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# Brit Syndicate 2988

## 2020 Underwriting Year Accounts



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writing the future

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## Report of the Directors of the Managing Agent

The Directors of the Managing Agent, Brit Syndicates Limited (BSL) a company registered in England and Wales, present their report as at 31 December 2022 for the 2020 year of account for Syndicate 2988 (the Syndicate).

The Syndicate underwriting year accounts have been prepared in compliance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom. Financial Reporting Standard 102 'The Financial Reporting Standard applicable in the United Kingdom and the Republic of Ireland' (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103) have been applied. Separate annual accounts under UK GAAP on the calendar year results are also prepared and publicly available at [www.lloyds.com](http://www.lloyds.com).

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2020 year of account which has been closed by way of reinsurance to close (RITC) at 31 December 2022; consequently, the balance sheet represents the assets and liabilities of the 2020 year of account and the profit and loss account reflect the transactions for that year of account during the 36 months period until closure.

### Underwriter's Report 2020 Year of Account

The Syndicate's key performance indicators were as follows:

	<b>2020</b>
	<b>£'m</b>
Gross premiums written	182.9
Earned premiums, net of reinsurance	163.3
Net incurred claims, net of RITC payable and receivable	(128.2)
Net operating expenses	(47.9)
Investment return	(5.5)
Foreign Exchange loss	(2.1)
Loss for the period	(20.4)
Other comprehensive income	(0.6)
<b>Result for the closed year of account</b>	<b>(21.0)</b>
Combined ratio (at constant rates of exchange)	<b>107.8%</b>
Return on capacity	<b>(14.1%)</b>

The 2020 year of account (YoA) closed with an overall distributable loss of £21.0m (2019 YoA: loss of £22.1m) representing a negative return on capacity of 14.1% (2019 YoA: negative 22.6%). Underwriting loss before investment return was £12.8m (2019 YoA: loss of £20.4m) and the combined ratio was 107.8% at constant rates of exchange (2019 YoA: 121.8%). Final utilisation of stamp capacity was 101.2% (2019 YoA: 80.7%) at constant rates of exchange for the 36 month period.

## Report of the Directors of the Managing Agent (continued)

### Pure year 2020

The Syndicate's principal activity was the underwriting of general insurance and reinsurance business in the Lloyd's market, participating only on new and renewal business written by Brit's wholly aligned Syndicate 2987. The strategy for the 2020 year of account was to continue to focus on business with a profitable track record and, where there were opportunities, to underwrite business that Brit leads or where Brit has a strong market presence. The final stamp capacity for the 2020 year of account was £149.0m (2019 YoA: £97.7m). In line with the increase in stamp capacity, the planned premiums written were expected to increase by 46.1% compared to the 2019 YoA.

The underwriting strategy for the 2020 YoA was to continue to grow across most existing classes of business written, albeit to evolve the business mix to create a more balanced portfolio across long and short tailed lines. The growth in the Syndicate was largely facilitated by a whole account quota share arrangement that the Syndicate entered into with Syndicate 2987. This provided a significant boost in scale to the Syndicate, by increasing GWP by £37.3m over the 36 months. This agreement provided significant benefit to the Syndicate, increasing the diversity of risks that the Syndicate was exposed to while also allowing it to benefit from the reinsurance protections that Syndicate 2987 has in place on those risks.

Planned and actual written premiums also included a Property Treaty quota share agreement with Syndicate 2987, with the Syndicate ceasing to write Property Treaty directly. This was to address challenges deploying the Syndicate's capacity in this competitive market whilst providing the Syndicate with wider exposure to Treaty risks and allowing for more diversification in this class. The new arrangement allowed the Syndicate to benefit from the growth in Syndicate 2987's book of business and increase its premium year on year, with the class contributing £22.1m over the 36 months.

The Syndicate benefitted from the positive rate environment during the life cycle of the year of account, achieving above planned premium in short tail Property books (North American and Worldwide Commercial) as well as on the Marine account (Cargo).

Another core part of the 2020 YoA portfolio was Cyber. Brit has a well-established and highly respected Cyber team and forms a core part of Brit's strategy. The Cyber underwriting team saw an increase in new opportunities in the market with the Syndicate focussing primarily on open market rather than facilities placements.

Further penetration into core, strategic classes such as long-tail reinsurance books (both Treaty Risk and Treaty Catastrophe) contributed to premium growth with long-tail risk writing significantly above plan with double digit rate growth.

COVID-19 heavily impacted income from both the Property Facilities (Commercial and Household) and the Accident & Health (Personal Accident, Contingency and Kidnap and Ransom) portfolios. Contingency was only written for the first couple of months of 2020, with activity being minimal from thereon, and Personal Accident and Kidnap and Ransom came under plan with the pandemic a cause for less international travel reducing the demand for these products.

D&O business was largely sourced through Ambridge Partners LLC, a US-based managing general underwriter with which the group has a strategic relationship. This enabled Brit to influence the flow of business into its managed syndicates. Income from the class was below expectations. This was due to a fall in M&A activity because of macro-economic uncertainty.

The outwards reinsurance strategy for 2020 was consistent with previous years, being focussed on providing protection against catastrophe losses. The Syndicate purchased a catastrophe aggregate excess of loss cover which provided protection for the Syndicate's Property Direct and Reinsurance business, and also a catastrophe excess of loss cover protecting the Property D&F book only. The deductible on the aggregate cover was in line with the previous year, but the limit increased, reflecting the growth in the underlying book. The limit and deductible on the catastrophe excess of loss remained unchanged.

The Syndicate renewed its Cyber specific reinsurance protection for 2020. The protection combined both excess of loss protection and a stop loss, to reflect the potential for both large single risk losses as well as the accumulation of losses in this class due to systemic events.

Additionally, the Syndicate purchased a Multi-Line Risk XL covering non elemental perils in its long and short tail lines. This reinsurance was purchased to reduce volatility and to allow the Syndicate to put down larger lines as profitable business was presented.

## **Report of the Directors of the Managing Agent (continued)**

Major losses had a significant impact on the underwriting result and contributed 28.9 percentage points (pps) to the overall combined ratio at constant FX rates.

