $'000	Total $'000
Direct insurance						
Marine, aviation and transport	56,067	51,520	(27,010)	(2,894)	(14,044)	7,572
Fire and other damage to property	164,788	157,574	(71,407)	(792)	(74,784)	10,591
Third party liability	95,005	96,560	(81,200)	(10,265)	(11,914)	(6,819)
Accident and health	23,648	16,104	(11,460)	(3,364)	(1,846)	(566)
Miscellaneous	2,471	1,963	(1,657)	(670)	(481)	(845)
	341,979	323,721	(192,734)	(17,985)	(103,069)	9,933
Reinsurance	101,002	104,692	(122,995)	(4,000)	819	(21,484)
	442,981	428,413	(315,729)	(21,985)	(102,250)	(11,551)

2020	Gross written premiums $'000	Gross premiums earned $'000	Gross claims incurred $'000	Net operating expenses $'000	Reinsurance balance $'000	Total $'000
Direct insurance						
Marine, aviation and transport	47,270	52,609	(14,947)	(3,074)	(28,518)	6,070
Fire and other damage to property	148,204	135,634	(69,921)	(678)	(60,194)	4,841
Third party liability	94,209	95,882	(91,348)	(11,405)	294	(6,577)
Accident and health	15,557	5,677	(7,518)	(1,434)	1,372	(1,903)
Miscellaneous	4,224	4,996	(6,982)	(616)	1,233	(1,369)
	309,464	294,798	(190,716)	(17,207)	(85,813)	1,062
Reinsurance	109,517	117,544	(81,377)	(7,888)	(28,403)	(124)
	418,981	412,342	(272,093)	(25,095)	(114,216)	938

Notes to the financial statements
for the year ended 31 December 2021

4. Class of business analysis (continued)

The net assets of the Syndicate are managed as a whole and are not allocated to separate business segments. The analysis of gross written premiums by geographical areas in which the risks are written is as follows:

	2021	2020
	$000	$000
UK	294,928	281,358
EU countries	25,240	22,812
US	70,999	72,652
Other	51,814	42,159
	442,981	418,981

Gross commission and acquisition costs incurred during the year ended 31 December 2021 total $92.4m (2020: $93.4m).

5. Net operating expenses

	2021	2020
	$000	$000
Commissions	19,934	22,926
Acquisition costs	72,439	70,510
Administrative expenses	15,310	13,658
Change in gross deferred acquisition costs	677	3,942
Gross operating expenses	108,360	111,036
Reinsurance commissions	(85,586)	(83,671)
Change in reinsurer's share of acquisition costs	(789)	(2,270)
Reinsurer's share of operating expenses	(86,375)	(85,941)
	21,985	25,095

During the period this note has been amended to present gross and reinsurance operating expenses separately, in order to provide improved disclosure. This has no impact on the net operating expenses or income statement. Administration expenses refer to costs incurred directly by the Syndicate. The most material of these are member’s personal expenses of $5.9m (2020: $5.3m) and Lloyd’s overseas operating expenses $5.6m (2020: $5.7m). Administrative expenses are stated net of claims handling expenses allocated to claims paid.

Notes to the financial statements
for the year ended 31 December 2021

5. Net operating expenses (continued)

Administrative expenses include auditor remuneration:

	2021	2020
	$000	$000
Audit of regulatory reporting for current year end	206	221
Audit-related assurance services	121	121
	327	342

6. Staff numbers and costs

No staff are employed directly by Starr Managing Agents Limited (''SMAL''), therefore no staff costs have been disclosed for 2021 (2020: nil).

7. Emoluments of the directors of Starr Managing Agents Limited

Neither the Directors' emoluments nor the active underwriter's emoluments have been charged to the Syndicate for the 2021 year (2020: nil), but are retained by SUAL.

8. Investment return

	2021	2020
	$000	$000
Investment income	5,259	8,300
Interest on cash at bank	206	427
Investment expenses	(235)	(320)
	5,230	8,407
Realised gains / (losses)	(326)	1,006
Unrealised gains / (losses)	(7,828)	1,693
	(8,154)	2,699
Net investment income	(2,924)	11,106

The above investment return represents values held within the technical and non-technical account. The non-technical account retains those returns that are derived from the ring fenced Funds in Syndicate.

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for the year ended 31 December 2021

8. Investment return (continued)

The average amount of Syndicate funds available during 2021 and the investment return yield for that calendar year, excluding unrealised gains, losses and investment management fees were as follows:

	2021 $000	2020 $000
Average Syndicate funds available		
Sterling	66,420	59,630
Euro	613	767
United States Dollars	238,251	235,261
Canadian Dollars	144,908	122,685
Combined in United States Dollars	450,192	418,343

Gross aggregate investment return for the calendar year in US Dollars is $5.2m (2020: $9.7m).

