IMPORTANT INFORMATION ABOUT THE SYNDICATE REPORT AND ACCOUNTS

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DIRECTORS AND ADMINISTRATION

Managing Agent

Managing agent

Probitas Managing Agency Limited (PMA) is the managing agent of Probitas Syndicate 1492. PMA is a wholly owned subsidiary (indirectly held) of Probitas Bermuda Holdings Limited.

Directors

Directors who served at PMA during the year or up until the period the Report & Annual Accounts were signed are as follows:

N C Bacon – Managing Director
M J Bale – Chief Operations Officer *(appointed 18 May 2021)*
A M Bathia - Chief Executive Officer
D P Brignell - Chief Risk Officer *(appointed 18 May 2021)*
S P Burns – Independent Non-Executive Chairman *(appointed 18 May 2021)*
A D Dodson – Chief Underwriting Officer *(appointed 18 May 2021)*
M E L Goddard - Independent Non-Executive Director *(appointed 18 May 2021)*
J-L R Gourgeon - Non-Executive Director
N O R Pieries - Non-Executive Director
W Scott - Chief Finance Officer *(appointed 18 May 2021)*
H J Weaver - Independent Non-Executive Director *(appointed 18 May 2021)*

Company secretary

L Delee

Managing agent’s registered office

21 Lime Street
London
England
United Kingdom
EC3M 7HB

Managing agent’s registered number

12242600

DIRECTORS AND ADMINISTRATION (continued)

Syndicate

Active underwriters

A M Bathia, until 21 September 2021
A D Dodson, from 22 September 2021

Bankers

Barclays Bank plc	London
Citibank NA	London and New York
RBC Investor & Treasury Services	Toronto

Investment Managers

Lloyd’s Treasury & Investment Managers (LTIM)
Payden & Rygel Global Limited
Barclays Bank

Statutory auditor

Deloitte LLP

Statement of actuarial opinion signing actuary

Deloitte LLP

REPORT OF THE ACTIVE UNDERWRITER

2021 Overview

2021 represented the Syndicate's seventh underwriting year and I am pleased to report a successful outcome for the period – not only in respect of the financial performance for the calendar year but also the non-financial milestones which the business achieved during 2021.

Market conditions remained broadly favourable during the year. All classes reported positive rating movements and the overall Syndicate renewal risk adjusted rate change was measured at +16% for the year. There are indications of profit margins returning to the market more generally and the overall uncertainty regarding Covid-19 losses has diminished. However, the market has seen another year of above average natural catastrophe losses in 2021 and this, together with the spectre of an elevated period of inflation and continuing concern over cyber exposures, are all factors serving to mitigate growth of available capacity in the market.

The Syndicate's core underwriting strategy remains unchanged, being:

- practising active portfolio management and underwriting discipline across the cycle,
- an exclusively Lloyd's platform,
- a limited appetite for US domiciled exposures and full delegated underwriting authorities relative to peers,
- enhancing underwriting decisions by investing in data capture, data analytics and management information, and
- building strategic distribution relationships with carefully selected partners, including providing 'quote to bind' electronic trading capability.

During 2021 we remained focused on our core classes of Property (both International and UK), Casualty, Financial Lines and Construction. We have continued to follow the path of perpetual improvement and refinement of our portfolios and I am very pleased that the projected ultimate net combined operating ratios (NCOR) for the three most recent years of account are each below 90%:

Pure Year of Account	**NCOR**
2019	82%
2020	79%
2021	87%

The Syndicate’s gross exposures are protected by treaty reinsurance programmes which provide significant levels of both vertical and sideways coverage. This is further complemented by a specific reinsurance protection for the Syndicate’s exposures to Atlantic windstorm and Mexico Pacific windstorm risks.

During the year, and most recently on 1 January 2022, these programmes all renewed with a broadly consistent panel and coverage to previous years.

The creation of the Probitas Brussels office in 2021 is a significant component of our compliance with the European Insurance Distribution Directive and, therefore, the safeguarding of approximately 15% of the Syndicate’s income requiring a Lloyd’s Insurance Company policy. Our solution ensures that the servicing of our European exposures stays within the Probitas group; but also constitutes a staffed platform from which to access genuine domestic European distribution channels. This is an area we shall look to develop further in 2022.

Our Latin American regional underwriting hub, using the Lloyd’s Mexico platform based in Mexico City, continues to make measured, profitable progress writing mid-market facultative property business which cannot be accessed in the London Market.

Like many insurance businesses, our working practices have evolved during the last two years by taking advantage of remote working technology and the market’s e-placing systems. We have now moved to a hybrid office model as we emerge from, hopefully, the worst of the Covid-19 pandemic - combining the advantages of face-to-face interaction with the benefits of less commuting. The former point is, I believe, an essential feature of our industry for both the development of our relationships with our trading partners and the learning and development of our staff.

Finally, it would be remiss of me not to touch on the successful authorisation of Probitas Managing Agency Limited (PMA) and to extend my gratitude to our turnkey agent Capita, in overseeing our journey from a genuine start-up in 2015 to where we stand today. The underwriting aspects of the business are already benefiting from the integrated agency, the availability of dedicated expertise and the depth of experience and knowledge of the new staff we have brought on board.

REPORT OF THE ACTIVE UNDERWRITER (continued)

2022 Underwriting Year High Level Syndicate Business Plan

The Syndicate's approved GWP for 2022 is £202m – an increase of approximately 14% from the pre-empted 2021 SBF of £177m (all at £1 = $1.38) with a planned net combined ratio of 88.6%.

Overall, we forecast the rating environment to be positive, albeit we expect the size of rate increases experienced in recent years to be less pronounced in 2022. The portfolio split by gross written premium is similar to previous years, being approximately 60% long tail lines and 40% short tail.

For 2022, Lloyd's have approved an underwriting plan for Syndicate 1492 to commence writing standalone worldwide cyber business. Cyber complements our existing product suite well and will be a strategically important line of business for Probitas as the world continues to digitise. Our approach will be underpinned by disciplined underwriting, real-time analysis and market-leading risk management and accumulation control.

The Syndicate also has plans to expand its distribution footprint in the UK outside of London. In Q4 2021 the Syndicate established a serviced office in Manchester offering property capacity on a select basis to broking hubs predominantly in the North of England. Along with our European platform, we plan to expand this segment (both in terms of volume and product offering) throughout 2022.

The geographical split of planned income remains broadly unchanged from previous years:

	2022 SBF Gross Written Premium	
Region	£m	% Split
UK	58.2	29%
Latin America & Caribbean	37.5	19%
Asia Pacific	36.6	18%
Canada	33.3	16%
W Europe (ex UK)	26.0	13%
Rest of the World	10.8	5%
Total	202.4	100%

Summary

Overall, I am delighted that the Syndicate has delivered a UK GAAP 78.7% net combined operating ratio for 2021 – it is not necessarily always a given that what is undoubtedly a more positive underwriting environment will be converted into tangible financial results. Ultimately, the financial performance presented in this Annual Report is the result of the cumulative efforts of all Probitas staff, from our inception in 2015 through to the present day. I am extremely proud of what they have managed to achieve and the adversities which they have overcome along the way. I am very much looking forward to building further upon the strong foundations of the business as we move into 2022 and beyond.

Antony Dodson
Active Underwriter
Syndicate 1492
3 March 2022

REPORT OF THE DIRECTORS OF THE MANAGING AGENT

The directors of Probitas Managing Agency Limited (PMA), the managing agent, present their report for Syndicate 1492 ('the Syndicate') for the year ended 31 December 2021. This report includes the strategic report.

Basis of Preparation

This Annual Report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable United Kingdom Accounting Standards, including Financial Reporting Standard 102: The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland ('FRS102') and Financial Reporting Standard 103: Insurance Contracts ('FRS103').

The Syndicate

On 30 September 2015, Lloyd's confirmed its approval for Probitas Syndicate 1492 to commence underwriting effective 1 October 2015. Probitas Syndicate 1492 has been formed as an exclusively Lloyd's based business, writing essentially non-US Property and Casualty insurance and facultative reinsurance business, including underwriting business from the world's emerging markets. The Syndicate is backed by a mix of corporate member capital.

The Managing Agent

During August 2021, Probitas Managing Agency Limited (PMA) received all necessary approvals to assume responsibility as managing agent of Syndicate 1492. The management of the Syndicate transferred from Capita Managing Agency Limited to PMA on 1st September 2021.

The approval represents a significant milestone in PMA's journey and provides a strong platform to continue to profitably build Syndicate 1492's business.

Ukraine – Russia

While recognising the wider potential future geo-political impact of the Ukraine and Russian conflict, PMA management has reviewed 1492's underwriting and investment portfolios and considers that at this stage, any direct impact to the Probitas business arising from this is not material. The syndicate has minimal live exposure in these territories. Further, 1492 does not provide insurance cover relating to War risks.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Overview

The directors are delighted to report that Syndicate 1492 has delivered a top tier underwriting result for the fourth year in succession.

Syndicate 1492 has demonstrated remarkable resilience and resolve in the face of some significant adversity during the early phases of its development and in meeting the more recent and unprecedented challenges of the global pandemic. All of this is a great testament to the hard work, discipline and resolve of the Probitas team.

PMA remains resolute in its pursuit of Syndicate 1492 delivering strong and sustainable underwriting results.

The directors are pleased to report that the execution of PMA's clear remediation and underwriting strategy post 2017, together with the implementation of a robust underwriting performance monitoring and portfolio optimisation framework, continues to have a significant positive impact on Syndicate 1492's bottom line result.

Set out below is a summary showing the forecast results as at 31 December 2021:

- 2019 pure year account result at 36 months: £19.0m; NCOR 79.1%
- 2020 pure year account forecast result at 36 months: £26.0m; NCOR 79.0%
- 2021 pure year account forecast result at 36 months: £21.6m; NCOR 86.7%

Based upon the 2019 result and the 2020 pure year account forecast result at 36 months, and further positive rate change achieved in 2021, while the 2021 year of account forecast is as yet undeveloped, we have reason to feel optimistic about its eventual outcome at 36 months.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Results

The amounts disclosed for UK GAAP reporting purposes represent the combination of the 2021 calendar year movements for: the 2021 and 2020 naturally open years of accounts; and the closing 2019 & prior years of account.

The result for Syndicate 1492 for the year ended 31 December 2021 is a profit of £26,098,000 (2020: £17,969,000):

Profit / (loss) attributable to underwriting years of account:	**2021**	2020
	£000	£000
2021	**847**	-
2020	**24,686**	19
2019 & prior	**565**	19,353
2018 & prior	**-**	(1,477)
Total	**26,098**	17,969

The 2019 & prior year of account is closing by Reinsurance to close (RITC) after 36 months with a cumulative GAAP profit of £14,362,000 (2018 & prior years of account – £9,594,000) and a distributable profit of £13,618,000 (2018 & prior years of account – £9,800,000).