A material part of this relates to losses arising from COVID-19, primarily concentrated in the Contingency class due to event cancellations, though also impacting Casualty Treaty and Property Treaty.

Aside from COVID-19, the Syndicate was exposed to a number of wind-related events during 2020, predominantly in the United States, with Hurricane Laura and Hurricane Sally the largest.

Other major loss events occurring during 2021 which fell back to the 2020 pure year included further US weather events such as Hurricane Ida and Texas winter storms.

The effect of the Russian invasion of Ukraine on incurred claims to the 2020 year of account was less than £0.1m. No other major loss events which occurred during 2022 affected the 2020 year of account.

Notwithstanding the adverse impact of major losses, the underlying attritional performance of the 2020 YoA portfolio was markedly better than plan. The impact of the COVID-19 pandemic will have undoubtedly favourably impacted both the frequency and severity of claims, but the 2020 YoA also benefited from a continued improvement in market conditions and underlying pricing.

The Syndicate investment portfolio comprised a mix of US Treasury bills, US Corporate bonds and a small amount of Canadian Treasury Bills as the Syndicate increased the investment managers mandate to include corporate bonds in Q3 of 2020 to diversify the portfolio and attempt to increase investment return. The portfolio was, however, managed through a volatile period. The US government bond yield curve rose markedly during 2022, with the two-year yield increasing from 0.73% to 4.43% and the five-year yield increasing from 1.26% to 4.00%. Investment grade credit and high yield spreads widened over the past calendar year as inflation remained elevated and the US Federal Reserve Bank entered an aggressive rate rising cycle. The year of account ended with an investment loss of £5.6m (2019 loss of £0.2m).

### **Development of Closed Years (2017, 2018 and 2019 pure years of account)**

Attritional movements have been experienced across several classes predominantly on the 2018 and 2019 years of account, most notably on Casualty Treaty (2018 YoA), Healthcare Liability (2019 YoA) and US Professional Indemnity (2019 YoA).

Largely offsetting these movements was favourable experience from major loss events on the 2017 to 2019 years of account, particularly the 2018 California Wildfires. Overall, the net impact of the of the prior year claims movements was a £0.4m loss.

The 2019 pure year of account also experienced a small amount of adverse premium development in the year which, together with the claims movements, results in a £0.8m loss on the 2019 and prior years of account.

### **Reinsurance to Close (RITC)**

The Managing Agent has conducted an assessment of the 2020 year of account reserves in order to close the year of account by way of reinsurance to close (RITC). It was concluded that the reserves were deemed appropriate, and the Board approved the reinsurance to close of the 2020 year of account of the Syndicate into the 2021 underwriting year.

### **Directors**

The names of the current Directors of the Managing Agent and those who have served during the year are shown on page 28.

## **Report of the Directors of the Managing Agent (continued)**

### **Independent Auditors**

PricewaterhouseCoopers LLP remain in office as the Syndicate's auditors.

### **Statement of disclosure of information to the Auditors**

Each person 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, being information needed by the Syndicate's auditors in connection with its report, of which the Syndicate's auditors are unaware; and
- he or she has taken all the steps that he or she is obliged to take as a director in order to make himself or herself aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

### **Syndicate Annual General Meeting**

In accordance with the Syndicate Meetings (Amendment No. 1) Byelaw (No. 18 of 2000) the Managing Agent does not propose holding a Syndicate Annual General Meeting of members of Syndicate 2988. Objections to this proposal or the intention to reappoint the auditors for a further 12 months can be made by Syndicate members to the Compliance Officer at the Managing Agent's registered address by 20 April 2023.

On behalf of the Board

### **Gavin Wilkinson**

Chief Financial Officer  
01 March 2023

## Statement of Managing Agent's Responsibilities

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare Syndicate underwriting year accounts at 31 December in respect of any underwriting year which is being closed by reinsurance to close which give a true and fair view of the result of the underwriting year at closure. Detailed requirements in respect of the underwriting year account are set out in the Lloyd's Syndicate Accounting Byelaw (No 8 of 2005).

In preparing the Syndicate underwriting year accounts, the Managing Agent is required to:

1. select suitable accounting policies and then apply them consistently and, where there are items which affect more than one year of account, ensure a treatment which is equitable as between the members of the syndicate affected. In particular, the amount charged by way of premium in respect of the reinsurance to close shall, where the reinsuring members and reinsured members are members of the same syndicate for different years of account, be equitable as between them, having regard to the nature and amount of the liabilities reinsured;
2. take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;
3. make judgements and estimates that are reasonable and prudent; and
4. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the notes to these accounts.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate underwriting year accounts comply with the Lloyd's Regulations and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

The directors of the Managing Agent confirm that they have complied with the above requirement in preparing the Syndicate underwriting year accounts.



# Independent auditors' report to the members of Syndicate 2988 - 2020 closed year of account

## Report on the audit of the syndicate underwriting year financial statements

### Opinion

In our opinion, Syndicate 2988's syndicate underwriting year financial statements for the 2020 year of account for the three years ended 31 December 2022 (the "underwriting year financial statements"):

- give a true and fair view of the state of the syndicate's affairs as at 31 December 2022 and of its loss and cash flows for the 2020 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards, including FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland", and applicable law); and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005).

We have audited the underwriting year financial statements included within the 2020 Underwriting Year Accounts (the "Underwriting Year Accounts"), which comprise: the statement of financial position as at 31 December 2022; the income statement, the statement of comprehensive income, and the statement of cash flows for the three years then ended; and the notes to the underwriting year financial statements, which include a description of the significant accounting policies.

### Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)"), including ISA (UK) 800, and The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and other applicable law. Our responsibilities under ISAs (UK) are further described in the *Auditors' responsibilities for the audit of the underwriting year financial statements* section of our report. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

### Independence

We remained independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the underwriting year financial statements in the UK, which includes the FRC's Ethical Standard, as applicable to other entities of public interest, and we have fulfilled our other ethical responsibilities in accordance with these requirements.

### Emphasis of matter – Basis of preparation

Without modifying our opinion, we draw attention to note 1 of the underwriting year financial statements, which describes the basis of preparation. In particular, as these underwriting year financial statements relate to a closed underwriting year of account, matters relating to going concern are not relevant to these underwriting year financial statements. The underwriting year financial statements are prepared in accordance with a special purpose framework for the specific purpose as described in the *Use of this report* paragraph below. As a result, the underwriting year financial statements may not be suitable for another purpose.