Analysis of calendar year investment yield by fund	%	%
Sterling	0.5	1.9
Euro	(0.7)	(0.3)
United States Dollars	1.3	2.5
Canadian Dollars	1.2	2.2
Combined in United State Dollars	1.2	2.3

The overall investment income (excluding unrealised gains, losses and investment expense) is $5.2m (2020: $9.7m) representing an average yield of 1.2% (2020: 2.3%) on average funds of $450.2m (2020: $418.3m). "Average funds" is the average of bank balances, overseas deposits and investments held at the end of each month during the calendar year.

Notes to the financial statements
for the year ended 31 December 2021

9. Financial investments

	Market value		Cost	
	2021	2020	2021	2020
	$000	$000	$000	$000
Shares and other variable yield securities and units in unit trust	36,932	44,385	36,932	44,385
Debt and other fixed income securities	316,145	277,628	318,183	274,184
Other investments	11,047	13,480	11,001	13,364
Overseas Deposits	89,981	86,461	89,981	86,461
	454,105	421,954	456,097	418,394

Notes to the financial statements
for the year ended 31 December 2021

9. Financial investments (continued)

2021	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Shares and other variable yield securities and units in unit trust	29,807	-	7,124	36,931
Debt securities and other fixed income securities	-	316,146	-	316,146
Overseas deposits	14,797	75,184	-	89,981
Other investments	-	11,047	-	11,047
Total	44,604	402,377	7,124	454,105

2020	Level 1	Level 2	Level 3	Total
	$000	$000	$000	$000
Shares and other variable yield securities and units in unit trust	37,155	-	7,230	44,385
Debt securities and other fixed income securities	-	277,628	-	277,628
Overseas deposits	14,548	71,913	-	86,461
Other investments	-	13,480	-	13,480
Total	51,703	363,021	7,230	421,954

Syndicate Loans

Since 2019 Lloyd's has introduced three tranches of syndicate loans to the central fund in order to strengthen Lloyd's central resources and facilitate the injection of capital to Lloyd's Insurance Company SA ("Lloyd's Brussels"). The total loans of $7.1m (2020: $7.2m) are presented within

Notes to the financial statements
for the year ended 31 December 2021

Financial Investments within the Balance Sheet and subsequent notes and are classified as Shares and other variable yield securities and units in unit trusts and Level 3 within the disclosure tables in note 9. Management has considered potential methods of valuing the syndicate loans, including a model developed by Lloyd’s on behalf of market participants. Having reviewed the outputs from such models that point to an immaterial difference between suggested fair values and transaction cost, management has concluded it is appropriate to continue to recognise these loans at cost, as a proxy for fair value. This conclusion will be reviewed annually, taking into account changes in market credit and liquidity spreads, evidence of the performance of the loan in practice and the insurance of any loan tranches.

Other investments
The amount disclosed within this categorisation relates to asset and mortgage backed securities.

10. Debtors arising out of direct insurance operations

	2021	2020
	$000	$000
Due within 1 year	188,557	225,310
Due after 1 year	9,171	7,428
	197,728	232,738
Due from group intermediaries	94,387	122,918
Due from non-group intermediaries	103,350	109,820
	197,728	232,738

11. Overseas Deposits

	2021	2020
	$000	$000
Overseas Deposits	89,981	86,461

Overseas deposits are lodged as a condition of conducting underwriting business in certain countries.

Notes to the financial statements
for the year ended 31 December 2021

12. Reconciliation of provision for claims, UPR and DAC

	Provision for claims		UPR		DAC	
2021	**Gross $000**	**Reinsurers' share $000**	**Gross $000**	**Reinsurers' share $000**	**Gross $000**	**Reinsurers' share $000**
Brought forward balance	793,373	505,937	280,724	200,290	61,581	40,039
Movement in provision	100,051	67,489	14,568	11,918	(677)	(789)
Foreign exchange differences	(8,371)	(4,368)	(1,623)	(1,090)	(406)	(260)
Carried forward balance	885,053	569,058	293,669	211,118	60,498	38,990

	Provision for claims		UPR		DAC	
2020	**Gross $000**	**Reinsurers' share $000**	**Gross $000**	**Reinsurers' share $000**	**Gross $000**	**Reinsurers' share $000**
Brought forward balance	788,767	504,250	270,898	189,271	64,623	41,684
Movement in provision	(14,614)	(9,271)	6,639	8,759	(3,942)	(2,270)
Foreign exchange differences	19,220	10,958	3,187	2,260	900	625
Carried forward balance	793,373	505,937	280,724	200,290	61,581	40,039

13. Accruals and other liabilities

	2021 $000	2020 $000
Commission payable	41,785	39,848
Expense accruals	1,477	650
IPT liability	2,838	2,941
	46,100	43,439

Notes to the financial statements
for the year ended 31 December 2021

14. Other Creditors

	2021	2020
	$000	$000
Due to group Companies	6,287	38,767
	6,287	38,767

During 2021 the $28.5m loss from the closed 2018 year of account was settled by Starr Syndicate Limited (''SSL''), leading to the reduction in other creditors in the period.