The 2019 & prior years of account distributable profit of £13,618,000 consists of:

- A cumulative GAAP profit of £19,001,000 in respect of 2019 pure year of account.
- A cumulative GAAP loss of £(4,640,000) in respect of 2018 & prior years of accounts movements in 2021 principally as a result of strengthening the Casualty UK account following an in depth assessment of the reserves by the PMA actuarial function.
- An adjustment for distribution purposes of £(743,000) in respect of the reversal of the impact on the prior year unearned premium and pipeline premium assessed at this year-end.

The 2021 year of account profit arising in the year includes all administrative and operating expenses, including Names personal expenses, incurred during the year and no deferral of any underwriting or marketing expenses; only brokerage, commissions and other acquisition costs are deferred in the ordinary course of business and in accordance with UK GAAP. The profits / losses arising from the

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Results (continued)

2020 and 2019 & prior years of account, in their second and third years of development respectively, result from the underwriting.

The Syndicate's key UK GAAP financial performance indicators during the period were as follows:

	2021 £000	2020 £000
Gross premiums written	**168,526**	144,770
Gross premiums earned	**151,037**	140,253
Net premiums earned	**125,752**	113,647
Net claims incurred	**(49,963)**	(50,663)
Profit for the financial year	**26,098**	17,969
Net Incurred Loss Ratio	**39.7%**	44.6%

	2021	2020
Net Combined Operating Ratio	**78.7%**	85.6%

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

2021 Underwriting Year Update

Syndicate 1492 has delivered a fourth successive year of market leading performance. Syndicate 1492 was granted approval for a mid-year pre-emption of approximately 6%, resulting in a revised Gross Written Premium estimated at around £183m at plan foreign exchange rates.

Other key performance metrics to highlight are:

- Achieving a business renewal rate of 85.5%
- Acquisition costs under 15.9%; better than original plan
- Administrative expenses, excluding accrued profit commission, 9.9% of Gross Written Premium

The net combined operating ratio for the 2021 pure year of account is forecast at 86.7%.
This is on the back of the 2020 pure year of account forecast ultimate NCOR of 79.0% and 2019 pure year of account NCOR at 82.3%.

This has been achieved against the backdrop of living through some extraordinary and unprecedented times brought about by the Covid-19 pandemic. PMA continues to meet these challenges with overall limited impact on the business as a result of several measures including an effective Business Continuity Plan to ensure minimal operational disruption – the whole business successfully continues to operate on a hybrid basis, with staff working in the office and remotely, with regular engagement with all team members, including weekly team meetings; staff feedback surveys and 1-2-1 consultations to ensure that all employees are fully supported.

Future Developments

The directors look forward to:

- Further building out Probitas' distribution capabilities, including the establishment and development of our offices in Manchester and Brussels
- Developing 1492's Cyber underwriting capability
- Enhancing the electronic placement capability
- Delivering greater operational efficiencies and effectiveness within PMA's Claims and Finance functions
- Working within a more streamlined investment management strategy which is expected to become fully effective during Spring of 2022.
- Focusing on succession planning and staff development. PMA has already implemented its executive team building and coaching programme coupled with an internal mentoring programme available to all staff. As senior leadership development programme is being rolled out during 2022.
- Continuing to build on the unique Probitas culture and capability, including our commitment to diversity and inclusion.

Investment Performance Review

Consistent with PMA's investment strategy's core principles of preservation of capital and maintaining high liquidity, Syndicate 1492 started to invest in:

- Payden & Rygel Global Short Bond Fund (UCITS) effective 19 March 2021 for its Sterling premium trust fund including: £stg, Aus$ and Euros.
- Barclays segregated Short duration fund (£stg & US$) and Corporate bond fund (Euros) effective 1 July 2021.

These are in addition to the previously established co-mingled investment portfolios held in the Canadian Lloyd's Trust Fund (LCTF) and managed by Lloyd's Treasury Investment Manager (LTIM).

At 31 December 2021, the various funds experienced negative returns, before and after all investment management related fees, both since their inception and for the whole year in the case of the LCTF.
Most of the negative return arose during the fourth quarter 2021 as the US Federal Reserve started to reduce its asset purchase program and the Bank of England increased interest rates in response to more entrenched inflationary pressures.
The Sterling bond market was hit harder than many other developed bond markets due to the higher inflationary pressures in the UK

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Investment Performance Review (continued)

The Canadian and Australian dollar bond markets experienced similar marked-to-market volatility:

- The Bank of Canada is expected to start increasing interest rates in the first quarter of 2022 and the market is currently discounting even faster rate hikes in Canada than in the US.
- The Reserve Bank of Australia has adopted a more dovish attitude, but the markets have nonetheless moved to price in four interest rate increases during 2022.

Investment Outlook

The funds generally ended the year with higher yields-to-maturity e.g. 1.32% in Sterling terms, thus providing higher income potential to help offset any further marked-to-market pricing volatility.

After the sharp increase in yields experienced over the last several months, markets are now pricing in a much faster rate increase cycle. While inflation is likely to remain a challenge for the months to come some market commentators expect it to gradually trend back towards Central Bank targets as the effects of the unprecedented Covid-19 pandemic fade over time. In particular, the impact of the fiscal stimulus is likely to decrease in coming quarters and the supply chain bottlenecks are expected to gradually ease.

While the rise in yields will benefit 1492 in the medium term, there will likely continue to be further short-term negative experience. It is also reasonable to expect heightened pricing volatility due to the current geo-political challenges arising from the conflict between Ukraine and Russia.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Activities

The principal activity of Syndicate 1492 is the transaction of general insurance and reinsurance business.

The Syndicate underwrites a range of classes of business concentrating on Property and Casualty business written on both a direct and facultative reinsurance basis.

	Gross Written Premium		Gross Written Premium	
	2021	**2021**	2020	2020
	£000	**%**	£000	%
Property D&F	**61,876**	**36.8**	59,733	41.3
Contractor All Risks	**2,722**	**1.6**	4,854	3.3
Property	**64,648**	**38.4**	64,587	44.6
Financial Lines	**45,375**	**26.9**	35,999	24.9
Casualty UK	**24,639**	**14.6**	20,028	13.8
Casualty International	**33,864**	**20.1**	24,156	16.7
Casualty	**103,878**	**61.6**	80,183	54.4
Total	**168,526**	**100.0**	144,770	100.0

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Activities (continued)

Probitas Syndicate 1492 declared a UK GAAP profit for the year amounting to £26,098,000 (2020: £17,969,000). The main elements in arriving at this result included:

	2021 £000	2020 £000
Earned premiums, net of reinsurance	**125,752**	113,647
Claims incurred net of reinsurance	**(49,963)**	(50,663)
Net technical result	**75,789**	62,984
Net acquisition costs	**(24,405)**	(24,396)
Administration expenses excluding personal expenses	**(14,286)**	(16,131)
Syndicate operating expenses excluding personal expenses	**(38,691)**	(40,527)
Investment return / (loss)	**(683)**	1,978
Foreign exchange (loss)	**(386)**	(385)
Result before personal expenses	**39,029**	24,050
Personal expenses including Profit commission	**(9,931)**	(6,081)
Total	**26,098**	17,969

Earned reserves are assessed to reflect the experience to date.

The 2021 pure year of account has developed favourably to date with a Gross Earned Loss Ratio at 46.7% and the Syndicate has benefited from a benign year with minimal large loss activity.

The level of actual acquisition costs relating to gross written premium and charged in the reporting period was lower than expected when compared to that envisaged within the Syndicate business plan due to the Syndicate's proactive management of these costs in the year.

The net cash inflow during the reporting period was £53,156,000 from all operations (2020: £31,243,000 cash inflow).

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Activities (continued)

As the Syndicate continues to develop, any surplus free funds are held either in bank current accounts, interest bearing current accounts, short-term deposits or government and corporate debt securities, providing the Syndicate with ready access to working capital.

The Syndicate does not hold any off-balance sheet arrangements.

It is planned that the developing underwriting portfolio will continue to be focused on Property and Casualty classes of business.

Set out below is the planned portfolio development for the 2022 year of account, based upon the 2022 Syndicate Business Forecast (SBF):

Indicative split by Class of Business:	Gross Written Premium £000	Percentage Split %
Property D&F	71,538	35.4
Professional Indemnity	24,953	12.3
Casualty UK	24,462	12.1
Management Liability	22,829	11.3
Casualty International	22,551	11.1
Casualty Councils	16,595	8.2
Financial Institutions	11,775	5.8
Contractor All Risks	5,222	2.6
Cyber	2,493	1.2
Total by Class of Business	**202,418**	100.0

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Risks and Uncertainties

The major risks and uncertainties that the Syndicate faces are presented below.

INSURANCE RISK:

Insurance risk can be viewed as comprising three main elements: underwriting, claims and reserving. Each of these can be defined as:

UNDERWRITING RISK:

An insurance risk includes the risk that an insurance policy might be written for insufficient premium and/or provide inappropriate cover.

The Syndicate's underwriting models, aggregation tools and policy wordings do not of themselves prevent unplanned concentrations of risk, either in geographical regions or types of policy. Consequently, various risk management and loss mitigation techniques have been developed to manage and reduce this risk.

The Syndicate competes against major international groups and there will be occasions when some of these groups may choose to underwrite for cash flow or market share purposes and at prices that sometimes fall short of the Syndicate's minimum acceptable technical price. In common with all insurers, the Syndicate is exposed to this potential price volatility. Any extended periods of low premium rating levels and/or high levels of competition in the insurance markets are likely to have a negative impact on the Syndicate's ability to write business profitably and consequently its financial performance. Therefore, the Syndicate monitors pricing levels and is committed to rejecting any business that is unlikely to generate a positive underwriting result over time.

CLAIMS AND RESERVING, GROSS AND NET OF REINSURANCES, RISK:

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

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Risks and Uncertainties (continued)

OPERATIONAL RISK:

This is the risk that errors caused by people, processes and/or systems might lead to financial losses to the Syndicate. PMA manages this risk by reference to and use of a risk register, including a regular review process with those executives who have authority and responsibility for identifying, assessing and controlling operational risks effectively.

PMA has developed and implemented a risk reporting and risk governance system to ensure that effective risk management of operational risk is embedded. Management receives regular operational risk updates, and the Risk & Capital Committee reviews the operational risk dashboard at least on a quarterly basis.

PMA has entered into a number of outsourcing arrangements, the performance of which are overseen by the Outsource Working Group with critical or important outsourcing arrangements being a matter reserved for the PMA Board.

It is critical for the Syndicate that the key resources required to support its underwriting and other essential business activities continue to be available. Contingency plans are in place to mitigate against any loss of key resources from disrupting the ongoing operations of the Syndicate.

PMA has been actively evaluating Operational Resilience of Important Business Services in line with UK regulatory requirements for the market.