### Reporting on other information

The other information comprises all of the information in the Underwriting Year Accounts other than the underwriting year financial statements and our auditors' report thereon. The Managing Agent is Brit Syndicate 2988 2020 Underwriting Year Accounts

# Independent auditors' report to the members of Syndicate 2988 - 2020 closed year of account (continued)

responsible for the other information. Our opinion on the underwriting year financial statements does not cover the other information and, accordingly, we do not express an audit opinion or, except to the extent otherwise explicitly stated in this report, any form of assurance thereon.

In connection with our audit of the underwriting year financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the underwriting year financial statements or our knowledge obtained in the audit, or otherwise appears to be materially misstated. If we identify an apparent material inconsistency or material misstatement, we are required to perform procedures to conclude whether there is a material misstatement of the underwriting year 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 based on these responsibilities.

## Responsibilities for the underwriting year financial statements and the audit

### Responsibilities of the Managing Agent for the underwriting year financial statements

As explained more fully in the Statement of Managing Agent's Responsibilities, the Managing Agent is responsible for the preparation of the underwriting year financial statements in accordance with the applicable framework and for being satisfied that they give a true and fair view of the result for the 2020 closed year of account. The Managing Agent is also responsible for such internal control as they determine is necessary to enable the preparation of underwriting year financial statements that are free from material misstatement, whether due to fraud or error.

### Auditors' responsibilities for the audit of the underwriting year financial statements

Our objectives are to obtain reasonable assurance about whether the underwriting year financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' 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 underwriting year financial statements.

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

Based on our understanding of the syndicate and industry, we identified that the principal risks of non-compliance with laws and regulations related to breaches of UK and European regulatory principles, such as those governed by the Prudential Regulation Authority and the Financial Conduct Authority, and those regulations set by the Council of Lloyd's, and we considered the extent to which non-compliance might have a material effect on the underwriting year financial statements. We also considered those laws and regulations that have a direct impact on the underwriting year financial statements such as The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. We evaluated management's incentives and opportunities for fraudulent manipulation of the underwriting year financial statements (including the risk of override of controls), and determined that the principal risks were related to the risk of fraud in revenue recognition and management override of controls, including the potential for management bias in significant accounting estimates. Audit procedures performed by the engagement team included:

# Independent auditors' report to the members of Syndicate 2988 - 2020 closed year of account (continued)

- Discussions with the Board, management, internal audit and the compliance function of the Managing Agent, including consideration of known or suspected instances of non-compliance with laws and regulations and fraud;
- Assessment of matters reported on the Managing Agent's whistleblowing helpline and the results of the investigation of such matters;
- Reviewing relevant meeting minutes, including those of the Board, the Risk Oversight Committee, the Reserving Committee, and the Audit Committee of the Managing Agent, and correspondence with regulatory authorities, including the Council of Lloyd's, the Prudential Regulatory Authority, and the Financial Conduct Authority;
- Testing and challenging where appropriate the assumptions and judgements made in establishing significant accounting estimates, particularly in relation to the reinsurance to close premium payable;
- Identifying and testing journal entries identified as potential indicators of fraud, in particular, those with unexpected account combinations, those posted by unexpected users or with unusual words, and post close or backdated journal entries; and
- Designing audit procedures to incorporate unpredictability around the nature, timing and extent of testing.

There are inherent limitations in the audit procedures described above. We are less likely to become aware of instances of non-compliance with laws and regulations that are not closely related to events and transactions reflected in the underwriting year financial statements. Also, the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery or intentional misrepresentations, or through collusion.

A further description of our responsibilities for the audit of the underwriting year financial statements is located on the FRC's website at: [www.frc.org.uk/auditorsresponsibilities](http://www.frc.org.uk/auditorsresponsibilities). This description forms part of our auditors' report.

## **Use of this report**

This report, including the opinions, has been prepared for and only for the syndicate's members as a body in accordance with part 2 of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and Part C of the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and for no other purpose. We do not, in giving these opinions, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

# Independent auditors' report to the members of Syndicate 2988 - 2020 closed year of account (continued)

## Other required reporting

Under The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005), we are required to report to you if, in our opinion:

- we have not obtained all the information and explanations we require for our audit; or
- adequate accounting records have not been kept by the Managing Agent in respect of the syndicate; or
- the underwriting year financial statements are not in agreement with the accounting records.

We have no exceptions to report arising from this responsibility.

Paul Pannell (Senior Statutory Auditor)  
for and on behalf of PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
London  
01 March 2023

## Income Statement

Technical Account – General Business

2020 Closed Year of Account for the three years ended 31 December 2022

	Note	2020 £'m
Gross premiums written	3	182.9
Outward reinsurance premiums		(19.6)
Earned premiums, net of reinsurance		<b>163.3</b>
Reinsurance to close premiums received, net of reinsurance	4	<b>76.4</b>
Allocated investment return transferred from the non-technical account		(5.5)
Total technical income		<b>234.2</b>
Claims Paid		
Gross amount		(84.7)
Reinsurers' share		2.0
Net claims paid		<b>(82.7)</b>
Reinsurance to close premium payable, net of reinsurance	5	(121.9)
Claims incurred, net of reinsurance and RITC payable		<b>(204.6)</b>
Net operating expenses	6	(47.9)
Total technical charges		<b>(252.5)</b>
<b>Balance on the technical account for general business</b>		<b>(18.3)</b>

The accompanying notes are an integral part of these accounts.

**Income Statement:**

Non-Technical Account

2020 Closed Year of Account for the three years ended 31 December 2022

	Note	2020 £'m
<b>Balance on the technical account for general business</b>		<b>(18.3)</b>
Investment income		2.0
Realised losses on investments		(2.1)
Unrealised losses on investments		(5.4)
Net investment return	8	<b>(5.5)</b>
Allocated investment return transferred to general business technical account	8	5.5
Loss on exchange		(2.1)
<b>Result for the closed year of account</b>		<b>(20.4)</b>

**Statement of Comprehensive Income:**

2020 Closed Year of Account for the three years ended 31 December 2022

	Note	2020 £'m
<b>Result for the closed year of account</b>		<b>(20.4)</b>
Currency translation differences		(0.6)
<b>Total comprehensive loss for the closed year of account</b>		<b>(21.0)</b>

The accompanying notes are an integral part of these accounts.