15. Risk management

a) Governance framework

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

SMAL has established a risk management function for the Syndicate with clear terms of reference from the board of directors, its committees and the associated executive management committees. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive management committees and senior managers. Lastly, a Syndicate policy framework which sets out the risk profiles for the Syndicate, risk management, control and business conduct standards for the Syndicate's operations has been put in place. Each policy has a member of senior management charged with overseeing compliance with the policy throughout the Syndicate.

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

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)
b) Capital management objectives, policies and approach

Capital framework at Lloyd's

The Society of Lloyd's is a regulated undertaking and subject to the supervision of the Prudential Regulation Authority under the Financial Services and Markets Act 2000. Effective 1 January 2016, Lloyd's has been subject to the Solvency II capital regime. 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, and beyond that to meet its own financial strength, licence and ratings objectives. Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of the Syndicate is not disclosed in these financial statements.

Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its 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 on which it is participating but no other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR is determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment ("ECA"). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 and 2020 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the statement of financial position on page 24, represent resources available to meet members' and Lloyd's capital requirements.

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long tail claims.
Therefore, the objective of the Syndicate is to ensure that sufficient reserves are available to cover these liabilities. The risk exposure is mitigated by diversification across a large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risk mitigation programme. Reinsurance ceded is placed on both a proportional and non–proportional basis. The majority of proportional reinsurance is quota–share reinsurance which is taken out to increase capacity and reduce the overall exposure to certain classes of business. Non–proportional reinsurance is made up of facultative and excess–of–loss reinsurance designed to mitigate the Syndicate's net exposure to specific risks and catastrophe losses. Retention limits for the excess–of–loss reinsurance vary by product line and territory.

Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. Although the Syndicate has reinsurance arrangements, it is not relieved of its direct obligations to its policyholders and thus a credit exposure exists with respect to ceded insurance, to the extent that any reinsurer is unable to meet its obligations assumed under such reinsurance agreements. The Syndicate's placement of reinsurance is diversified such that it is neither dependent on a single reinsurer nor are the operations substantially dependent upon any single reinsurance contract.

The Syndicate principally issues the following types of general insurance contracts: accident and health, property fire and peril, third-party liability, marine, aviation and transport. Risks usually cover twelve months duration.

The most significant risks arise from man-made disasters, climate changes, natural disasters and terrorist activities. For longer tail claims that take some years to settle, there is also inflation risk.

Strict claim review policies to assess all new and ongoing claims, regular detailed review of claims handling procedures and frequent investigation of possible fraudulent claims are all policies and procedures put in place to reduce the risk exposure of the Syndicate. The Syndicate further enforces a policy of actively managing and promptly pursuing claims, in order to reduce its exposure to unpredictable future developments that can negatively impact the business. Inflation risk is mitigated by taking expected inflation into account when estimating insurance contract liabilities.

The Syndicate has also limited its exposure by imposing maximum claim amounts on certain contracts as well as the use of reinsurance arrangements in order to limit exposure to catastrophic events (e.g., hurricanes, earthquakes and flood damage).

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

The purpose of these underwriting and reinsurance strategies is to limit exposure to catastrophes based events on the Syndicate's risk appetite as decided by management. The overall aim is currently to restrict exposure to the syndicate to less than the equivalent of 7.5% of approved ECA as a result of net modelled natural catastrophe risk arising from a single catastrophic event. Counterparty exposure is readily monitored to prevent over concentration in the event of such a catastrophe. The Board may decide to increase or decrease the maximum tolerances based on market conditions and other factors.

The Syndicate uses both its own and commercially available proprietary risk management software to assess catastrophe exposure. However, there is always a risk that the assumptions and techniques used in these models are unreliable or that claims arising from an un-modelled event are greater than expected. As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising for various realistic disaster scenarios (RDS) arising for various RDS's based on the Syndicate's expected risk exposures estimated for the 2021 Syndicate Business Forecast.

RDS event	Estimated gross claims $000	Estimated net claims $000
Cyber - Power Plant explosion	167,763	76,451
Aviation terror event	116,000	20,701
Third party liability event	50,000	18,000
Director and Officers liability event	55,000	19,800
Aviation Collision	-	-
Political Risk - Oil Price Collapse	13,937	4,181

The table above sets out the concentration of outstanding claims liabilities by type of contract.

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

Key assumptions

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

Sensitivities

The claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process. The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions have been changed on an individual basis.