MARKET RISK (including interest rate and currency):

This is the risk of financial loss which arises from any fluctuations in market factors, including:

1. The value of investment holdings themselves.
2. Movements in interest rates.
3. Movements in foreign exchange rates.

As the Syndicate develops, its exposure is likely to increase in respect of each of the above. PMA will seek to mitigate any such exposure and therefore reduce any associated risk by reviewing investment performance on a regular basis and seeking to reduce as far as is practicable any currency assets / liabilities mismatches which arise.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Principal Risks and Uncertainties (continued)

CREDIT RISK:

This is the risk of financial loss if another party fails to honour its financial obligations, including failing to meet them in a timely manner. Credit risk can arise from the failure to receive inwards premium and the failure to collect outwards reinsurance claims recoveries. Syndicate premium receivable balances are reported on an ongoing basis to enable the PMA Executive committee to assess their recoverability. Bad debts are provided for only where specific information is available to suggest that that a debtor may be unable or unwilling to settle its debt to the Syndicate.

The Syndicate purchases reinsurance protection to contain exposure from single claims and the aggregation of claims from catastrophic events. If a reinsurer fails to pay a claim for any reason, the Syndicate remains liable for the payment to the policyholder. The creditworthiness of reinsurers is therefore regularly reviewed throughout the year. The Syndicate currently has no actual or direct experience of bad debt losses arising from its reinsurance arrangements. The Syndicate makes use of PMA's Broker and other intermediary vetting process & its own Reinsurance Security policy.

Other areas of exposure to credit risk include:

1. Amounts due from insurance intermediaries; and
2. Counterparty risk with respect to investments and other deposits.

PMA seeks to actively manage and reduce the Syndicate's exposure to this risk by introducing limits on its exposure to either a single counterparty, or groups of counterparties, and to geographical and industry segments wherever practicable or considered appropriate. Such limits will be subject to an annual or more frequent review as appropriate. It is considered that the current levels of concentration of credit risk are acceptable given the Syndicate's short period of operation. This area of risk will continue to be monitored closely.

LIQUIDITY RISK:

Liquidity risk arises where cash may not be available to enable the Syndicate to pay its obligations as they fall due and at a reasonable cost. The Syndicate is exposed to daily cash demands on its available cash resources, including the settlement of claims, the payment of reinsurance premiums and also various operating and Names' personal expenses. PMA's core investment strategy principles are the preservation of capital and the maintenance of high liquidity. During 2021 the Syndicate held various government and corporate debt across all settlement currencies thereby providing liquidity while seeking to enhance the overall investment return. These funds are monitored by management on a regular basis.

Principal Risks and Uncertainties (continued)

REGULATORY AND COMPLIANCE RISK:

This is the risk of there being a financial loss owing to a breach of regulatory requirements and/or a failure to respond to a regulatory change. Management receives frequent regulatory and compliance risk updates and the Risk & Capital Committee reviews and monitors these risks on a quarterly basis.

The Syndicate is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulation Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US and Canadian Situs business.

Reinsurance

The Syndicate's gross claims exposures are protected by effective and efficient treaty reinsurance programs which provide significant levels of both vertical and sideways coverage with high quality security. This is further complemented by a specific reinsurance protection to significantly de-risk the Syndicate's gross exposures to Atlantic windstorm and Mexico Pacific windstorm risks.

Rating Agencies

All Lloyd's syndicates benefit from Lloyd's central resources, including the Lloyd's brand, its network of global licences and the Central Fund. The Central Fund is available at the discretion of the Council of Lloyd's to meet any valid claim that cannot be met by the resources of any member. As all Lloyd's policies are ultimately backed by this common security, a single market rating can be applied to all syndicates post-1992.

Syndicate 1492 does not have its own security rating; however, it does benefit from the Lloyd's single market ratings as follows: A+ (Strong) rating from Standard and Poor's; AA- (Very Strong) from Fitch; A (Excellent) rating from A.M. Best and AA- from Kroll Bond rating agency. All ratings cited were valid as at 14 February 2022.

Syndicate Working Capital

PMA monitors the Syndicate's actual cash flows against projections. This helps to identify potential future working capital strains and thereby assist in actively managing and remedying any such occurrence. PMA seeks to have in place at all times various 3rd party borrowing facilities which can act as a back-up to support any such issues.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Member Capital Support

The Syndicate continues to receive strong support from both new and existing capital providers underpinned by significant support from Probitas' cornerstone equity partner. Based on the recent historical underwriting performance of the Syndicate and the future positive outlook there was very strong interest from a number of new investors in the course of the 2022 Coming into Line process. The directors would like to take this opportunity to thank all participating underwriting corporate capital partners for their continued support of Probitas.

Directors

Probitas Managing Agent Limited (PMA) became authorised to act as Lloyd's managing agent for Syndicate 1492 effective 1 September 2021.

Directors who served at PMA until the date on which the Report & Annual Accounts were signed were as follows:

N C Bacon – Managing Director
M J Bale – Chief Operations Officer *(appointed 18 May 2021)*
A M Bathia - Chief Executive Officer
D P Brignell - Chief Risk Officer *(appointed 18 May 2021)*
S P Burns – Independent Non-Executive Chairman *(appointed 18 May 2021)*
A D Dodson – Chief Underwriting Officer *(appointed 18 May 2021)*
M E L Goddard - Independent Non-Executive Director *(appointed 18 May 2021)*
J-L R Gourgeon - Non-Executive Director
N O R Pieries - Non-Executive Director
W Scott - Chief Finance Officer *(appointed 18 May 2021)*
H J Weaver - Independent Non-Executive Director *(appointed 18 May 2021)*

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Capita Managing Agency Limited (CMA) was the managing agent of Probitas Syndicate 1492 until the management was novated on 1 September 2021. CMA is a wholly owned subsidiary (indirectly held) of Capita PLC.

Directors who served at CMA during the 2021 calendar year until 31 August 2021 were as follows:

I J Bremner - Non-Executive Director & Chairman
R Richardson-Bunbury – Chief Actuary (*appointed 21 January 2021*)
K K S Coogans - Finance Director
K D Curtis - Non-Executive Director
D E Hope - Non-Executive Director (*resigned 31 March 2021*)
J A Hummerston - Director of Underwriting
P M Laws - Risk & Compliance Director
P R Smith - Managing Director
S Sykes - Chief Executive Officer
S M Wilton - Non-Executive Director (*resigned 30 June 2021*)
P I Wooldridge - Director (*appointed 9 June 2021*)

Brexit – Lloyd’s Europe & Lloyd’s Part VII Transfer

As a consequence of Brexit, EEA passporting ceased at the end of the transition period on 31 December 2020. On 25 November 2020 the English High Court sanctioned a Part VII transfer of all policies (or parts of policies) insuring EEA risks from the Syndicates to Lloyd’s Insurance Company S.A. (“Lloyd’s Brussels” or “LIC”). On behalf of the Members, Lloyd’s transferred certain policies from the Members to Lloyd’s Brussels with effect from 30 December 2020.

The transfer did not change the terms and conditions of any policy and was designed to ensure that it will not change how policies operate.

Covid-19

PMA considers that Syndicate 1492’s underwriting portfolio and operations together with its working and solvency capital resources continue to be sufficiently strong to enable the directors to be confident that it will not be significantly affected in the immediate term. Furthermore, given the current level of assessed Covid-19 exposures, which are assessed at: Gross and Net ultimate £4,460,000, of which £3,657,000 is included within the gross and net reserves, Syndicate 1492 is well positioned now that stability begins to return to the UK and wider global economy and insurance markets.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Environment, Social & Governance (ESG) & Reputational Risk

Risks relating to Environmental, Social, and Governance (ESG) matters continue to represent a key emerging risk that is driving change in the insurance markets that Probitas Syndicate 1492 operates in. The impact of climate change is becoming more apparent directly in the risks and claims that the business takes on and is exposed to. This in turn impacts the results of catastrophe and capital modelling and exposure monitoring, consequently influencing the price and availability of the reinsurance which ultimately makes the business model viable. It is therefore of paramount importance that the business continues to monitor and manage these exposures appropriately and effectively.

Changes in the legal and regulatory environment relating to corporate social responsibility and corporate governance agendas represent further systemic threats. The business recognises the importance of staying abreast of the latest developments in managing its exposure to the changing landscape of its financial risks with respect to matters relating to poor corporate behaviours in these areas.

Alongside the direct relevance to insurance carriers of the changing nature of the insurance exposure to climate and other ESG risks, the business recognises the need to establish its position on climate transition in relation to its own operations in order to move towards Task Force on Climate-related Financial Disclosures (TCFD) reporting created by the Financial Stability Board. This will drive change within the organisation to meet agreed targets relating to managing that transition. Of particular relevance is the management of the investment portfolio, where opportunities for diversification are likely to decrease.

Reputational risk, particularly around environmental issues, is becoming an important consideration in the underwriting of certain risks. Probitas has seen evidence of market dislocations as companies move to protect ESG strategies by refusing to offer terms on certain risks.

The PMA board is currently reviewing its ESG policy and strategy with respect to environment and socially responsible underwriting and sustainable investment.

Going forward we will take into account a wider set of underwriting criteria.

REPORT OF THE DIRECTORS OF THE MANAGING AGENT (continued)

Syndicate Annual General Meeting

PMA does not propose to hold an annual general meeting of members of the Syndicate. Members are asked to note that any objections to this proposal should be submitted, in writing, to the PMA Compliance Officer within 21 days of this notice

Related Party Transactions

The Syndicate did not enter into any related party transactions which were not concluded under normal market conditions. For a full listing of related party transactions please refer to note 19 of the accounts.

Disclosure of Information to the Auditor

The directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, so far as they are each aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and each director has taken all the steps that they ought to have taken as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditor

The managing agent proposes the re-appointment of Deloitte LLP as the Syndicate auditor.

Summary

In conclusion the directors are once again delighted to report that Syndicate 1492 has delivered a top tier underwriting result for the fourth year in succession, being a 2021 GAAP result: Profit £26.1m; NCOR 78.7%

Our team is looking forward to building further on these strong foundations to deliver another positive performance in 2022 against the backdrop of favourable market conditions and developing a high calibre managing agency with a robust governance and compliance framework.

Approved by the Board of Directors.

Ash Bathia
Chief Executive Officer
3 March 2022

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

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

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations') require the managing agent to prepare Syndicate annual accounts for each financial year. Under that law the managing agent has elected to prepare the financial statements in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law). Under company law the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the result or loss of the Syndicate for that period.

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

1. Select suitable accounting policies which are applied consistently, subject to changes arising on the adoption of new accounting standards in the year,
2. make judgements and estimates that are reasonable and prudent,
3. state whether applicable accounting standards have been followed, subject to any material departures disclosed and explained in the financial statements, and
4. prepare the annual accounts on the basis that the Syndicate will continue to write future business unless it is inappropriate to presume the Syndicate will do so.

The managing agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate annual 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.

Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492

Report on the Audit of the Syndicate Annual Financial Statements

Opinion

In our opinion the syndicate annual financial statements of Syndicate 1492 (the 'syndicate'):

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

We have audited the syndicate annual financial statements which comprise:

- the income statement
- the statement of financial position
- the statement of cash flow statement
- the statement of changes in members' balances and
- the related notes 1 to 20.

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the auditor's responsibilities for the audit of the syndicate annual financial statements section of our report.

