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A Ive Syndicate 2525

Syndicate Annual Report and Accounts

31 December 2020

Contents

Directors and Administration

Managing Agent

Asta Managing Agency Ltd

Directors

P A Jardine (Chairman)*
R P Barke
C V Barley
K A Green*
C N Griffiths
L Harfitt
A J Hubbard*
D J G Hunt
M D Mohn*
S P A Norton
K Shah*
J M Tighe

Non Executive Directors*

Company Secretary

N J Burdett

Managing Agent's Registered Office

5th Floor
Camomile Court
23 Camomile Street
London
EC3A 7LL

Managing Agent's Registered Number

1918744

Active Underwriter

A Ive

Bankers
Barclays Plc
Citibank N.A,
RBC Dexia

Investment Managers
Amundi (UK) Limited

Registered Auditor
Mazars LLP

Signing Actuary
Lane Clark and Peacock

Active Underwriter's Report

2018 Year of Account

Allocated Capacity	£65.0m
Capacity Utilisation	94.0%
Profit in 2020	£4.0m

I am pleased to announce a whole account calendar year profit of £5.97m and that the 2018 year of account on the traditional Lloyd's three-year accounting basis, has closed with a profit of £4.1m which equates to a return on capacity of 6.4%.

This result will surely put the Syndicate within Lloyd's top quartile performers yet again. Lloyd's Q3 Syndicate forecasts suggest many Syndicates continue to struggle with profitability and I feel proud to be able to return another good result.

Furthermore, we have achieved this in the year which saw the Syndicate's first material pre-emption in many years, having increased Stamp Capacity from £50m to £65m for 2018. Whilst the result has improved by only 3.8% on the 2017 close, this pre-emption along with higher stamp utilisation means the monetary profit will be almost double that of last year.

2019 Year of Account

Allocated Capacity	£69.9m
Capacity Utilisation	95.2%
Profit in 2020	£3.0m

After 24 months development, all indications are that 2019 Year of Account will return an even higher level of profit than 2018.

2019 has materially more International income included and recognising that this account develops more slowly than the Syndicate's traditional Core account (UK & Ireland) we have reviewed the drivers of the incurred loss ratios and it is clear that the more predictable and shorter tailed Core account), particularly the UK EL, is the main driver. Even if there is some adverse development in the coming year, it is unlikely to produce loss ratios anywhere near those experienced in 2017 or 2018. This is a view shared by our external actuaries, Lane Clark and Peacock LLP, who currently forecast net ultimates for 2019 to be comfortably better than 2018.

However, the world remains in the middle of a pandemic and it is not yet clear whether this will produce claims for the Syndicate. We will continue to monitor the situation closely but, to date, we have received no formal claims and just a dozen notifications of workplace contraction for which EL policies may provide indemnity should a formal claim be forthcoming. We have not raised any case reserves absent formal claims but, recognising a potential exposure, we retain a general IBNR provision of £1m which is both Gross and Net. We do not underwrite business interruption insurance.

Active Underwriter's Report continued

2020 Year of Account

Allocated Capacity	£79.4m
Capacity Utilisation	69.7%
Loss in 2020	£1.1m

2020 has also made a good start, developing in a similar fashion to 2019. Despite a 30% increase in our reinsurance rating, our gross and net positions at the 12 month stage are currently tracking 2019.

Whilst acknowledging that 2020 is still at a very early development stage, it should be noted that the income for 2019 and 2020 is the largest the Syndicate has ever had in terms of premium volume. This growth has been contributed to greatly by rate increases achieved on both the Core and International accounts. The UK account has now managed rate increases for 5 consecutive years, whilst the International account has seen double figure increase since 2018 with 2020 currently up nearly 30% on 2019.

It will be recalled that some poor experience on the International account in the past led to a tightening of underwriting guidelines which, in turn, predicated a complete change of underwriting personnel within the International team during the course of Q3 2019 and Q1 2020. Charlie Harcus joined the Syndicate as Head of International in early 2020 and has made an excellent start during these unusual times. In accordance with the revised Syndicate strategy for the International account, Charlie has reduced line size and geographical spread with a view to reducing the volatility of this account. He has made great strides in rebuilding confidence in the Syndicate underwriting an International book and that it can produce consistently good results on both a gross and net basis. This, in turn, should ultimately reduce our reinsurance costs.