## Statement of Financial Position

### Assets

2020 Closed Year of Account as at 31 December 2022

	Note	2020 £'m
<b>Assets</b>		
<b>Investments:</b>		
Financial investments	9	131.6
		<b>131.6</b>
<b>Reinsurers' share of technical provisions:</b>		
Reinsurance recoveries anticipated on gross reinsurance to close premiums payable to close the account	5	7.1
		<b>7.1</b>
<b>Debtors:</b>		
<b>Debtors due within one year:</b>		
Debtors arising out of direct insurance operations		10.5
Debtors arising out of reinsurance operations		0.4
Other debtors	12	0.7
		<b>11.6</b>
<b>Other assets:</b>		
Cash at bank and in hand	10	0.2
Other	11	6.9
		<b>7.1</b>
Prepayments and accrued income		0.5
<b>Total assets</b>		<b>157.9</b>

The accompanying notes are an integral part of these accounts.

## Statement of Financial Position

### Liabilities

2020 Closed Year of Account as at 31 December 2022

	Note	2020 £'m
<b>Members' balances and liabilities</b>		
Members' balances		(21.0)
		<b>(21.0)</b>
<b>Technical provisions:</b>		
Reinsurance to close premiums payable to close the account - gross amount	5	129.0
		<b>129.0</b>
<b>Creditors:</b>		
Creditors arising out of direct insurance operations		0.4
Creditors arising out of reinsurance operations		3.7
Inter - year loans	13	45.7
Other	14	0.1
		<b>49.9</b>
<b>Total liabilities</b>		<b>178.9</b>
<b>Total members' balances and liabilities</b>		<b>157.9</b>

Creditors Other includes derivative liability

The financial statements on page 11 to 28 were approved by the Board of Brit Syndicates Limited on the 01 March 2023 and signed on its behalf by:

**Gavin Wilkinson**  
Chief Financial Officer

**Christiern Dart**  
Director



**Statement of Cash Flows**

2020 Closed Year of Account for the three years ended 31 December 2022

	Note	2020 £'m
<b>Cash flows from operating activities</b>		
Result for the 2020 year of account		(20.4)
Adjustments for:		
Movement in gross technical provisions		129.0
Movement in reinsurers' share of technical provisions		(7.1)
Increase in debtors		(10.9)
Increase in creditors		4.1
Movement in other assets/liabilities		37.6
Foreign exchange on operating activities		(0.3)
Investment return		5.5
<b>Net cash flows from operating activities</b>		<b>137.5</b>
<b>Cash flows from investing activities</b>		
Purchase of equity and debt instruments		(206.1)
Sale of equity and debt instruments		74.6
Investment income received		(0.1)
<b>Net cash flows used in investing activities</b>		<b>(131.6)</b>
<b>Net increase in cash and cash equivalents</b>		<b>5.9</b>
Cash and cash equivalents at the beginning of three years		-
<b>Cash and cash equivalents at the end of three years</b>	10	<b>5.9</b>

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 1 Accounting policies, statement of compliance and basis of preparation

#### 1.1 Statement of compliance and basis of preparation

These accounts have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, comprising Financial Reporting Standard 102 'The Financial Reporting Standard' applicable in the United Kingdom and the Republic of Ireland (FRS 102) and Financial Reporting Standard 103 'Insurance Contracts' (FRS 103).

The Lloyd's Syndicate Accounting Byelaw (No. 8 of 2005) requires the aggregation of movements in each of the three calendar years for any Underwriting Year of account. For 2020's Underwriting Year Account each calendar year result is aggregated and reported at the rates of exchange prevailing at the 31 December 2022 period end for each item in the income statement. The reinsurance to close received by 2021 from 2020 is presented as both a premium and as part of the reinsurance to close payable at the same rates, which are the rates at 31 December 2022. Any changes made to the opening reinsurance to close are accounted for at the rates prevailing at the end of calendar year 2022.

The financial statements are prepared under the historical cost convention, as modified by the recognition of certain financial assets and liabilities measured at fair value.

Members participate on a syndicate by reference to a year of account and each syndicate year of account is a separate annual venture. These accounts relate to the 2020 year of account which has been closed by reinsurance to close at 31 December 2022; consequently, the statement of financial position represents the assets and liabilities of the 2020 year of account and the income statement and the statement of cash flows reflect the transactions for that year of account during the three year period until closure.

The functional currency of the Syndicate is the United States dollar (US\$). The financial statements are reported in sterling £'m, which is the presentational currency of the Syndicate, and rounded to one decimal place, unless otherwise stated.

##### 1.1.1 Reinsurance to close

A Reinsurance to Close (RITC) is a reinsurance which closes a year of account and transfers the responsibility for discharging all the liabilities that attach to that year of account (and any year of account closed into that year) plus the right to any income due to the closing year of account into an open year of account of the same or a different syndicate in return for a premium. The reinsurance to close premium is determined by reference to the outstanding technical provisions relating to the closed year.

Effective at each year-end 31 December, the RITC process means that all assets and liabilities have been transferred to a reinsuring year of account. To this extent, the risks that the syndicate is exposed to in respect of the reported financial position and financial performance are significantly less than those relating to the open years of account as disclosed in the syndicate Annual Accounts. Accordingly, these underwriting year accounts do not include the associated risk disclosures required by section 34 of FRS 102 and section 4 of FRS 103. Full disclosures relating to these risks are provided in the main Annual Accounts of the Syndicate. In addition, certain other disclosure requirements under FRS 102 and FRS 103, such as the disclosure of a Statement of Changes in Members' Balances, have not been provided as it is believed that they are not required for a proper understanding of the underwriting year accounts.

The underwriting accounts for each year of account are normally kept open for three years before the result on that year is determined. At the end of the three-year period, outstanding liabilities can normally be determined with sufficient accuracy to permit the year of account to be closed by payment of a reinsurance to close premium to the successor year of account.