We are independent of the syndicate in accordance with the ethical requirements that are relevant to our audit of the syndicate annual financial statements in the UK, including the Financial Reporting Council's (the 'FRC's') Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

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 in operations for a period of at least twelve months from when the syndicate financial statements are authorised for issue.

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

Other information

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

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the syndicate annual financial statements, or our knowledge obtained in the course of the audit, or otherwise appears to be materially misstated. If we identify such material inconsistencies or apparent material misstatements, we are required to determine whether this gives rise to a material misstatement themselves. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact.

We have nothing to report in this regard.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

Responsibilities of managing agent

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

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

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

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

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

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

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

- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

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

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

- Valuation of technical provisions includes assumptions and methodology requiring significant management judgement and involves complex calculations, and therefore there is potential for management bias. In response to this risk we involved our actuarial specialists to develop independent estimates of the claims reserves included in technical provisions.

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

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

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

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

Report on other legal and regulatory requirements

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

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

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

INDEPENDENT AUDITOR'S REPORT TO THE MEMBERS OF SYNDICATE 1492 (continued)

Report on the Audit of the Syndicate Annual Financial Statements (continued)

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

Matters on which we are required to report by exception

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

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

We have nothing to report in respect of these matters.

Use of our report

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

Andrew Downes (Senior statutory auditor)

For and on behalf of Deloitte LLP
Statutory Auditor
London, UK
3 March 2022

INCOME STATEMENT
TECHNICAL ACCOUNT – GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Gross premiums written	2	**168,526**	144,770
Outward reinsurance premiums		**(27,242)**	(24,120)
Premiums written, net of reinsurance		**141,284**	120,650
Change in the provision for unearned premiums:			
Gross amount		**(17,489)**	(4,517)
Reinsurers' share		**1,957**	(2,486)
Change in the net provision for unearned premiums		**(15,532)**	(7,003)
Earned premiums, net of reinsurance		**125,752**	113,647
Allocated investment return transferred from the non-technical account	7	**(683)**	1,978
Claims paid:			
Gross amount		**(33,434)**	(33,285)
Reinsurers' share		**3,183**	4,532
Net claims paid		**(30,251)**	(28,753)
Change in claims outstanding:			
Gross amount		**(29,015)**	(30,113)
Reinsurers' share		**9,303**	8,203
Change in the net provision for claims	3	**(19,712)**	(21,910)
Claims incurred net of reinsurance		**(49,963)**	**(50,663)**
Net Syndicate operating expenses	4	**(48,622)**	(46,608)
Balance on the technical account for general business		**26,484**	18,354

INCOME STATEMENT
NON-TECHNICAL ACCOUNT – GENERAL BUSINESS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Balance on the technical account – general business		**26,484**	18,354
Investment income	7	**(683)**	1,978
Allocated investment return transferred to general business technical account		**683**	(1,978)
Foreign exchange (losses)		**(386)**	(385)
Profit for the financial period		**26,098**	17,969

All operations relate to continuing activities. There is no other comprehensive income.

STATEMENT OF FINANCIAL POSITION – ASSETS
AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Investments			
Other financial investments	8	**169,604**	54,374
Deposits with ceding undertakings		**414**	-
Reinsurers' share of technical provisions			
Claims outstanding	9	**54,831**	45,533
Provision for unearned premium	9	**13,167**	11,028
		67,998	56,561
Debtors			
Debtors arising out of direct insurance operations	10	**36,614**	34,921
Debtors arising out of reinsurance operations	11	**15,907**	10,720
Other debtors	12	**2,985**	1,324
		55,506	46,965
Other assets			
Cash and cash equivalents		**6,855**	80,561
Overseas deposits		**32,429**	27,133
		39,284	107,694
Prepayments and accrued income			
Deferred acquisition costs	13	**12,975**	9,733
Other prepayments and accrued income		**339**	627
		13,314	10,360
Total assets		**346,120**	275,954

STATEMENT OF FINANCIAL POSITION – MEMBERS' BALANCES & LIABILITIES
AS AT 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Capital and reserves			
Total members' balances		**39,983**	23,479
Technical provisions			
Provision for unearned premium		**84,352**	67,682
Claims outstanding		**192,604**	164,889
		276,956	232,571
Creditors			
Creditors arising out of direct insurance operations		**526**	105
Creditors arising out of reinsurance operations	14	**17,436**	14,065
Other creditors		**462**	110
		18,424	14,280
Accruals and deferred income	15	**10,757**	5,624
Total members' balances & liabilities		**346,120**	275,954

The financial statements on pages 34 to 84 were approved by the board of Probitas Managing Agency Limited on 3 March 2022 and were signed on its behalf by:

Ash Bathia

Chief Executive Officer

3 March 2022

STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED 31 DECEMBER 2021

	Notes	2021 £000	2020 £000
Operating Activities			
Profit for the financial year		**26,098**	17,969
Adjustments for:			
Increase in gross technical provisions		**44,385**	35,106
(Increase) reinsurers share of gross technical provisions		**(11,437)**	(5,038)
(Increase) / decrease in debtors		**(8,335)**	(9,687)
Increase / (decrease) in creditors		**9,261**	(125)
Movement in other assets / liabilities		**(8,939)**	(4,144)
Investment return		**683**	(1,978)
Other - Foreign Exchange		**1,440**	(860)
Net cash flow from operating activities		**53,156**	31,243
Cash flow from investing activities			
Purchase of debt instruments		**(117,379)**	(18,245)
Sale of debt instruments		**1,645**	1,931
Investment income received		**704**	420
Other		**(414)**	-
Net cash flow from investing activities		**(115,444)**	(15,894)
Cash flow from Financing activities			
Transfer from Members in respect of underwriting participations		**(9,800)**	23,868
Net cash flow from financing activities		**(9,800)**	23,868
Net increase / (decrease) in cash and cash equivalents		**(72,088)**	39,217
Cash and cash equivalents at beginning of period		**80,969**	40,825
Foreign exchange gains / (losses) on cash and cash equivalents		**(1,606)**	927
Cash and cash equivalents at the end of the period		**7,275**	80,969
Cash and cash equivalents consist of:			
Cash at bank and in hand		**6,855**	80,561
Short term deposits with credit institutions		**420**	408
Cash and cash equivalents at end of period		**7,275**	80,969

STATEMENT OF CHANGES IN MEMBERS' BALANCES
FOR THE YEAR ENDED 31 DECEMBER 2021

	2021 £000	2020 £000
Members' balances brought forward	**23,479**	(18,753)
Profit for the period	**26,098**	17,969
(Distributable profit) / Collectable loss from Members	**(9,594)**	24,260
Non-standard personal expenses	**-**	3
Members' balances carried forward	**39,983**	23,479

NOTES TO THE FINANCIAL STATEMENTS
AS AT 31 DECEMBER 2021

1. Accounting Policies

STATEMENT OF COMPLIANCE

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

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

BASIS OF PREPARATION

The financial statements for the year ended 31 December 2021 were approved by the Board of Directors on 3 March 2022.

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

Having considered the risks and uncertainties, including those relating to the impact of Covid-19, and the performance of the Syndicate as disclosed in the report of the directors and making enquiries, the managing agent has a reasonable expectation that the Syndicate will continue to write business for the foreseeable future. Moreover, the managing agent expects that continued capital support will be in place to do so. Accordingly, the financial statements have been prepared on the going concern basis.

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the carry value of assets and liabilities that are not readily available from other sources. Estimates and underlying assumptions are regularly reviewed and revisions to these are recognised in the period in which the change in estimate is recognised and all future periods affected. The following are the Syndicate's key sources of estimation uncertainty, where a risk of causing material misstatement to the carrying value of assets and liabilities within the next financial year may exist.

1. Accounting Policies (continued)

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

Key sources of estimation uncertainty: *insurance contract claims provisions*

For insurance contracts, estimates are made both for the expected ultimate cost of claims reported and for the expected ultimate cost of claims incurred but not reported (IBNR), at the reporting date. It can take a significant period before the ultimate claims cost can be established with certainty.

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

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

These methods generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. 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. Managerial judgement is applied when setting the initial expected loss ratio, gross claims' development patterns and the proportion of reinsurance recoverable thereon. These judgements are based on a combination of Syndicate specific and market benchmarks where available. The amount of salvage and subrogation recoveries is separately identified and when material, reported as an asset. Further details are provided in Note 20 (c).

1. Accounting Policies (continued)

JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY (continued)

SIGNIFICANT ACCOUNTING POLICIES

Insurance contracts: product classification

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

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

Any separable embedded derivatives within an insurance contract are separated and accounted for in accordance with IAS 39 unless the embedded derivative is itself an insurance contract (ie the derivative is not separated if the policyholder benefits from the derivative only when the insured event occurs).

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Gross premiums

Gross written premiums comprise the total premiums receivable for the whole period of cover provided by the contracts entered into during the reporting period, regardless of whether these are wholly due for payment in the reporting period, together with any adjustments arising in the reporting period to such premiums receivable in respect of business written in prior reporting periods. They are recognised on the date on which the policy commences. Additional or return premiums are treated as a re-measurement of the initial premium. Gross written premiums are stated gross of brokerage payable and other relevant deductions.

Under some policies, written premiums are adjusted retrospectively in the light of claims experience or when the risk covered cannot be assessed accurately at the commencement of cover. When written premiums are subject to an increase retrospectively, recognition of any potential increase is deferred until the additional amount can be ascertained with reasonable certainty. When written premiums are subject to a reduction, a re-measurement taking account of such a reduction is made as soon as there is an obligation to the cover-holder.

Gross written premiums in respect of insurance contracts underwritten under facilities such as binding authorities or lineslips are recognised on a written declaration or bordereaux received basis. Where material, a premium accrual is made to account for delays in receipt of bordereaux at quarter and year ends. Such accruals are estimated based on information provided by the broker, past underwriting experience and prevailing market conditions. The estimates are reviewed for subsequent actual experience and the data is updated on a regular basis.

Reinsurance premiums

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

Under some policies, reinsurance premiums payable are adjusted retrospectively in the light of claims experience or where the risk covered cannot be assessed accurately at the commencement of cover. When written premiums are subject to an increase retrospectively,

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Reinsurance premiums (continued)

recognition of any potential increase is recognised as soon as there is an obligation to the policyholder.

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

Profit commission

Profit commission is charged by the managing agent at a rate of 22.5% on profits and is subject to a one-year deficit clause. This amount is shared between the managing agent and Probitas 1492 Services Limited in accordance with the Third-Party Management Services Agreement (TPSMA).

Profit commission is charged to the Syndicate as incurred on the GAAP result and is presented in within Members' Personal expenses

Any amount due in respect of the managing agent becomes payable after the appropriate year of account closes, normally at 36 months.

Reinstatement premiums

Reinstatement premiums may arise on both inwards and outwards policies when a loss has been incurred on a policy and there is a clause which requires the reinstatement of the policy with the payment of a further premium by the policyholder. These amounts are generally recognised as written and earned in full, at the date of the event giving rise to the reinstatement premium. Outwards reinstatement premiums payable, in the event of a claim being made, are generally charged to year of account in the same proportions as that to which the recovery is credited.