2021	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit and members' balances
		$000	$000	$000
Average claim cost	10%	88,505	31,599	(31,599)
Average number of claims	10%	88,505	31,599	(31,599)

2020	Change in assumptions	Impact on gross liabilities	Impact on net liabilities	Impact on profit and members' balances
		$000	$000	$000
Average claim cost	10%	79,337	28,744	(28,744)
Average number of claims	10%	79,337	28,744	(28,744)

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

Claims development triangles
The tables on the next page analyse the development of the estimates of earned ultimate cumulative claims for the Syndicate after the end of the underwriting year, illustrating how amounts estimated have changed from the first estimates made. Tables have been constructed on an underwriting year basis. Non US Dollar balances have been converted using period end 2021 exchange rates to aid comparability.

At the end of each first year, only part of the premium written will have been earned and it is expected that ultimate claims will increase during the period over which the premium is earned.

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

Gross of Reinsurance

Underlying pure year	Incurred at end of underwriting year	1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	Cumulative payments
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
2012	108,370	230,542	261,867	254,302	250,753	246,031	249,612	250,663	249,961	248,896	239,528
2013	116,172	234,566	222,960	214,857	211,728	208,324	225,439	226,379	237,058		209,102
2014	109,940	209,132	209,889	203,126	222,143	235,943	242,470	247,103			191,993
2015	105,104	247,945	254,992	258,683	277,789	295,475	316,023				267,083
2016	119,350	262,964	281,340	291,498	305,047	345,096					251,257
2017	96,540	229,536	253,698	254,301	273,841						192,481
2018	158,827	335,228	332,760	336,798							217,805
2019	94,699	218,466	211,028								80,064
2020	113,525	232,191									43,057
2021	109,374										9,942

Notes to the financial statements
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15. Risk management (continued)

Net of Reinsurance

Underlying pure year	Incurred at end of underwriting year	1 year later	2 years later	3 years later	4 years later	5 years later	6 years later	7 years later	8 years later	9 years later	Cumulative payments
	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000	$000
2012	43,791	84,747	94,190	91,350	91,414	89,411	90,496	90,847	90,133	91,910	87,457
2013	47,101	101,404	96,322	91,892	90,083	89,053	97,140	98,151	102,801		89,389
2014	46,154	94,213	99,466	96,889	109,168	115,470	116,352	116,023			92,924
2015	37,507	85,084	91,078	92,773	102,052	107,013	117,662				95,317
2016	35,487	78,693	85,041	86,228	90,235	105,905					65,001
2017	30,001	71,778	80,596	81,933	89,139						57,409
2018	38,152	85,783	90,234	92,662							49,341
2019	26,600	61,682	61,648								18,677
2020	30,115	63,613									10,115
2021	27,722										1,983

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

Claims Split by Reporting Year of Account

Underlying pure year	Gross estimated balance to pay	Net estimated balance to pay
	$000	$000
2011 & prior	29,959	14,526
2012	9,368	4,453
2013	27,956	13,412
2014	55,110	23,099
2015	48,940	22,345
2016	93,839	40,904
2017	81,360	31,729
2018	118,993	43,321
2019	130,964	42,971
2020	189,133	53,497
2021	99,431	25,739
Total	885,053	315,996

During 2021, gross ultimate claims in respect of prior underwriting years (2019 and prior) increased by $60.2m ($33.6m net of reinsurance). The older years (2018 & prior) have seen deteriorations coming primarily from the Casualty division, but also A&H, PFR and Aviation to a smaller extent, in respect of late deteriorating large losses. This has been offset by better than expected experience on 2018 and prior from some of the shorter tailed lines within the Technical Risks division and Marine divisions. Claims reserves established can prove to be more or less than adequate to meet eventual claims arising.

The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes, or from inadequate provision for IBNR. The impact on profit of a 1% variation in the total net earned claims reserves would be $3.2m (2020: $2.9m).

Whilst COVID-19 contributes additional uncertainties to the Syndicate’s claim reserves, we do not expect these to have a significant impact on Syndicate 1919. The Syndicate considers its direct COVID-19 claims exposure at this stage to be less than $3m net of reinsurance, as few claims have been notified to date, with many denied on coverage grounds. This exposure is monitored closely by the Syndicate’s claims team. It is expected that the Syndicate will have some indirect exposure to COVID-19, with pandemic recessionary impacts expected to materialise to some extent on the Casualty classes of business. There are uncertainties as to the

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

future duration and severity of the recession, which have been considered as part of the reserve valuations in 2021.

d) Financial risk - credit risk

Credit risk is the risk that the Syndicate becomes exposed to losses if a specific counterparty fails to perform its contractual obligations in a timely manner, causing the Syndicate loss and/or impacting the Syndicate's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. Part of the Syndicate's credit risk is mitigated by the collateral received from a third party. The Syndicate is exposed to credit risk in its investment portfolio and with its premium and reinsurance receivables. The tables below show the breakdown as at 31 December 2021 and 2020 of the exposure of the bond portfolio, liquidity funds and insurance and reinsurance receivables by credit quality.