The following accounting policies have been applied consistently from when the year of account was opened in dealing with items which are considered material in relation to the syndicate underwriting year accounts.

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 1 Accounting policies, statement of compliance and basis of preparation (continued)

#### 1.2 Product classification

Insurance contracts are those contracts that transfer significant insurance risk at the inception of the contract. Insurance risk is transferred when an insurer agrees to compensate a policyholder if a specified uncertain future event adversely affects the policyholder. The significance of insurance risk is dependent on both the probability of an insured event and the magnitude of its potential effect to the policyholder. Once a contract has been classified as an insurance contract, it remains an insurance contract for the remainder of its lifetime, even if the insurance risk reduces significantly during this period.

#### 1.3 Significant accounting policies

##### 1.3.1 Insurance Contracts

The results for all classes of business have been determined on an annual basis, whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premium written, net of reinsurance, as follows. These annual results have then been aggregated for the purposes of the underwriting accounts.

##### a. Premiums written

Premiums written relate to business incepted during the period and include estimates of premiums due but not yet received or notified, less an allowance for cancellations. Premiums are accreted to the technical account on a pro rata basis over the term of the related policy, except for those contracts where the period of the risk differs significantly from the contract period. In these circumstances, premiums are recognised over the period of risk in proportion to the amount of insurance protection provided. Reinstatement premiums are recognised where, under an insurance policy that contains a contractual right to reinstatement, a loss event occurs that triggers reinstatement. Premiums are stated gross of commissions, but net of premium taxes and other levies on premiums.

Outwards reinsurance premiums ceded are attributed to the same year as the original risk being protected.

##### b. Acquisitions costs

Commission and other acquisition costs incurred during a financial period that are related to securing new insurance contracts and/or renewing existing insurance contracts, but which relate to subsequent financial periods, are deferred to the extent that they are recoverable out of future revenue margins. Deferred acquisition costs are capitalised and amortised over the life of the policy to which they relate on a basis consistent with the earnings pattern of that policy.

##### c. Claims

Gross claims paid include internal and external claims settlement expenses and, together with reinsurance recoveries less amounts provided for in respect of doubtful reinsurers, are attributed to the same year of account as the original premium for the underlying policy. Reinstatement premiums payable in the event of a claim being made are charged to the same year of account as that to which the recovery is credited.

The reinsurance to close premium is determined by reference to the outstanding technical provisions (including those for outstanding claims and unearned premiums, net of deferred acquisition costs and unexpired risk) relating to the closed year. Although this estimate of net outstanding technical provisions is considered to be fair and reasonable, it is implicit in the estimation procedure that the ultimate liabilities may be at variance from the premium so determined. The reinsurance to close premium transfers the liability in respect of all claims, reinsurance premiums, return premiums and other payments in respect of the closing year to the members of the successor year of account and gives them the benefit of refunds, recoveries, premiums due and other income in respect of those years in so far as they have not been credited in these accounts.

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 1 Accounting policies, statement of compliance and basis of preparation (continued)

Claims incurred comprise claims and claims handling costs paid during the period and changes in the outstanding claims provisions, including provisions for claims incurred but not reported (IBNR) and related expenses. Claims handling costs are mainly external costs related to the negotiation and settlement of claims.

Outstanding claims represent the estimated ultimate cost of settling all claims (including direct and indirect claims settlement costs) arising from events which have occurred up to the date of the statement of financial position, including IBNR, less any amounts paid in respect of those claims. The Syndicate does not discount its liabilities for unpaid claims.

While the Directors consider that the estimate of claims outstanding is fairly calculated on the basis of the information currently available to them, there is inherent uncertainty in relation to the ultimate liability which will vary as a result of subsequent information and events.

#### d. Reinsurance to close premium payable

The RITC premium is determined on the basis of estimated outstanding liabilities and related claims settlement costs (including claims IBNR), net of estimated collectible reinsurance recoveries, relating to the closed year of account and all previous years of account reinsured therein. The estimate of claims outstanding is assessed on an individual case and class basis, as appropriate, and is based on the estimated ultimate cost of all claims notified but not settled by the statement of financial position date, together with the provision for related claims handling costs. It also includes the estimated cost of claims IBNR at the statement of financial position date based on statistical methods.

#### e. Expenses and other income receivable

The Managing Agent has charged the Syndicate a fixed fee and has borne all the management expenses of the Syndicate, other than those related to the direct cost of underwriting. Any internal or external claims adjustment or settlement costs are included within gross claims paid.

The Managing Agent also charges the Syndicate profit commission equal to a fixed percentage of profit for each year of account, subject to a deficit clause. An accrual is recognised as and when the year of account becomes profitable, with payment crystallising on closure of the year of account after three years. (Given the loss position of the 2020 year of account after 36 months, no profit commission was accrued for or charged.)

#### f. Borrowings and inter-year loans

Borrowings are initially recognised at fair value, net of transaction costs incurred and subsequently stated at amortised cost. Fair value is normally determined by reference to the fair value of the proceeds received. Any difference between the initial carrying amount and the redemption value is recognised in the income statement over the period of the borrowing using the effective interest rate method.

### 1.3.2 Investments

#### a. Financial investments

The Syndicate has designated on initial recognition its financial assets held for investment purposes (investments) at fair value through profit or loss (FVTPL). This is in accordance with the Syndicate's documented investment strategy and consistent with investment risk being assessed on a portfolio basis. Information relating to investments is provided internally to the Directors of the Managing Agent and management personnel on a fair value basis.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The fair value of financial assets and liabilities traded in active markets (which are the principal markets or the most advantageous markets that maximise the amount that would be received to sell the asset or minimises the amount that would be paid to transfer the liability) are based on quoted market bid and ask price for both financial assets and financial liabilities respectively. The fair value of financial assets and liabilities that are not traded in an active market are determined using valuation techniques which include the use of comparable recent arm's length transactions, reference to other instruments that are substantially the

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 1 Accounting policies, statement of compliance and basis of preparation (continued)

same, discounted cash flow analysis, option pricing models and others commonly used by market participants and which make the maximum use of observable inputs.

Gains and losses on investments designated as FVTPL are recognised through the income statement. Interest income from investments in short-term investments is recognised at the effective interest rate.