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Claims

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

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

Technical provisions

Technical provisions comprise claims outstanding and provisions for unearned premiums.

Claims outstanding

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

Provisions for unearned premiums

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

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

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Deferred acquisition costs

Acquisition costs can comprise costs arising from the conclusion of insurance contracts, including direct costs, such as intermediary commissions and indirect costs, such as the administrative expenses connected with the processing of proposals and the issuing of policies. Deferred acquisition costs are costs arising from conclusion of insurance contracts that are incurred during the reporting period, but which relate to a subsequent reporting period and which are carried forward to subsequent reporting periods. Deferred acquisition costs are amortised over the period in which the related premiums are earned. The reinsurers' share of deferred acquisition costs is amortised in the same manner as the underlying asset amortisation is recorded in the income statement. Commissions receivable on outwards reinsurance contracts are deferred and amortised on a straight-line basis over the term of the expected premiums payable.

Reinsurance assets

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

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

Insurance receivables

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

Insurance receivables are de-recognised when the de-recognition criteria for financial assets have been met.

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Insurance payables

Insurance payables are recognised when due and measured on initial recognition at the fair value of the consideration received less directly attributable transaction costs.

Financial investments

As permitted by FRS 102, the Syndicate has elected to apply the recognition and measurement provisions of IAS 39 – Financial Instruments (as adopted for use in the EU) to account for all of its financial instruments.

The Syndicate classifies its financial investments as either financial assets at fair value through profit or loss or loans and receivables or available for sale. The Syndicate determines the classification of its financial assets at initial recognition. Financial assets are initially recognised at fair value plus, in the case of instruments not at fair value through profit or loss, directly attributable transaction costs.

The classification depends on the purpose for which the investments were acquired or originated. In general, 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.

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

Financial assets at fair value through profit or loss has two sub-categories, namely financial assets held for trading and those designated at fair value through the profit and loss at inception. All the Syndicate's financial assets are held for trading. These investments are initially recorded at fair value. Subsequently to initial recognition, these investments are re-measured at fair value at each reporting date. Fair value adjustments and realised gains and losses are recognised in the income statement.

Derivative financial instruments

The Syndicate does not use derivative financial instruments.

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

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. Overdrafts are reported separately in creditors.

Fair value of financial assets

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

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

Analysis of the fair value of the Syndicate's investments is contained in note 20 *fair value estimation.*

Impairment of financial assets

For financial assets not held at fair value through profit or loss, the Syndicate assesses at each reporting date whether the financial asset or group of financial assets is impaired. The Syndicate first assesses whether objective evidence of impairment exists for financial assets. If it is determined that no objective evidence of impairment exists for an individually assessed financial asset, the asset is included in a group of financial assets with similar credit risk characteristics and that group of financial assets is collectively assessed for impairment. Assets that are individually assessed for impairment and for which an impairment loss is or continues to be recognised are not included in the collective assessment of impairment. If an available for sale financial asset is impaired, an amount comprising the difference between its cost (net of any principal repayment and amortisation) and its current fair value, less any impairment loss previously recognised in the income statement, is transferred from other comprehensive income in members' balance to the income statement. Impairment losses recognised in the income statement in respect of an equity instrument are not subsequently reversed through the income statement. Reversals of impairment losses on debt instruments classified as available for sale are reversed through the income statement, if the increase in the fair value of the instruments

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Impairment of financial assets (continued)

can be objectively related to an event occurring after the impairment losses were recognised in the income statement.

De-recognition of financial assets

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

- The rights to the cash flows from the asset have expired; or
- The Syndicate retains the right to receive cash flows from the asset or 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.

Offsetting of financial instruments

Financial assets and financial liabilities are off-set and the net amount is reported in the statement of financial position if, and only if:

- There is a currently enforceable legal right to offset the recognised amounts; and
- There is an intention to settle on a net basis, to realise the assets and settle the liabilities simultaneously.

Financial liabilities

The Syndicate's financial liabilities include trade and other payables, borrowings and insurance payables. All financial liabilities are recognised initially at fair value and, in the case of loans and borrowings, net of directly attributable transaction costs.

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

***Investment* return**

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest. Realised gains and losses on investments are calculated as the difference between sale proceeds and purchase price. Unrealised gains and losses on investments represent the difference between the valuation at the Balance Sheet date and their valuation at the previous Balance Sheet date, or purchase price, if acquired during the financial year, together with the reversal of unrealised gains and losses recognised in earlier financial years in respect of investment disposals in the current financial year.

Investment return is initially recorded in the non-technical account. A transfer is made from the non-technical account to the technical account - general business. Investment return has been wholly allocated to the technical account as all investments relate to the technical account.

Foreign currencies

The Syndicate's functional and also reporting currency is £ Sterling.

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

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

1. Accounting Policies (continued)

SIGNIFICANT ACCOUNTING POLICIES (continued)

Exchange differences are recorded in the non-technical account

The following rates of exchange have been used in producing this annual report:

		US$	Can$	Euro	Au$
Closing rate of exchange	**31 December 2021**	**1.35**	**1.71**	**1.19**	**1.86**
Average rate of exchange	**Calendar year 2021**	**1.38**	**1.72**	**1.16**	**1.83**
Closing rate of exchange	31 December 2020	1.37	1.74	1.12	1.77
Average rate of exchange	Calendar year 2020	1.28	1.72	1.13	1.86

Taxation

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

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

Pension costs

Capita Managing Agency Limited and Probitas Managing Agency Limited each operate their own defined contribution schemes. Pension contributions relating to staff who act on behalf of the Syndicate are charged to the Syndicate and included within net operating expenses.

Bad debts

Bad debts are provided for only where specific information is available to suggest that that a debtor may be unable or unwilling to settle its debt to the Syndicate.

NOTES TO THE FINANCIAL STATEMENTS (continued)

AS AT 31 DECEMBER 2021

2. Segmental Analysis

An analysis of the underwriting result before investment return and foreign exchange gains and losses is set out below:

2021	**Gross premiums written £000**	**Gross premiums earned £000**	**Gross claims incurred £000**	**Net operating expenses £000**	**Reinsurance balance £000**	**Total £000**
Direct Insurance:						
Energy	**657**	**607**	**(115)**	**(176)**	**(133)**	**183**
Fire and other damage to property	**48,995**	**44,426**	**1,740**	**(15,228)**	**(8,808)**	**22,130**
Third party liability	**73,848**	**65,517**	**(35,986)**	**(20,439)**	**(4,136)**	**4,956**
	123,500	**110,550**	**(34,361)**	**(35,843)**	**(13,077)**	**27,269**
Reinsurance	**45,026**	**40,487**	**(28,088)**	**(12,779)**	**278**	**(102)**
Total	**168,526**	**151,037**	**(62,449)**	**(48,622)**	**(12,799)**	**27,167**

2020	Gross premiums written £000	Gross premiums earned £000	Gross claims incurred £000	Net operating expenses £000	Reinsurance balance £000	Total £000
Direct Insurance:						
Energy	373	374	(93)	(97)	18	203
Fire and other damage to property	44,503	43,485	(13,212)	(15,105)	(5,559)	9,609
Third party liability	57,655	53,890	(33,929)	(17,159)	(1,457)	1,345
	102,531	97,749	(47,234)	(32,361)	(6,998)	11,157
Reinsurance	42,239	42,504	(16,165)	(14,247)	(6,873)	5,220
Total	144,770	140,253	(63,399)	(46,608)	(13,871)	16,376

All the £168,526,000 (2020: £144,770,000) gross premiums written were underwritten in the UK.

The geographical analysis of gross premiums written by location of risk is as follows:

	Gross Written Premium			
	2021 £000	**2021 %**	2020 £000	2020 %
UK	**49,416**	**29.3**	44,398	30.6
Asia Pacific	**41,764**	**24.8**	35,458	24.5
Canada	**33,969**	**20.2**	19,816	13.7
W Europe (excl. UK)	**22,758**	**13.5**	21,820	15.1
Latin America & Caribbean	**11,870**	**7.0**	13,063	9.0
Rest of the World	**8,749**	**5.2**	10,215	7.1
Total	**168,526**	**100.0**	144,770	100.0

2. Segmental Analysis (continued)

Lloyd's Part VII Transfer

On 30 December 2020, the members and former members of the Syndicate, transferred all relevant policies, underwritten by them for those years of account to Lloyds Insurance Company S.A. ('Lloyd's Brussels' or "LIC"), in accordance with Part VII of the Financial Services and Markets Act 2000. Members of the Syndicate entered into a 100% Quota Share reinsurance arrangement 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 through reinsurance to close of earlier years of account.

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. On the same date, under the Quota Share reinsurance arrangement, Lloyd's Brussels reinsured the same risks back. The combined effect of the two transactions had no economic impact for the Syndicate.

The 2020 year underwriting results for the transferred policies were reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020. For 2021 and future years, results relating to these risks are reported under the Inwards Reinsurance class of business.

3. Change in Net Provision for Claims

The change in net provision for claims is made up of the following:

	2021 **£000**	2020 £000
Gross claims incurred	**(28,694)**	(29,449)
Provision for unallocated loss adjustment expenses	**(321)**	(664)
Reinsurers' share of claims incurred	**9,303**	8,203
Total	**(19,712)**	(21,910)

4. Net Syndicate Operating Expenses

	2021 £000	2020 £000
Brokerage and commissions	**25,228**	22,012
Other acquisition costs	**2,726**	1,765
Gross acquisition costs	**27,954**	23,777
Change in net deferred acquisition costs	**(3,407)**	734
Earned acquisition costs	**24,547**	24,511
Reinsurers' commissions and profit participations	**(142)**	(115)
Net acquisition costs	**24,405**	24,396
Administrative expenses – other	**24,217**	22,212
Total	**48,622**	46,608

Brokerage and commissions in respect of gross earned premium, derived from direct & facultative business amounted to £17,454,000 (2020: £14,775,000).

Administrative expenses – other' includes members' personal expenses of £9,931,000 (2020: £6,081,000).

	2021 £000	2020 £000
Managing agent's fee	**1,125**	910
Central Fund	**606**	534
Lloyd's Subscriptions	**623**	562
PPL rebate of Lloyd's Subscriptions	**-**	42
Profit commission	**7,577**	4,033
Total	**9,931**	6,081

For 2021 Central Fund contributions are levied at 0.35% of Gross Written Premium (GWP) (2020: 0.35%). Members' subscriptions charged at 0.36% of GWP (2020: 0.36%). Placing Platform Limited (PPL) is a not-for-profit company set up in 2016 to create a single market solution for electronic placing that would allow brokers and insurers to quote, negotiate and bind business electronically.

No interest was payable to any related party (2020: Nil).