The reinsurance recoveries from Starr Insurance and Reinsurance Limited ("SIRL"), a group company, have been collateralised via the ring fencing of a bond portfolio. The current recoverable is $74.9m which is fully collaterised. The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2021 by classifying assets that are neither past due nor impaired, according to Standard & Poor's credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated. Lloyd's Syndicate loans are classified within the A bucket, as Lloyd's of London has an A credit rating with AM Best.

Notes to the financial statements
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15. Risk management (continued)

2021	AAA	AA	A	BBB	BB or less	Not readily available/not rated	Total
	$000	$000	$000	$000	$000	$000	$000
Shares and other variable yield securities and unit trust	-	-	36,932	-	-	-	36,932
Debt securities	135,771	51,901	110,999	17,474	-	-	316,145
Overseas deposits as investments	45,382	7,608	9,597	7,150	3,007	17,237	89,981
Other Investments	7,305	3,742	-	-	-	-	11,047
Deposits with ceding undertakings	6,031	-	-	-	-	-	6,031
Reinsurers' share of claims outstanding	5,730	147,711	407,758	-	3,049	4,810	569,058
Reinsurance debtors	1,258	12,867	21,338	-	34	443	35,940
Cash at bank and in hand	-	-	2,271	-		-	2,271
Total	201,477	223,829	588,895	24,624	6,090	22,490	1,067,405

Notes to the financial statements
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15. Risk management (continued)

2020	AAA	AA	A	BBB	BB or less	Not readily available/not rated	Total
	$000	$000	$000	$000	$000	$000	$000
Shares and other variable yield securities and unit trust	-	-	44,385	-	-	-	44,385
Debt securities	126,706	46,370	89,893	14,659	-	-	277,628
Overseas deposits as investments	38,816	7,857	14,485	5,777	4,126	15,400	86,461
Other Investments	10,420	3,060	-	-	-	-	13,480
Reinsurers' share of claims outstanding	3,966	145,705	354,459	-	1,775	32	505,937
Reinsurance debtors	4,285	19,940	48,167	-	16	-	72,408
Cash at bank and in hand	-	-	2,532	-	-	-	2,532
Total	184,193	229,932	553,921	20,436	5,917	15,432	1,002,831

Ageing of debt
It is important that the Syndicate can pay its obligations as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Syndicate's assets. The Syndicate funds its insurance liabilities with a portfolio of cash and debt securities exposed to market risk. Assets which are past due but not impaired have been in arrears for less than 3 months from the reporting date. The table on the next page indicate the ageing past due of cash flows arising from assets at both 31 December 2021 and 31 December 2020.

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

2021	Neither due nor impaired	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
	$000	$000	$000	$000	$000	$000
Shares and other variable yield securities and unit trust	36,932	-	-	-	-	36,932
Debt securities	316,145	-	-	-	-	316,145
Overseas deposits as investments	89,981	-	-	-	-	89,981
Other investments	11,047	-	-	-	-	11,047
Deposits with ceding undertakings	6,031					6,031
Reinsurers' share of claims outstanding	569,058	-	-	-	-	569,058
Reinsurance debtors	35,940	12,879	2,860	2,829	733	55,241
Cash at bank and in hand	2,271	-	-	-	-	2,271
Insurance debtors	162,126	21,119	7,247	2,173	5,063	197,728
Other assets	279,970	-	-	-	2,325	282,295
	1,509,501	33,998	10,107	5,002	8,121	1,566,729

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

2020	Neither due nor impaired	Up to 3 months	3 to 6 months	6 months to 1 year	Over 1 year	Total
	$000	$000	$000	$000	$000	$000
Shares and other variable yield securities and unit trust	44,385	-	-	-	-	44,385
Debt securities	277,628	-	-	-	-	277,628
Overseas deposits as investments	86,461	-	-	-	-	86,461
Other investments	13,480	-	-	-	-	13,480
Reinsurers' share of claims outstanding	505,937	-	-	-	-	505,937
Reinsurance debtors	52,070	13,237	5,076	916	1,109	72,408
Cash at bank and in hand	2,532	-	-	-	-	2,532
Insurance debtors	180,055	27,574	7,472	5,480	12,157	232,738
Other assets	269,143	-	-	-	2,343	271,486
	1,431,691	40,811	12,548	6,396	15,609	1,507,055

Within the tables above, other assets contain an amount of $211.1m (2020: $200.3m) in relation to Reinsurance share of unearned premium. These items are disclosed in the currency risk tables (pages 52 and 53) within 'Reinsurers' share of claims outstanding'. This has been reallocated in order to conform to Lloyd's reporting requirements.

Maximum credit exposure
It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business, geographic regions and products. The rating system is supported by a variety of financial analytics combined with processed market information to provide the main inputs for the measurement of counterparty risk. All internal risk ratings are tailored to the various categories and are derived in accordance with the Syndicate's rating policy. The attributable risk ratings are assessed and updated regularly.