#### b. Overseas deposits

Overseas deposits lodged as a condition of conducting underwriting business in certain countries in compliance with Lloyd's licences are stated at the market value, based on a bid price, ruling at the statement of financial position date.

#### c. Investment return

Investment return comprises all investment income, interest receivable, dividend income, and overseas deposit income, and realised and unrealised investment gains and losses. Interest income is recognised using the effective interest rate method.

Realised gains and losses on investments are calculated as the difference between net sales proceeds and cost and are recognised when the sale transaction occurs. Unrealised gains and losses on investments represent the difference between the valuation at the date of the statement of financial position and their purchase price.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the general business technical account to reflect the investment return on funds supporting underwriting business. All investment return is considered to arise on such funds.

Investment return and associated investment management charges are apportioned to years of account open during the calendar year in proportion to the average funds available for investment on each year of account.

#### 1.3.3 Measurement of other financial assets and financial liabilities

Other financial assets and financial liabilities are initially recognised at transaction price and subsequently measured at amortised cost using the effective interest rate method.

#### 1.3.4 Recognition and derecognition of financial assets and financial liabilities

Financial assets and financial liabilities are recognised when the Syndicate becomes a party to the contractual provisions of the contract. A financial asset is derecognised when either the contractual rights to the asset's cash flows expire, or the asset is transferred, and the transfer qualifies for derecognition under a combination of risks and rewards and control tests.

A financial liability is derecognised when it is extinguished which is when the obligation in the contract is discharged, cancelled, or expired.

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

If the carrying value of an asset is impaired, it is reduced to the recoverable amount by an immediate charge in the income statement. The recoverable amount is the higher of an asset's fair value less costs to sell and value in use.

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 1 Accounting policies, statement of compliance and basis of preparation (continued)

#### 1.3.5 Taxation

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

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings.

No provision has been made for any overseas tax payable by members on underwriting results. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue and Customs. Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

#### 1.3.6 Pension costs

Brit Group Services Limited operates a defined contribution pension scheme on behalf of the Managing Agent. Contributions are charged to the Syndicate within the fixed fee.

#### 1.3.7 Foreign currencies

In accordance with FRS102, the functional currency is the currency of the primary economic environment in which the Syndicate operates. The functional currency for Syndicate 2988 is the United States dollar (US\$). The underwriting year's accounts are presented in sterling. Foreign exchange resulting from translating balances from the functional currency to the presentational currency is reported in other comprehensive income. The Syndicate's has chosen to present the income statement at the exchange rates prevailing as at the period end 31.12.2022 aside from foreign exchange arising from translating into the functional currency.

Unless otherwise stated, transactions in sterling, Canadian dollars and euros are translated into the functional currency at average rates of exchange. Transactions in foreign currencies other than sterling, US dollars, Canadian dollars and euros are translated at the rate of exchange ruling at the date the transaction is processed.

Monetary assets and liabilities in currencies other than the functional currency are translated at the rate of exchange ruling at 31 December of each year. Exchange profits or losses arising on the translation of foreign currency amounts relating to the Syndicate insurance operations are included within the non-technical account as prescribed by FRS 103.

#### 1.3.8 Offsetting of financial instruments

Financial assets and liabilities are offset and the net amount reported in the statement of financial position only when there is a legally enforceable right to offset the recognised amounts and there is an intention to settle on a net basis, or to realise the assets and settle the liability simultaneously.

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 2 Critical accounting estimates and judgements in applying accounting policies

Various assumptions are made that affect the reported amounts of assets and liabilities. Estimates and judgements are regularly re-evaluated and are based on a combination of historical experience and other factors, including exposure analysis, expectations of future experience and expert judgement.

#### 2.1 Estimation and judgement in relation to determining the ultimate liability arising from claims made under insurance contracts (reinsurance to close premium payable)

The estimation of the ultimate liability arising from claims made under insurance contracts is the Syndicate's most critical accounting estimate. There are several sources of uncertainty that need to be considered in the estimate of the amounts that the Syndicate will ultimately pay to settle such claims. Significant areas requiring estimation and judgement include:

- Estimates of the amount of any liability in respect of claims notified but not settled and incurred but not reported claims (IBNR) to be included within provisions for inwards insurance and reinsurance contracts;
- The corresponding estimate of the amount of outwards reinsurance recoveries which will become due as a result of the estimated claims on inwards business;
- The recoverability of amounts due from reinsurers; and
- Estimates of the proportion of exposure which has expired in the period as represented by the earned proportion of premiums written.

The assumptions used and the manner in which these estimates and judgements are made are set out below, including the reserving process for the estimation of gross, and net of reinsurance, ultimate premiums and claims:

- Quarterly statistical data is produced in respect of gross and net premiums and claims (paid and incurred);
- Projections of ultimate premiums, reinstatement premiums and claims are produced by the actuarial department using standard actuarial projection techniques (e.g. Basic Chain Ladder, Bornhuetter-Ferguson, Initial Expected Loss Ratio). The Basic Chain Ladder and Bornhuetter-Ferguson projection methods are based on the key assumption that historical development of premiums and claims is representative of future development. Claims inflation is taken into account in the Initial Expected Loss Ratio selections but is otherwise assumed to be in line with historical inflation trends, unless explicit adjustments for other drivers of inflation such as legislative developments are deemed appropriate. Given the early stage of development for the Syndicate, these methods have typically relied on benchmark information e.g. from similar business written by BSL into Syndicate 2987;
- In the event of catastrophe losses, prior to detailed claims information becoming available, claims provision estimates are compiled using a combination of output from specific recognised modelling software and detailed reviews of contracts exposed to the event in question..
- The initial ultimate selections derived by the actuarial department, along with the underlying key assumptions and methodology, are discussed with class underwriters, divisional underwriting directors and the claims team at 'pre-committee' meetings. The actuarial department may make adjustments to the initial ultimates following these meetings;
- Following the completion of the 'pre-committee' meetings and peer review process within the actuarial department, the ultimate selections (actuarial estimate), assumptions, methodology and uncertainties are presented to the Reserving Committee for discussion and debate; and
- Following review of the actuarial estimate, the Reserving Committee recommends the committee estimates to be adopted in the financial statements.