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2021

4. Net Syndicate Operating Expenses (continued)

Administrative expenses include fees payable to the auditors and its associates (exclusive of VAT)	**2021 £000**	2020 £000
Fees payable to the Syndicate's auditor for the audit of these financial statements	**190**	144
Non-audit fees:		
Other services pursuant to legislation	**85**	100
Statement of actuarial opinion	**85**	83
Total fees	**360**	327

Other services pursuant to legislation include fees for the Syndicate year end audit of Solvency II balance sheet and Lloyd's half year reviews.

5. Staff Numbers and Costs

Capita Managing Agent Limited (CMA) was responsible for the management of Syndicate 1492 until 31 August 2021.

The monthly average number of employees employed by CMA and who worked either in part or whole for the Syndicate during the 8 months period to 31 August 2021was as follows:

	2021	2020
Underwriting	**1**	1
Administration & Finance	**27**	26
Total	**28**	27

The reference to Underwriting relates to the role of Director of Underwriting, a role supported by other staff with underwriting experience included within "Administrative and Finance".

CMA received a Managing Agent's fee of £810,000 (2020: £910,000) which was charged to the Syndicate. These amounts include estimated amounts for directors and staff related costs. No emoluments of the directors of CMA were directly charged to the Syndicate and consequently no meaningful disclosure can be made.

CMA has also recharged various expenses which have been properly incurred on Syndicate 1492's behalf; these amounted to £539,000 for the year ended 31 December 2021 (2020: £1,734,000).

Probitas Managing Agent Limited (PMA) became responsible for the management of Syndicate 1492 with effect from 1 September 2021. PMA entered into a secondment agreement with Probitas 1492 Services Limited (PSL) which employs all PMA executive directors; underwriting staff and other technical, administrative and finance staff. The monthly average number of employees employed by PSL and who worked either in part or whole for the Syndicate during the four months period 1 September until 31 December 2021 was as follows:

	2021	2020
Underwriting, Claims & Reinsurance	**35**	n/a
Administration including Underwriting support	**24**	n/a
Total	**59**	n/a

5. Staff Numbers and Costs (continued)

PMA received a Managing Agent's fee of £315,000 (2020: not applicable) which was charged to the Syndicate.

Total emoluments of all PMA directors for the four months period 1 September until 31 December 2021 were £629,000 of which £460,000 was charged to Syndicate 1492.

The highest paid PMA director for the four months period 1 September until 31 December 2021 was £184,000 of which £143,000 was charged to Syndicate 1492.

6. Active Underwriter's Emoluments

Ash Bathia was previously engaged as Syndicate 1492's Active Underwriter by way of a secondment deed between Capita Managing Agency Limited (CMA) and Probitas 1492 Services Limited (PSL) and himself from the commencement of trading until 31 August 2021. With effect from 1 September 2021 Probitas Managing Agency Limited (PMA) became authorised to manage Syndicate 1492 upon which a similar secondment arrangement was entered into between PMA and PSL.

Ash Bathia relinquished his role as Syndicate 1492's Active Underwriter with effect from 21 September 2022 and Antony Dodson was authorised to take on the role with effect from 22 September 2022.

The amount recharged to Syndicate 1492 in respect of the aggregate emoluments of the active underwriters for the year ended 31 December 2021 was £449,000 (2020: £526,000).

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2021

7. Investment Return

	2021 £000	2020 £000
Income / (loss) from financial investments including investment manager fees	**(683)**	1,978

Average amount of funds available for investment during the year:

	2021 £000	2020 £000
Sterling	**44,134**	29,781
United States Dollars	**24,805**	26,354
Canadian Dollars	**57,798**	41,408
Euros	**23,683**	8,004
Australian Dollars	**29,659**	24,546
Mexican Pesos	**25**	19
Total	**180,104**	130,112

	2021 %	2020 %
Gross calendar year investment yield including investment manager fees	**(0.38)**	1.55

Analysis of calendar year investment yield by fund	**2021 %**	2020 %
Sterling	**(0.45)**	0.58
United States Dollars	**(0.23)**	1.06
Canadian Dollars	**(0.02)**	3.07
Euros	**(0.79)**	0.00
Australian Dollars	**(0.44)**	1.19
Mexican Pesos	**-**	-

8. Financial Investments

	Market value 2021 £000	**Cost 2021 £000**	Market value 2020 £000	Cost 2020 £000
Shares and other variable securities and units in unit trusts:				
Designated at fair value through profit and loss	**10,702**	**10,758**	4,997	4,983
Debt securities and other fixed income securities	**57,645**	**58,635**	49,377	49,459
Participation in investment pools	**101,257**	**100,985**	-	-
Total	**169,604**	**170,378**	54,374	54,442

Included within Shares and Other Variable Securities is the loan to the Lloyd's Central Fund amounting to £1,924,000 (2020 £1,994,000). Debt securities and other fixed income securities which are listed total £57,645,000 (2020: £49,377,000). Where a valuation is used the Syndicate's investment managers select the most reliable sources of data.

The difference between the preceding table and that contained within note 20, fair value estimation, is due to the inclusion of overseas deposits of £32,430,000 (2020: £27,133,000). Definitions of the fair value levels are contained within note 1.

9. Reconciliation of Insurance Balances

The reconciliation between the opening and closing balance of *unearned premium* is made up of the following:

	2021		2020	
	Gross £000	**Reinsurers' Share £000**	Gross £000	Reinsurers' share £000
Brought forward	**67,682**	**(11,028)**	62,607	(13,792)
Premiums written	**168,526**	**(27,242)**	144,770	(24,120)
Premiums earned	**(151,037)**	**25,285**	(140,253)	26,606
Premium provision movement	**17,489**	**(1,957)**	4,517	2,486
Foreign exchange	**(819)**	**182**	(558)	278
Carried forward	**84,352**	**(13,167)**	67,682	(11,028)

9. Reconciliation of Insurance Balances (continued)

The reconciliation between the opening and closing balance of *claims outstanding* is made up of the following:

	2021		2020	
	Gross £000	**Reinsurers' Share £000**	Gross £000	Reinsurers' share £000
Brought forward	**(164,889)**	**45,533**	(134,858)	37,731
Change in claims provision	**(28,694)**	**9,303**	(29,449)	8,203
Change in provision for unallocated loss adjustment expenses	**(321)**	**-**	(664)	-
	(29,015)	**9,303**	(30,113)	8,203
Foreign exchange	**1,300**	**(5)**	82	(401)
Carried forward	**(192,604)**	**54,831**	(164,889)	45,533

10. Debtors Arising Out of Direct Insurance Operations

	2021 £000	2020 £000
Amounts due from policyholders - within one year	**36,614**	34,921

11. Debtors Arising Out of Reinsurance Operations

	2021 £000	2020 £000
Amounts due from intermediaries - within one year	**15,907**	10,720

12. Other Debtors

	2021 £000	2020 £000
Amounts due - within one year	**2,985**	1,324

13. Reconciliation of Gross Deferred Acquisition Costs

The reconciliation between the opening and closing balance of deferred acquisition costs is made up of the following:

	2021 £000	2020 £000
Brought forward	**9,733**	10,401
Change in gross deferred acquisition costs	**3,386**	(781)
Sub-total	**13,119**	9,620
Foreign exchange	**(144)**	113
Carried forward	**12,975**	9,733

14. Creditors Arising Out of Reinsurance Operations

	2021 £000	2020 £000
Amounts due to intermediaries - within one year	**17,436**	14,065

15. Accruals and Deferred Income

	2021 £000	2020 £000
Amounts due within one year	**3,325**	5,601
Amounts due after one year	**7,432**	23
	10,757	5,624

The above amounts relate to various operating expenses, including accrued profit commission.

16. Ultimate Parent Company of the Managing Agent

Probitas Managing Agency Limited (PMA), incorporated in England and Wales, is the Managing Agent for Syndicate 1492.

The accounts of PMA are available from registered office at 21 Lime Street, London, EC3M 7HB.

PMA's immediate parent undertaking is Probitas Holdings UK Limited, a company incorporated in England and Wales.

PMA's ultimate parent undertaking is Probitas Holdings Bermuda Limited, a company incorporated in Bermuda.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2021

17. Funds at Lloyd’s

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

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

18. Post Balance Sheet Events

As noted in the Report of the Directors of the Manging Agent the current events and conflict between Ukraine and Russia is considered to have no direct material effect upon the syndicate’s underwriting performance or investment portfolios.

19. Related Parties

The following entities are referred to by their abbreviation throughout this note:

	Entity's legal name	Abbreviation
Capita and subsidiaries:		
1	Capita plc	Capita
2	Capita Insurance Services Holdings Limited	CISH
3	Capita Commercial Insurance Services Limited	CCIS
4	Capita Managing Agency Limited	CMA
Probitas and subsidiaries:		
5	Probitas Corporate Capital Limited	PCCL
6	Probitas 1492 Services Limited	PSL
7	Probitas Holdings (Bermuda) Limited	PHBL
8	Probitas Holdings (UK) Limited	PHUK
9	Probitas 1492 Services Mexico SA De CV	PMex
10	Probitas Managing Agency Limited	PMAL
11	Probitas 1492 (Europe) SRL	PE

19. Related Parties (continued)

Interests of the Managing Agent

Capita Managing Agency Limited (CMA) – 1 January 2021 to 31 August 2021

CMA managed Syndicates 1492 during the eight months period ending 31 August 2021. Syndicate 1492 was managed by CMA from its inception until 31 August 2021 under what is known as a "turn-key" arrangement.

CMA has charged a managing agency fee of £810,000 to Syndicate 1492 during the eight months period ending 31 August 2021 (31 December 2020: £910,000).

CMA has recharged various expenses which have been properly incurred on Syndicate 1492's behalf amounting to £538,000 eight months period ending 31 August 2021. (31 December 2020: £1,734,000). Amounts outstanding at each reporting period end were £nil and £186,000 respectively.

Capita Managing Agency Limited (CMA) – Interests and Arrangements of any Related Companies

Disclosed below are those transactions or arrangements entered into on behalf of, or otherwise concerning the member of, the Syndicate in which any related company of CMA has, directly or indirectly, a material interest:

CMA's immediate direct holding company is CISH. CMA and CCIS are wholly owned subsidiaries of Capita.

CMA entered into an agreement with CCIS on 5 October 2015 for the provision of outsourced underwriting support and other related administration services for Syndicate 1492.

During the reporting period £1,451,000 was charged to Syndicate 1492 in respect of services provided by CCIS (2020: £1,848,000). Amounts outstanding at each reporting period end were £117,000 and £221,000 respectively.

CMA entered into a Delegated Authority Agreement with Probitas on 5 October 2015 for the provision of underwriting and other related administration services for Probitas Syndicate 1492.

Ash Bathia was engaged as Syndicate 1492's Active Underwriter by way of a secondment deed entered into between CMA, Probitas and himself on 5 October 2015.

19. Related Parties (continued)

Probitas Managing Agency Limited (PMA) – 1 September 2021 to 31 December 2021

PMA became responsible for the management of Syndicates 1492 with effect from 1 September 2021.

PMA has charged a managing agency fee of £315,000 to Syndicate 1492 during the four months period ending 31 December 2021 (31 December 2020: not applicable).