During the year, no credit exposure limits were exceeded. The Syndicate actively manages its product mix to ensure that there is no significant concentration of credit risk.

All debt securities and other fixed income securities shown above are listed.

Notes to the financial statements
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15. Risk management (continued)

e) Financial risk - liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting its obligations as they fall due. In respect of catastrophic events there is also a liquidity risk associated with the timing differences between gross cash out-flows and expected reinsurance recoveries. The following policies and procedures are in place to mitigate the Syndicate's exposure to liquidity risk:

a) A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and exposures and breaches are reported to the risk committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.
b) Guidelines on asset allocation, portfolio limit structures and maturity profiles of assets are set, in order to ensure that sufficient funding is available to meet insurance and investment contracts obligations.
c) Contingency funding plans are set up which specify minimum proportions of funds to meet emergency calls as well as specifying events that would trigger such plans. The Syndicate's catastrophe excess-of-loss reinsurance contracts contain clauses permitting the immediate draw down of funds to meet claim payments should claim events exceed a certain size.

Maturity profiles

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

	0-1 years	1-3 years	3-5 years	>5 years	Total
2021	**$000**	**$000**	**$000**	**$000**	**$000**
Creditors	209,863	5,870	-	-	215,733
Claims outstanding	309,403	329,045	160,577	86,028	885,053
	519,266	334,915	160,577	86,028	1,100,786

	0-1 years	1-3 years	3-5 years	>5 years	Total
2020	**$000**	**$000**	**$000**	**$000**	**$000**
Creditors	276,211	4,753	-	-	280,964
Claims outstanding	299,460	295,201	131,511	67,201	793,373
	575,671	299,954	131,511	67,201	1,074,337

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for the year ended 31 December 2021

15. Risk management (continued)

There are no derivative based liabilities.

f) Financial risk - 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 comprises three types of risk:

i. Currency risk;
ii. Interest rate risk; and
iii. Equity price risk.

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

a) A market risk policy exists that sets out the assessment and determination of what constitutes market risk for the Syndicate. Compliance with the policy is monitored and exposures and breaches are reported to the risk committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.
b) Strict control over derivative instruments (e.g. equity derivatives are only permitted to be held to facilitate portfolio management or to reduce investment risk).
c) For assets backing outstanding claims provisions, market risk is managed by matching the duration and profile of assets to the technical provisions they are backing. This helps manage market risk to the extent that changes in the values of assets are matched by a corresponding movement in the values of the technical provisions.

Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates. The Syndicate's functional currency is US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro and Canadian Dollars. The Syndicate monitors the matching of the foreign currency denominated liabilities with assets denominated in the same currency.

Asset liability matching by currency risk

Underwriting assets are initially held in the settlement currencies of Sterling, Euros, US Dollars and Canadian Dollars, which represent the majority of the Syndicate's liabilities by currency, thus reducing the underwriting asset liability matching currency risk. The tables on the next page presents the Syndicate's assets and liabilities by currency. The amounts are stated in the US Dollar equivalent of the local currency, in order that the amounts can be reconciled to the Syndicate's statement of financial position. The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled, aside from Euros. This minimises the currency risk inherent in these contracts so far as this is allowed by regulatory requirements. Profits or losses are converted to be reflected in the net assets of the functional currency, US Dollars.

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

2021	GBP $000	USD $000	EUR $000	CAD $000	Total $000
Financial investments	7,124	243,203	-	113,797	364,124
Overseas deposits	60,575	1,807	-	27,599	89,981
Reinsurers' share of technical provisions	133,603	488,753	64,239	93,580	780,175
Insurance and reinsurance receivables	58,195	160,498	21,985	12,291	252,969
Cash and cash equivalents	551	1,137	583	-	2,271
Other assets	42,173	20,267	6,428	8,341	77,209
Total assets	**302,221**	**915,665**	**93,235**	**255,608**	**1,566,729**
Technical provisions	(224,769)	(690,567)	(113,529)	(149,858)	(1,178,723)
Insurance and reinsurance payables	(46,061)	(121,245)	(29,727)	(12,412)	(209,445)
Other creditors	(26,917)	(38,556)	(9,302)	(16,602)	(91,377)
Total liabilities	**(297,747)**	**(850,368)**	**(152,558)**	**(178,872)**	**(1,479,545)**
Net assets	**4,474**	**65,297**	**(59,323)**	**76,736**	**87,184**