The estimates and judgements are applied in line with the overall reserving philosophy and seek to state the claims provisions on a best estimate, undiscounted basis. Included within the reserves is a £0.1m reserve risk margin to allow for uncertainty from long-tailed liabilities. The inclusion of this reserve risk margin is consistent with a fair value transfer approach ensuring equity between the names either side of the RITC transaction.

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 2 Critical accounting estimates and judgements in applying accounting policies (continued)

The Syndicate has carefully considered the impact of the higher levels of inflation. Reserves continue to be set at a margin above the actuarial estimate which is set on a best estimate basis. As part of the year-end reserving exercise, the impact of inflation was considered in detail by the internal Actuarial team to ensure that assumptions are consistent with the Syndicate's expectations for claims inflation. Various techniques have been considered in line with guidance from Lloyd's and regulators.

In addition to claims provisions, the reserve for future loss adjustment expenses is also subject to estimation with consideration being given to the level of internal and third-party loss adjustment expenses incurred annually. The estimated loss adjustment expenses are expressed as a percentage of gross claims reserves and the reasonableness of the estimate is assessed through benchmarking. Further judgements are made as to the recoverability of amounts due from reinsurers. Provisions for bad debts are made specifically, based on the solvency of reinsurers, internal and external ratings, payment experience with them and any disputes of which the Syndicate is aware.

### 3 Analysis of underwriting result

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

	Gross premiums Written £'m	Gross claims incurred £'m	Gross operating expenses £'m	Reinsurance balance £'m	Total £'m
<b>For 3 years ended 31 December 2020</b>					
Accident and health	1.4	-	(0.7)	(0.2)	0.5
Marine aviation and transport	8.9	(1.5)	(2.8)	(0.4)	4.2
Fire and other damage to property	31.8	(21.3)	(11.1)	(6.4)	(7.0)
Third party liability	31.1	(19.7)	(8.9)	(1.8)	0.7
Credit and suretyship	1.4	(6.5)	(0.4)	-	(5.5)
Legal Expenses	1.4	(0.6)	(0.6)	-	0.2
<b>Total Direct Insurance</b>	<b>76.0</b>	<b>(49.6)</b>	<b>(24.5)</b>	<b>(8.8)</b>	<b>(6.9)</b>
<b>Reinsurance</b>	<b>96.3</b>	<b>(69.6)</b>	<b>(20.7)</b>	<b>(8.4)</b>	<b>(2.4)</b>
FX to Balance Sheet Rates Adjustment	10.6	(9.9)	(2.7)	(1.5)	(3.5)
<b>Total</b>	<b>182.9</b>	<b>(129.1)</b>	<b>(47.9)</b>	<b>(18.7)</b>	<b>(12.8)</b>

- Gross premiums earned are identical to gross premiums written.
- Gross claims incurred comprise gross claims paid and movement in gross technical provisions.
- All premiums are concluded in the UK.
- All 2020 and prior years of account movements during 2022 are reflected in the above figures.
- The business class split is a statutory reporting requirement, however the business is managed by its own business classes and hence an element of allocation is used.



## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 4 Reinsurance to close premium receivable

	<b>2020</b>
	<b>£'m</b>
Gross reinsurance to close premium receivable brought forward	76.6
Reinsurance recoveries anticipated brought forward	(7.2)
Net foreign exchange gain on brought forward RITC reserves	7.0
<b>Reinsurance to close premium receivable, net of reinsurance</b>	<b>76.4</b>

### 5 Reinsurance to close premium payable

	<b>2020</b>
	<b>£'m</b>
Gross outstanding claims	(48.5)
Reinsurance recoveries anticipated	4.0
<b>Net outstanding claims</b>	<b>(44.5)</b>
Provision for gross claims incurred but not reported	(79.9)
Reinsurance recoveries anticipated	3.1
<b>Provision for net claims incurred but not reported</b>	<b>(76.8)</b>
Claims handling expenses provision	(0.6)
<b>Net premium for reinsurance to close</b>	<b>(121.9)</b>

### 6 Net operating expenses

The cumulative Syndicate expenses charged to the 2020 closed year of account comprise the following:

	<b>2020</b>
	<b>£'m</b>
Acquisition costs	31.7
Administrative expenses	16.2
<b>Total</b>	<b>47.9</b>

The auditor's remuneration and audit services charged to the Syndicate within the fixed fee charged by the Managing Agent are as follows:

	<b>2020</b>
	<b>£'m</b>
Audit of the Syndicate 2020 underwriting year accounts	0.1
<b>Total</b>	<b>0.1</b>

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 7 Staff numbers and costs

All staff in the UK are employed by the Brit Group service company, Brit Group Services Limited, and the full staff cost disclosures are included in the notes to those accounts. Amounts are recharged to the Syndicate as part of the fixed fee charged by the Managing Agent.

### 8 Investment return

	<b>2020</b>
	<b>£'m</b>
Income from investments	2.0
Gains on investments	0.6
Losses on investments	(8.1)
<b>Total net investment return</b>	<b>(5.5)</b>

Investment management fees of £40k were charged during the period and included within the income reported above. All investment return was attributable to the technical account.

### 9 Financial investments

	<b>Market Value</b>	<b>Cost</b>
<b>2020 year of account</b>	<b>£'m</b>	<b>£'m</b>
Shares and other variable yield securities and units in unit trusts	8.0	6.0
Debt Securities	123.6	127.0
<b>Total</b>	<b>131.6</b>	<b>133.0</b>

Shares and other variable yield securities and unit trusts comprise of short-term deposits that are highly liquid cash equivalents, all of which are not listed. £2.3m of this balance relates to market wide Syndicate loans to the Lloyd's Central Fund for which collections were made on the 2020 year of account in two tranches, and a smaller amount reinsured to close from the 2019 year of account.

### 10 Cash and cash equivalents

	<b>2020</b>
	<b>£'m</b>
Cash at bank and in hand	0.2
Short-term deposits	5.7
<b>Total</b>	<b>5.9</b>

Short term deposits are presented within financial investments on the Statement of Financial Position.

## **Notes to the Accounts**

2020 Closed Year of Account for the three years ended 31 December 2022

### **11 Other assets**

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

### **12 Other Debtors**

Included within other debtors is an amount due from other Brit entities amounting to £0.7m and is due within one year.