Probitas Managing Agency Limited (PMA) – Interests and Arrangements of any Related Companies

Disclosed below are those transactions or arrangements entered into on behalf of, or otherwise concerning the member of, the Syndicate in which any related company of PMA has, directly or indirectly, a material interest:

PMA's immediate direct holding company is PHUK.

PMA entered into a Secondment & Services agreement with PSL on 19 August 2021 for the provision of underwriting and other related technical underwriting, claims, reinsurance and administration staff, services and accommodation for Syndicate 1492.

During the reporting period £2,147,000 was charged to Syndicate 1492 in respect of services provided by PSL (2020: £not applicable). Amounts outstanding at each reporting period end were £205,000 due from PSL and £not applicable respectively.

20. Risk Management

GOVERNANCE FRAMEWORK

The Board of directors of the managing agent has overall responsibility for the establishment and oversight of the Syndicate’s risk management framework. The Board has established an Audit committee and a Risk committee which oversee the operation of the of the syndicate Risk Management Framework and reviews and monitors the management of risks.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2021

20. Risk Management (continued)

GOVERNANCE FRAMEWORK (continued)

The primary objective of the Syndicate's risk 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. Key management recognises the critical importance of having efficient and effective risk management systems in place.

The Managing Agent 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 committee. This is supplemented with a clear organisational structure with documented delegated authorities and responsibilities from the board of directors to executive working groups 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 business plan, and specify reporting requirements. Significant emphasis is placed on assessment and documentation of risks and controls, including the articulation of 'risk appetite'. The Syndicate regularly undertakes a process known as 'Own Risk & Solvency Assessment' (ORSA) which is reviewed by the Risk Committee and finally approved by the board.

20. Risk Management (continued)

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND APPROACH

Capital framework at Lloyd's

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly, the capital requirement in respect of Syndicate 1492 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 comprise 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 not other members' shares. Accordingly, the capital requirement, that Lloyd's sets for each member, operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the members' capital requirement, known as the Economic Capital Assessment (ECA).

20. Risk Management (continued)

CAPITAL MANAGEMENT OBJECTIVES, POLICIES AND APPROACH (continued)

Lloyd's capital setting process (continued)

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 members' 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, represent resources available to meet members' and Lloyd's capital requirements.

INSURANCE RISK

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

The risk exposure is mitigated by diversification across a 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.

20. Risk Management (continued)

INSURANCE RISK (continued)

The Syndicate purchases reinsurance as part of its risks' mitigation programme. Reinsurance ceded may be placed on both a proportional and non–proportional basis. The majority of any proportional reinsurance which might be ceded is likely to be quota–share reinsurance which would be taken out to reduce the overall exposure to certain classes of business. Non–proportional reinsurance is primarily excess of loss reinsurance and is usually designed to mitigate the Syndicate's net exposure to catastrophe losses. Retention limits for the excess of loss reinsurance will 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: Property and Casualty risks usually cover twelve months' duration.

The Syndicate's most significant risks arise from natural disasters. For longer tail casualty claims that take some years to settle, there is also inflation risk.

Variability in claims and hence profits is a significant risk to the Syndicate. This is mitigated by writing a diverse range of products including diversification by industry sector and geography. The Syndicate has an agreed maximum and normal line size for each underwriting team. It also has a reinsurance strategy and purchasing plan to mitigate the effects of individual large losses and events. The pricing of the business includes the consideration of inflation and other economic factors. Operational risk can also increase the volatility of profits. This risk is mitigated by strict claim handling procedures and frequent investigation of possible fraudulent claims.

20. Risk Management (continued)

INSURANCE RISK (continued)

The Syndicate has an overarching risk appetite expressed in terms of the Solvency Capital Requirement on an ultimate basis which is not to exceed this figure by more than 15% on an ongoing basis. (This is consistent with the definition of a 'major change' which would require an updated plan to be submitted and approved by Lloyd's). The Syndicate also has a subsidiary risk appetite for natural catastrophe exposure which is primarily to limit exhaustion of the reinsurance programme to be less than a 1 in 200 level on an occurrence basis.

The Syndicate uses 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 those arising from a modelled event.

The Property D&F account written during 2021 is exposed to catastrophe type major losses:

Major Loss	**Estimated gross ultimate claims £000**	**Estimated net ultimate claims £000**
31 December 2021:		
Syndicate 1492 was not materially impacted by any major systemic or natural or other catastrophe loss arising in 2021 nor any other large loss arising in 2021.	-	-
31 December 2020:		
Fort McMurray flood, Canada	1,427	1,427
Outbreak of novel coronavirus (2019-nCov)	3,541	3,541
Hurricane Delta (US$ 1.37 - £1.00)	349	349
Hurricane Zeta (US$ 1.37 - £1.00)	99	99

Reserves have been assessed across the whole underwriting portfolio on an entirely assumed basis using the Lloyd's approved Syndicate business plan loss ratios.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2021

20. Risk Management (continued)

INSURANCE RISK (continued)

The geographical analysis of the risks underwritten shown below illustrates to how the claims might settle if the reserves were to crystallise and settle as actual claims in an equivalent manner.

	Gross Claims Reserves			
	2021 £000	**2021 %**	2020 £000	2020 %
UK	**56,955**	**29.5**	42,593	25.9
Rest of the World	**45,635**	**23.7**	23,747	14.4
Canada	**28,042**	**14.6**	23,300	14.1
Asia Pacific	**27,453**	**14.3**	35,116	21.6
W Europe (ex UK)	**19,880**	**10.3**	20,770	12.6
Latin America & Caribbean	**14,639**	**7.6**	19,363	11.7
Total	**192,604**	**100.0**	164,889	100.0

The following table sets out the concentration of outstanding claims liabilities by class:

Class	**2021 £000**	**2021 %**	2020 £000	2020 %
Property D & F	**22,748**	**12.0**	30,221	18.6
Contractor All Risks	**2,197**	**1.2**	5,449	3.4
Property	**24,945**	**13.2**	35,670	22.0
Financial Lines	**73,960**	**38.8**	52,429	32.1
Casualty International	**46,157**	**24.3**	37,837	23.3
Casualty UK	**44,957**	**23.7**	36,690	22.6
Casualty	**165,074**	**86.8**	126,956	78.0
Total	**190,019**	**100.0**	162,626	100.0

The above excludes the provision for Unallocated Loss Adjustment Expenses (ULAE) 2021 - £2,585,000 (2020 - £2,263,000).

20. Risk Management (continued)

INSURANCE RISK (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 occurrence; changes in market factors such as public attitude to claiming: economic conditions: as well as internal factors such as portfolio mix, policy conditions and claims handling procedures. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

Sensitivities

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

The Syndicate has limited historical experience on which to base statistical projections particularly in respect of the longer-tail lines of business. Benchmark data has therefore been used on a selective basis in the reserving process.

20. Risk Management (continued)

INSURANCE RISK (continued)

Sensitivities (continued)

For illustrative purposes the following table indicates the impact of various percentage changes to the booked reserves. The calculations have been carried out on a linear basis and without any actuarial adjustments or application of expert judgement.

Change in assumption + / (-) %	Impact on Gross Liabilities £000		Impact on Net Liabilities £000		Impact on Result £000		Impact on Members' Balance £000	
Dec 2021:								
10 / (10)	**19,260 /**	**(19,260)**	**13,777 /**	**(13,777)**	**13,777 /**	**(13,777)**	**13,777 /**	**(13,777)**
50 / (50)	**96,302 /**	**(96,302)**	**68,887 /**	**(68,887)**	**68,887 /**	**(68,887)**	**68,887 /**	**(68,887)**
100 / (100)	**192,604 /**	**(192,604)**	**137,773 /**	**(137,773)**	**137,773 /**	**(137,773)**	**137,773 /**	**(137,773)**
200 / (200)	**385,208 /**	**(385,208)**	**275,546 /**	**(275,546)**	**275,546 /**	**(275,546)**	**275,546 /**	**(275,546)**
Dec 2020:								
10 / (10)	16,489 /	(16,489)	11,936 /	(11,936)	11,936 /	(11,936)	11,936 /	(11,936)
50 / (50)	82,445 /	(82,445)	59,678 /	(59,678)	59,678 /	(59,678)	59,678 /	(59,678)
100 / (100)	164,889 /	(164,889)	119,356 /	(119,356)	119,356 /	(119,356)	119,356 /	(119,356)
200 / (200)	329,778 /	(329,778)	238,712 /	(238,712)	238,712 /	(238,712)	238,712 /	(238,712)

Positive changes in assumptions represent a decrease of the liability; negative changes in assumptions represent an increase in the liability.

20. Risk Management (continued)

INSURANCE RISK (continued)

Claims development table

The following table shows the estimates of cumulative incurred claims, including both claims notified and IBNR for each successive underwriting year at each reporting date, together with cumulative payments to date. The cumulative claim estimates and cumulative payments are translated to £ Sterling at the rate of exchange that applied at the end of the underwriting year. The impact of exchange differences is shown at the bottom of the table.

In setting claims provisions the Syndicate gives consideration to the probability and magnitude of future experience being more adverse than assumed and exercises a degree of caution in setting reserves where there is considerable uncertainty. In general, the uncertainty associated with the ultimate claims experience in an underwriting year is greatest when the underwriting year is at an early stage of development and the margin necessary to provide the necessary confidence in the provision's adequacy is relatively at its highest. As claims develop, and the ultimate cost of claims becomes more certain, the relative level of margin maintained should decrease. However, due to the uncertainty inherent in the estimation process, the actual overall claim provision may not always be in surplus.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2021

20. Risk Management (continued)

INSURANCE RISK (continued)

Claims development table (continued)

Insurance contract outstanding claims provision by year of account as at 31 December 2021:

Analysis of claims development by year of account

	2021	2020	2019	2018	2017	2016	2015
Estimate of cumulative Gross claims incurred:	£000	£000	£000	£000	£000	£000	£000
At end of underwriting year	31,321	25,642	25,884	19,288	53,937	21,921	138
After one year	-	50,499	52,473	58,062	101,050	48,774	3,853
After two years	-	-	48,014	62,960	112,596	54,966	3,415
After three years	-	-	-	70,116	113,750	54,215	3,243
After four years	-	-	-	-	110,592	57,441	3,212
After five years	-	-	-	-	-	63,470	3,142
After six years	-	-	-	-	-	-	3,188
Cumulative Gross payments to date	1.060	5,371	15,081	31,064	87,224	41,871	2,925
Outstanding Gross claims provision at 31 December 2021	30,261	45,128	32,933	39,052	23,368	21,599	263
Estimate of cumulative Net claims incurred:							
At end of underwriting year	24,768	20,085	19,833	14,514	27,806	9,000	138
After one year	-	40,538	40,954	42,467	60,298	29,696	3,850
After two years	-	-	39,900	48,196	68,445	31,931	3,415
After three years	-	-	-	52,547	70,228	31,307	3,243
After four years	-	-	-	-	70,100	31,772	3,212
After five years	-	-	-	-	-	32,379	3,142
After six years	-	-	-	-	-	-	3,188
Cumulative Net payments to date	1,060	5,336	14,561	26,096	51,431	24,237	2,925
Outstanding Net claims provision at 31 December 2021	23,707	35,202	25,339	26,451	18,669	8,142	263

The figures above are stated at closing rates of exchange.