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

2020	GBP $000	USD $000	EUR $000	CAD $000	Total $000
Financial investments	7,229	219,920	-	108,344	335,493
Overseas deposits	58,750	2,185	-	25,526	86,461
Reinsurers' share of technical provisions	129,227	445,699	49,547	81,754	706,227
Insurance and reinsurance receivables	76,476	154,691	58,691	15,289	305,146
Cash and cash equivalents	1,281	799	452	-	2,532
Other assets	40,057	17,991	9,643	3,504	71,195
Total assets	**313,020**	**841,285**	**118,332**	**234,417**	**1,507,055**
Technical provisions	(218,756)	(627,800)	(96,002)	(131,539)	(1,074,097)
Insurance and reinsurance payables	(56,668)	(129,720)	(38,829)	(16,980)	(242,197)
Other creditors	(49,286)	(49,213)	(15,243)	(8,503)	(122,245)
Total liabilities	**(324,710)**	**(806,733)**	**(150,074)**	**(157,022)**	**(1,438,539)**
Net assets	**(11,690)**	**34,552**	**(31,741)**	**77,395**	**68,516**

Policyholders’ assets are held in the settlement currencies of Sterling, US Dollar, Canadian Dollar and Euro which represent the majority of the Syndicate’s liabilities by currency. This limits the underlying foreign exchange risk.

Foreign exchange exposure also arises when business is written in non-settlement currencies. These transactions are converted into US Dollar at the prevailing spot rate once the premiums are received. Consequently there is exposure to currency movements between the risk being written and the premiums being converted. Payments in non-settlement currencies are converted back into the underlying currency at the time a claim is to be settled; therefore the Syndicate is exposed to exchange rate risk between the claim being made and the settlement being paid. In addition there is the currency risk arising from the claims in a settlement currency being different from the net premiums earned in that currency.

If the foreign currencies were to strengthen or weaken by 10% against the Syndicates functional currency, US Dollar, the movement in the monetary net assets and liabilities of the Syndicate would result in the following gains/(losses) in the Statement of Comprehensive Income at 31 December 2021.

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

	10% strengthening of currency against USD	10% weakening of currency against USD
2021	**$000**	**$000**
Currency		
GBP	447	(447)
EUR	(5,932)	5,932
CAD	7,674	(7,674)

Interest rate risk
Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk. The Syndicate has no significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

The analysis on the next page is performed for reasonably possible movements in interest rates with all other variables held constant, showing the impact on profit and member balance of the effects of changes in interest rates on:
i) Fixed rate financial assets and liabilities; and
ii) Variable rate financial assets and liabilities.

The first of these measures the impact on profit or loss for the year (for items recorded at fair value through profit or loss) and on member's balance (for available for sale investments) that would arise from a reasonably possible change in interest rates at the reporting date on financial instruments at the period end. The second of these measures the change in interest income or expense over the period of the year attributable to a reasonably possible change in interest rates, based on floating rate assets and liabilities held at the reporting date. The correlation of variables will have a significant effect in determining the ultimate impact on interest rate risk, but to demonstrate the impact due to changes in variables, the variables were altered on an individual basis. It should be noted that movements in these variables are non-linear.

Notes to the financial statements
for the year ended 31 December 2021

15. Risk management (continued)

	2021 $000	2020 $000
Interest rate risk		
Impact of 50 basis point increase on result	(2,118)	(1,922)
Impact of 50 basis point decrease on result	2,118	1,922
Impact of 50 basis point increase on net assets	(2,118)	(1,922)
Impact of 50 basis point decrease on net assets	2,118	1,922

The sensitivity is calculated using portfolio characteristics, moderated duration and price sensitivity assumptions and applied to the portfolio value. The method used for deriving sensitivity information and significant variables did not change from the previous period.

16. Related parties

Starr Managing Agents Limited

Syndicate 1919 is managed by SMAL. SMAL is owned 100% by Starr Global Financial Inc. (Nevada). The Syndicate paid a managing agent's fee of $2.6m in the year to SMAL (2020: $2.3m).

The Syndicate's Corporate Member, SSL's immediate parent is Starr Indemnity & Liability Company (Texas) and is owned 100% by Starr Global Financial Inc. (Nevada). The ultimate controlling party of Syndicate 1919 is Starr International Inc. (Switzerland).

Starr Underwriting Agents Limited

SUAL underwrites on behalf of Syndicate 1919. SUAL is owned 100% by Starr Global Financial Inc. (Nevada). The Syndicate paid SUAL commissions of $19.9m (2020: $22.9m) for services provided during the year.

Starr Underwriting Agents Dubai

Starr Underwriting Agents Dubai ("SUAD") underwrites on behalf of Syndicate 1919. SUAD is owned 100% by Starr Global Holdings AG. (Switzerland).

Other Starr Companies

Other companies within the Starr Companies Group have been authorised as Lloyd's coverholders and granted binding authorities to produce business on behalf of the Syndicate for which they receive commission, and in some cases, a profit commission. All contracts are prepared using standard market wordings and are on a commercial arm's length basis.

Notes to the financial statements
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16. Related parties (continued)

Certain directors of SMAL and SUAL hold directorships in some of these companies. These are disclosed to the Boards on the conflicts registers.

The Syndicate purchases a global catastrophe cover from SIRL protecting all catastrophe exposed lines of business.