### **13 Borrowings**

An inter-year loan between the 2020 year of account and other open years of account of the Syndicate has been drawn upon, amounting to £45.7m. The interest has been charged at a rate appropriate to an arm's length transaction. All interest charges are reported within net operating expenses.

### **14 Other Creditors**

Other Creditors comprise solely of a foreign exchange forward contract of £0.1m. Derivatives are initially and subsequently measured at their fair value with movements in the fair value being immediately recognised in investment return. Fair values are obtained, where relevant, from quoted market prices, discounted cash flow models, risk models and option pricing models as appropriate. All derivatives are carried as assets when the fair values are positive and as liabilities when the fair values are negative.

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 15 Summary of closed years of account

	2020	2019	2018	2017
	£'m	£'m	£'m	£'m
Syndicate allocated capacity	149.0	97.7	98.5	55.0
Number of Underwriting members	10.0	515.0	587.0	719
Aggregate net premiums	163.3	93.7	100.3	69.2
<b>Results for illustrative share of £10,000</b>	<b>%</b>	<b>%</b>	<b>%</b>	<b>%</b>
Gross premiums written (%age of illustrative share)	122.8%	109.1%	112.4%	135.1%
Net premium written (%age of illustrative share)	109.6%	95.9%	101.9%	125.8%
Result (%age of gross premiums)	(11.5%)	(20.7%)	(16.7%)	(35.1%)
<b>Results for illustrative share of £10,000</b>	<b>£</b>	<b>£</b>	<b>£</b>	<b>£</b>
Gross premiums	a 12,279	10,910	11,237	13,511
Net premiums	10,958	9,592	10,186	12,582
Reinsurance to close from an earlier year of account	b 5,129	4,780	2,167	-
Net claims	(5,552)	(5,629)	(5,792)	(9,010)
Reinsurance to close	(8,177)	(7,103)	(4,738)	(3,880)
<b>Underwriting result</b>	<b>2,358</b>	<b>1,640</b>	<b>1,823</b>	<b>(308)</b>
Acquisition costs	a (2,122)	(2,467)	(2,640)	(3,126)
Other syndicate operating expenses, excluding personal expenses	(894)	(1,044)	(1,065)	(1,281)
Exchange movement on foreign currency translation	(181)	(154)	(21)	(30)
Net investment income	(376)	(10)	167	163
<b>Illustrative personal expenses:</b>				
Managing agent's fee	(100)	(100)	(100)	(100)
Other personal expenses	c (95)	(115)	(43)	(61)
<b>Result after illustrative personal expenses and illustrative profit commission</b>	<b>(1,410)</b>	<b>(2,250)</b>	<b>(1,879)</b>	<b>(4,743)</b>

- Gross premiums and syndicate operating expenses have been grossed up for brokerage costs.
- Reinsurance to close is stated at relevant average rates applicable or when reserves were first set for the year of account.
- Other personal expenses include Lloyd's subscriptions and central fund contributions.
- The Syndicate utilises currency derivatives to manage its exposure to currency risk. Gains on those derivative instruments are included within net investment return.

## Notes to the Accounts

2020 Closed Year of Account for the three years ended 31 December 2022

### 16 Related parties

#### a. Brit Syndicates Limited (BSL or the Managing Agent)

The Managing Agent is a wholly owned subsidiary of Brit Insurance Holdings Limited, which in turn is a subsidiary of Brit Limited. During the period, the 2020 Year of Account paid £10.4m to BSL in respect of management fees and a further £1.5m in managing agency fees. As at 31 December 2022, there were no amounts outstanding. The Syndicate also participates on various Lloyd's consortia managed by BSL. During the period, the Syndicate paid no management fee and no technical advisor fees or profit commission to Brit Syndicates Limited in respect of the consortia agreements.

#### b. Brit Insurance Services USA, LLC

During the period, the Syndicate paid commissions to Brit Insurance Services USA, LLC, a service company within the Brit Limited group. The amounts in the Income Statement relating to trading with Brit Insurance Services USA, LLC for the period included commission for introducing insurance business of £2.1m. As at 31 December 2022, no amounts of commission were outstanding. As at 31 December 2022, Brit Insurance Services USA, LLC owed no premiums to the Syndicate.

#### c. Syndicate 2987

BSL also manages Syndicate 2987, a wholly aligned syndicate of the Brit Limited group. The Syndicate paid commission to Syndicate 2987 in relation to inter-company quota share agreements. This totalled £5.0m. No amounts of commissions were outstanding at the end of the year.

#### d. Directors of Brit Syndicates Limited

There are no related party director disclosures to note for the 36 months period ended 31 December 2022.

#### e. Ambridge Partners LLC

On 18 April 2019 Ambridge Partners LLC (Ambridge) became a 100% subsidiary of the Brit Group. Ambridge is a managing general underwriter of transactional insurance products, writing business on behalf of a range of insurers including entities within the Brit Limited group.

Trading with Ambridge is undertaken on an arm's-length basis and is settled in cash. The amounts in the Income Statement relating to trading with Ambridge for the period included commission for introducing insurance business of £1.1m. As at 31 December 2022, no amounts of commission were outstanding. As at 31 December 2022, Ambridge Partners LLC owed no premiums to the Syndicate.

## **Directors of the Managing Agent**

### **Executive**

Martin George Thompson  
Gavin Leslie Wilkinson  
Matthew Dominic Wilson (resigned 15 November 2022)  
Mark Andrew Allan  
Christiern Robert James Dart

### **Non-Executive**

Simon Philip Guy Lee  
Anthony John Medniuk (resigned 26 July 2022)  
Caroline Frances Ramsay  
Andrea Caroline Natascha Welsch  
Pinar Yetgin

### **Secretary**

Tim James Harmer

### **Active Underwriter**

Simon Bird

### **Registered Office**

The Leadenhall Building  
122 Leadenhall Street  
London  
EC3V 4AB

### **Independent Auditors**

PricewaterhouseCoopers LLP  
Chartered Accountants and Statutory Auditors  
7 More London, Riverside  
London  
SE1 2RT

**Brit Syndicates Limited**

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