20. Risk Management (continued)

FINANCIAL RISK

Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss to the other party by failing to discharge an obligation. A credit risk policy describes the assessment and determination of what constitutes credit risk for the Syndicate. Compliance with the policy is monitored and exposures and any breaches are reported initially to the Syndicate Monitoring Committee. Emphasis is currently placed on reinsurer security premium receivable from intermediaries. The policy is reviewed at least annually.

Management performs an assessment of creditworthiness of both reinsurers and brokers and updates the reinsurance purchase strategy, while also considering suitable allowance for impairment.

Reinsurance is placed with counterparties that have a good credit rating and concentration of risk is avoided by following policy guidelines in respect of counterparties' limits that are set each year by PMA's 'Broker Vetting & Reinsurance Security Group' (BVRSG) and are subject to regular reviews.

20. Risk Management (continued)

FINANCIAL RISK (continued)

Credit risk (continued)

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

	Neither past due nor impaired £000	Past due £000	Impaired £000	Total £000
31 December 2021:				
Shares and other variable yield securities and unit trusts	**10,702**	**-**	**-**	**10,702**
Debt securities and other fixed income securities	**57,645**	**-**	**-**	**57,645**
Overseas deposits	**32,429**	**-**	**-**	**32,429**
Reinsurer' share of claims outstanding	**54,831**	**-**	**-**	**54,831**
Participation in investment pools	**101,257**	**-**	**-**	**101,257**
Deposits with ceding undertakings	**414**	**-**	**-**	**414**
Cash at bank and in hand	**6,855**	**-**	**-**	**6,855**
Insurance debtors	**22,888**	**13,726**	**-**	**36,614**
Other debtors	**38,914**	**6,459**	**-**	**45,373**
Total credit risk	**325,935**	**20,185**	**-**	**346,120**
31 December 2020:				
Shares and other variable yield securities and unit trusts	4,997	-	-	4,997
Debt securities and other fixed income securities	49,377	-	-	49,377
Overseas deposits	27,133	-	-	27,133
Reinsurer' share of claims outstanding	45,533	-	-	45,533
Participation in investment pools	-	-	-	-
Deposits with ceding undertakings	-	-	-	-
Cash at bank and in hand	80,561	-	-	80,561
Insurance debtors	29,674	5,247	-	34,921
Other debtors	32,778	654	-	33,432
Total credit risk	270,053	5,901	-	275,954

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2021

20. Risk Management (continued)

FINANCIAL RISK (continued)

Credit risk (continued)

	AAA £000	AA £000	A £000	BBB £000	Less than BBB £000	Not rated £000	Total £000
31 December 2021:							
Shares and other variable yield securities	**858**	**-**	**8,595**	**-**	**-**	**1,249**	**10,702**
Debt securities and other fixed income securities	**5,998**	**4,090**	**19,863**	**27,694**	**-**	**-**	**57,645**
Participation in investment pools	**34,312**	**12,151**	**28,940**	**20,289**	**3,076**	**2,489**	**101,257**
Overseas deposits	**17,614**	**3,549**	**5,735**	**3,134**	**1,070**	**1,327**	**32,429**
Reinsurer' share of claims outstanding	**-**	**8,417**	**45,320**	**1,094**	**-**	**-**	**54,831**
Deposits with ceding undertakings	**-**	**-**	**414**	**-**	**-**	**-**	**414**
Cash & cash equivalents	**-**	**-**	**6,855**	**-**	**-**	**-**	**6,855**
Total credit risk	**58,782**	**28,207**	**115,722**	**52,211**	**4,146**	**5,065**	**264,133**
31 December 2020:							
Shares and other variable yield securities	774	-	3,825	-	-	398	4,997
Debt securities and other fixed income securities	30,556	7,063	7,209	4,196	-	352	49,376
Participation in investment pools	-	-	-	-	-	-	-
Overseas deposits	17,441	2,909	2,391	1,786	1,782	824	27,133
Reinsurer' share of claims outstanding	-	8,900	36,633	-	-	-	45,533
Deposits with ceding undertakings							
Cash & cash equivalents	-	-	80,561	-	-	-	80,561
Total credit risk	48,771	18,872	130,619	5,982	1,782	1,574	207,600

20. Risk Management (continued)

FINANCIAL RISK (continued)

Credit risk (continued)

Assets which are past due but not impaired have been in arrears for less than 3 months from the reporting date. The table below provides information regarding the credit risk exposure of the Syndicate at 31 December by classifying assets per 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.

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.

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations associated with financial instruments. 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.

A liquidity risk policy exists that sets out the assessment and determination of what constitutes liquidity risk. Compliance with the policy is monitored and any exposures and breaches which might arise will be reported to the Executive committee. The policy is regularly reviewed for pertinence and for changes in the risk environment.

NOTES TO THE FINANCIAL STATEMENTS (continued)

AS AT 31 DECEMBER 2021

20. Risk Management (continued)

FINANCIAL RISK (continued)

Liquidity risk (continued)

Maturity profiles

	No maturity stated £000	0-1 year £000	1-3 year £000	3-5 year £000	>5 year £000	Total £000
31 December 2021:						
Claims outstanding	**-**	**56,874**	**78,215**	**38,910**	**18,605**	**192,604**
Creditors	**-**	**18,424**	**-**	**-**	**-**	**18,424**
Total credit risk	**-**	**75,298**	**78,215**	**38,910**	**18,605**	**211,028**
31 December 2020:						
Claims outstanding	-	41,503	65,103	37,112	21,171	164,889
Creditors	-	14,280	-	-	-	14,280
Total credit risk	-	55,783	65,103	37,112	21,171	179,169

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 includes:

a. Currency risk
b. Interest rate risk
c. Fair value estimation

20. Risk Management (continued)

FINANCIAL RISK (continued)

Market risk (continued)

a. *Currency risk*

A market risk policy exists that sets out the assessment and determination of what constitutes market risk for the Syndicate. As the Syndicate develops, compliance with the policy will be monitored and any exposures and breaches arising will be reported to the Investment committee. The policy is reviewed regularly for pertinence and for changes in the risk environment.

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

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

Converted £000	UK £STG	US$	Euro €	Can$	Au$	Total CNV £
31 December 2021						
Total assets	**89,950**	**79,542**	**55,691**	**57,132**	**63,805**	**346,120**
Total liabilities	**(112,263)**	**(82,659)**	**(43,314)**	**(37,358)**	**(30,543)**	**(306,137)**
Net assets / (liabilities)	**(22,313)**	**(3,117)**	**12,377**	**19,774**	**33,262**	**39,983**
31 December 2020						
Total assets	67,459	62,278	52,127	46,503	47,587	275,954
Total liabilities	(87,374)	(67,544)	(35,631)	(32,570)	(29,356)	(252,475)
Net assets / (liabilities)	(19,915)	(5,266)	16,496	13,933	18,231	23,479

20. Risk Management (continued)

FINANCIAL RISK (continued)

Market risk (continued)

a. Currency risk (continued)

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

The Syndicate looks to match its currency position wherever practicable and so holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's required capital and invests its assets proportionately across these currencies to protect the solvency of the Syndicate against variation in foreign exchange rates. As a result, the Syndicate holds a significant proportion of its assets in foreign currencies.

Illustrative impact on result and member's balances if, relative to the year-end rates:	**2021 £000**	2020 £000
Sterling was to strengthen against other settlement currencies by:		
5%	**(3,115)**	(2,170)
10%	**(6,230)**	(4,339)
20%	**(12,460)**	(8,679)
Sterling was to weaken against other settlement currencies by:		
(5)%	**3,115**	2,170
(10)%	**6,230**	4,339
(20)%	**12,460**	8,679

20. Risk Management (continued)

FINANCIAL RISK (continued)

Market risk (continued)

b. Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates. Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate holds no financial assets whose values might be impacted by a change in interest rates nor does it have any other significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

As a result of the Syndicate's current situation, no analysis has been disclosed to illustrate possible movements in interest rates with all other variables held constant, which would show the impact on the result and members' balance of the effects of changes in interest rates since the Syndicate has only immaterial financial assets and liabilities. The Syndicate is not exposed to equity price risk.

c. Fair value estimation

Fair value is the amount for which an asset or liability could be exchanged between willing parties in an arm's length transaction. Fair values are determined at prices quoted in active markets. In some instances, such price information is not available for all instruments and the Managing Agent applies valuation techniques to measure such instruments. These valuation techniques make maximum use of market observable data; in some cases, management estimates as well as observable market inputs are used within the valuation model. There is no standard model and different assumptions would generate different results.

Fair values are subject to a control framework designed to ensure that input variables and output are assessed independently of the risk taker. These inputs and outputs are provided to us by our investment managers who derive them through a formal valuation committee.

20. Risk Management (continued)

FINANCIAL RISK (continued)

<u>Market risk</u> (continued)

c. Fair value estimation (continued)

The table below shows financial assets and liabilities carried at fair value through profit or loss (as disclosed in note 8) grouped into the level in the fair value hierarchy into which each fair value measurement is categorised.

All debt securities and other fixed income securities are listed. Other financial investments measured by the fair value hierarchy at 31 December are summarised below.

Included within Shares and other variable yield securities are Syndicate loans which have been provided by the Syndicate to the Lloyd’s Central Fund from the 2019 and 2020 years of account. These loans cannot be traded and are valued using discounted cash flow models taking into account the credit and illiquidity risk of the loans. The Syndicate loans have been classified as Level 3 investments due to unobservable inputs and subjectivity used to determine the appropriate credit and illiquidity spreads within the discount rates used in the discounted cash flow models.

NOTES TO THE FINANCIAL STATEMENTS (continued)
AS AT 31 DECEMBER 2021

20. Risk Management (continued)

FINANCIAL RISK (continued)

Market risk (continued)

C Fair value estimation (continued)

	Level 1 £000	Level 2 £000	Level 3 £000	Total £000
December 2021:				
Shares and other variable securities and units in unit trusts	**-**	**8,778**	**1,924**	**10,702**
Debt securities and other fixed income securities	**57,645**	**-**	**-**	**57,645**
Participation in investment pools	**18,187**	**83,070**	**-**	**101,257**
Overseas deposits	**1,157**	**31,272**	**-**	**32,429**
Total	**76,989**	**123,120**	**1,924**	**202,033**
December 2020:				
Shares and other variable securities and units in unit trusts	-	3,003	1,994	4,997
Debt securities and other fixed income securities	352	49,025	-	49,377
Participation in investment pools	-	-	-	-
Overseas deposits	756	26,377	-	27,133
Total	1,108	78,405	1,994	81,507

Definitions of the fair value levels are contained within note 1.