The Syndicate also purchases quota share reinsurance from SIRL and Starr Indemnity & Liability Company, who participates on the Syndicate's reinsurance panel, alongside third-party reinsurers. At 31 December 2021, the Syndicate owed group reinsurers $27.8m (2020: $27.8m) in respect of reinsurance premium and was owed in return $3.5m (2020: $6.6m) in reinsurance recoveries. These receivables and payables are included in the Statement of Financial Position as Debtors arising out of reinsurance operations and Creditors arising out of reinsurance operations, respectively. All remaining balances are with third parties.

There are common directorships between these entities that are disclosed in the conflicts registers. All contracts are prepared using standard market wordings and are on a commercial arm’s length basis.

With effect from 1 January 2011, SUAL has been acting as coverholder to the UK branch of SIRL and from 24 June 2015 SUAL is also acting as a coverholder to Starr International (Europe) Limited (“SIEL”); SUAL is remunerated on a commission basis. SMAL has considered this and sees no material risk to the Syndicate. A protocol has been signed between all four parties (SIRL, SIEL, SUAL and SMAL) defining the allocation of risks to the three carriers.

Since 1 January 2014, SMAL has been writing Lloyd’s consortium business for which SMAL receives a consortium management fee and binding authority commission. Prior to this period the Syndicate participated in a number of consortia managed by SUAL for which SUAL received a consortium management fee and binding authority commission.

17. Capital

SSL, the Lloyd’s corporate capital member which supports the Syndicate, is required to hold regulatory capital in compliance with the prudential rules issued by the PRA and is also subject to Lloyd’s capital requirements, including maintaining Funds at Lloyd’s (“FAL”) and Funds in Syndicate (“FIS”), both of which are held in USD. Since FAL is not under the management of the managing agent, no amount has been shown in these financial statements by way of such capital resources. However, should the corporate member fail to meet its financial obligations when called to meet a loss or cash call, the managing agent is able to make a call on the members’ FAL to meet liquidity requirements or to settle losses.

In addition to FAL, Syndicate 1919 is also supported by FIS, which consists of retained earnings from the syndicate distribution. These funds belong to the corporate member and are retained within the Syndicate.

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

Notes to the financial statements
for the year ended 31 December 2021

17. Capital (continued)

sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCR of each Syndicate is subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group. Over and above this, Lloyd's applies an ECA to the member's capital requirement. The purpose of this uplift, which is a non-Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives.

The capital uplift applied for 2021 & 2020 was 35% of the member's SCR 'to ultimate'.

At 31 December 2021, the agreed ECA as a percentage of the agreed underwriting capacity for the following underwriting year was 60.3% (2020: 61.8%).

The Syndicate also benefits from mutualised capital within the Lloyd's Central Fund, for which a variable annual levy, for 2021 of 0.35% (2020: 0.35%) of Syndicate gross premium, is payable.

The Lloyd's Capital Requirement ("LCR") is expected to be reviewed annually by Lloyd's and periodically by the PRA. The PRA expects management to apply their rules continuously. If a firm's capital falls below its ECA, steps must be taken to restore capital adequacy. Due to the nature of the Lloyd's capital setting process, FAL requirements are formally assessed and funded twice yearly at discrete periods and must be met for the Syndicate to continue underwriting.

At 31 December 2021, SSL contributed FIS of $63.8m (2020: $62.2m); Starr USA Asset Holdings funded the agreed FAL requirement of $195.3m (2020: $171.8m).

Starr Syndicate 1919 does not seek to retain any assets significantly in excess of the Lloyd's capital requirement within the Lloyd's framework and any surplus will be retained locally as FIS, allowing FAL to be reduced.

18. Part VII Transfer

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to 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 open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels, together with cash of $144.3m. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of $144.3m. The combined effect of the

Notes to the financial statements
for the year ended 31 December 2021

18. Part VII Transfer (continued)

two transactions had no overall financial 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. Results relating to these risks are reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.

In order to settle claims in respect of transferred policies, the Syndicate has provided a settlement float to Lloyd's Brussels. Lloyd's Brussels has calculated the required settlement account top up for the Syndicate based on historic claims payment activity and that balance is expected to be maintained by the Syndicate. A cash call process has also been put into place, that enables the "topping-up" of the Part VII settlement account should settlements be notified that are larger than the current float balance. These settlement accounts are denominated in the Syndicate's four settlement currencies, Sterling, US Dollar, Euro and Canadian Dollar. These settlement accounts were funded on 4 January 2021 with a combined value of $10.2m and holding $6.0m at 31 December 2021

19. Post Balance Sheet Event

Since 24 February 2022, there has been an escalation of the conflict between Russia and Ukraine. As a result, SMAL has considered the Syndicate's exposures to the conflict and resulting sanctions from an insurance, investment and operational perspective. At the time of signing this Annual Report, SMAL does not expect the Syndicate to have material exposure to the unfolding events, but will continue to monitor the situation closely.