A Ive
Active Underwriter
4 March 2021

Managing Agent's Report

The Syndicate's Managing Agent is a company registered in England and Wales. The directors of the Managing Agent present their report for the year ended 31 December 2020.

This annual report is prepared using the annual basis of accounting as required by Statutory Instrument No 1950 of 2008, The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("Lloyd's Regulations 2008").

Results

The total recognised result for calendar year 2020 is a profit of £5,967,644 (2019: profit £7,847,258).

The Syndicate presents its results under FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS 103.

Principal activity and review of the business

The Syndicate's principal activity continues to be the underwriting of direct insurance and reinsurance business in the Lloyd's market.

The Syndicate writes predominately employers' and public liability insurance primarily in the United Kingdom.

A full review is included in the Active Underwriter's Report.

Gross written premium income by class of business for the calendar year was as follows;

	2020 £'000	2019 £'000
Employers' liability	35,371	34,927
Public liability	54,499	46,692
	89,870	81,619

The Syndicate's key financial performance indicators during the year were as follows;

	2020 £'000	2019 £'000	Change %
Gross written premiums	89,870	81,619	10.1%
Profit for the financial year	5,968	7,847	(23.9%)
Combined ratio	93.6%	90.2%	(3.7%)

The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned. Lower ratios represent better performance.

Managing Agent's Report continued

The return on capacity for the 2018 closed year of account at 31 December 2020 is shown below together with forecasts for the two open years of account.

	2020 YOA Open	2019 YOA Open	2018 YOA Closed
Capacity (£'000)	79,359	70,000	65,000
Result/forecast (£'000)	5,105	5,303	4,289
Forecast return/return on capacity (%)	6.4%	7.6%	6.6%

Principal risks and uncertainties

The Syndicate sets risk appetite annually, which is approved by the Agency as part of the Syndicate's business planning and Solvency Capital Requirement ('SCR') process. The Agency Risk and Solvency Committee meets at least quarterly to oversee the risk management framework. The Syndicate Board, a sub-committee of the Agency Board, reviews the risk profile as reflected in the risk register, and monitors performance against risk appetite using a series of key risk indicators. The principal risk and uncertainties facing the Syndicate are as follows:

Insurance 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 Syndicate 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 Syndicate Board then monitors performance against the business plan through the year. Reserve adequacy is monitored through quarterly review by the Asta Acturial team and the Reserving Committee.

Credit risk

The key aspect of credit risk is reinsurance counterparty risk which is the risk of default by one or more of the Syndicate's reinsurers and intermediaries. The Syndicate Board's policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation where required. The Agency Reinsurance Security Committee sets approval and usage criteria, monitors reinsurer ratings and is required to approve and oversee the application of the reinsurer approval policy.

Market risk

Market risk exposure impacting the Syndicate relates to fluctuations in interest rates or exchange rates. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. The Agency's policy is to maintain received income or incurred expenditure in the core currencies in which they were received or paid. Any surplus or deficit in a core currency would be subject to review by the Syndicate Board, a sub-committee of the Agency Board.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

Exposure to changes in interest rates comes from the Syndicate's investment portfolio. The Agency seeks to minimise this risk through investing in either fixed interest securities or high quality floating rate notes.

In addition, an Investment Committee which reports to the Syndicate Board, ensures that the Syndicate's investment portfolio is managed by the external investment manager in accordance with the Syndicate's risk appetite and to guidelines as approved by the Syndicate Board.

Liquidity risk

This is the risk that the Syndicate will not be able to meet its liabilities as they fall due, owing to a shortfall in cash or can only meet obligations at excessive cost. To mitigate this risk the Syndicate Board and Investment Committee reviews cash flow projections regularly and ensures that, where needed, the Syndicate has liquidity facilities in place or has utilised the option of a cash call from capital providers.

Operational risk

This is the risk that errors caused by people, processes, systems and external events lead to losses to the Syndicate. The Agency seeks to manage this risk through the use of an operational risk and control framework throughout the Syndicate, detailed procedure manuals,a thorough training programme and a structured programme of testing of processes and systems by internal audit. Business continuity and disaster recovery plans are in place and are regularly updated and tested.

Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The Agency has a compliance officer who manages a team of four that monitor business activity and regulatory developments and assesses any effects on the Agency.

The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its customer risk through a suite of risk indicators and reporting metrics as part of its documented customer risk framework. The customer risk framework is consistently applied across all Asta syndicates and is overseen by the Conduct Oversight Group (COG), which is an Asta Board Committee that includes a non-executive director as a member who fulfils the role of Customer Champion.

Group / strategic risk

This is the risk of contagion that arises from being associated with key stakeholders and the impact that activities and events that occur within other connected or third parties has on the business.

Strategic risk covers the risks faced by the Syndicate due to changes in underlying strategy of the business or that of its key stakeholders (including strategic conflicts of interest).

Outlook for 2021 - Investment

In 2020 the COVID crisis brought the global economy to a standstill. Risk aversion caused government bond yields to plummet and corporate bond spreads widened significantly. Rapid monetary support, including Quantitative Easing across both government and corporate bonds, led to corporate bond spreads re-tightening all the way back to pre-crisis levels by the end of the year. A number of key risks dissipated in Q4: the UK agreed a trade deal with the EU drawing a line under a tumultuous period of negotiations, Joe Biden became the 46th President of the United States, and multiple COVID-19 vaccines were approved. The prospect of the end of lockdowns, combined with continued monetary and fiscal stimulus has raised expectations for a sharp consumer-led rebound in economic activity from Q2 2021.

The UK has a relative head start coming into 2021 having been in a strict lockdown since December, squashing a more virulent strain of COVID-19, and deploying vaccines at an impressive pace. Any negative effect from leaving the EU has been overridden by COVID-19 in the short term. Growth has generally beaten expectations due to ongoing government support and as companies have been more nimble having experienced prior lockdowns. Inflation is set to increase as temporary VAT cuts made a year ago drop out and due to higher energy prices. Risks remain for the later stages of year as the economy transitions itself away from government support, in particular areas such as house prices and unemployment.

Portfolios were positioned slightly short duration prior to the crisis with conservative corporate bond holdings. As the crisis hit, duration extensions were made in the Canadian portfolio and to a lesser degree Sterling which had slightly slower monetary policy responses in comparison to the US. Selective opportunistic purchases of corporate bonds were made in Q2 and Q3 with spreads at distressed levels. Short dated Gilts traded with negative yields throughout H2 and duration extensions were made at rare moments where positive yields were available. Absolute performance for the year was strong across all currencies, particularly in USD and CAD as the starting point for yields was higher. Portfolios underperformed government bond index comparators early in the crisis but all portfolios saw strong performance throughout the rest of the year and outperformed benchmarks, some by significant margins. Key drivers of performance were spread tightening and carry from corporate bond and ABS holdings.

Future developments

The Syndicate will continue to transact the current classes of general direct insurance and reinsurance business. If opportunities arise to write new classes of business, these will be investigated at the appropriate time. The 2018 year of account will close by reinsurance to close into the 2019 year of account.

The capacity for the 2021 year of account is £86.0m (2020 year of account £80.0m).

The Syndicate is exposed to LIBOR through banks, investment holdings or reinsurance contracts and with LIBOR being replaced at the end of 2021 the Syndicate is assessing the impact this will have on them with remedial action to be put in place should it be needed.

Environmental, Social and Governance (ESG)

In 2020 Asta initiated work to document relevant ESG requirements and complete an assessment of its current business model against these requirements. This work culminated in a number of actions to strengthen Asta's ESG Framework which will be completed in 2021. This work will also inform Asta's approach to its syndicates' ESG frameworks and is aligned to Lloyd's ESG work demonstrated though the Lloyd's ESG report produced in December 2020, and to Asta's climate change work detailed below.

Asta's complete ESG assessment can be found in the accounts of the Managing Agency

Climate change

Given the nature of the business underwritten by Syndicate 2525, our initial assessment of exposure to climate change on underwriting risk is low.

Following the Prudential Regulation Authority's (PRA) Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, Asta has ensured Board-level engagement and accountability with the PRA's requirements, assigning clear responsibilities for managing Asta's and its syndicate's financial risks associated with climate change. The Asta Finance Director, who is a Board member, is responsible for identifying and managing financial climate related risks.

The syndicate and Asta are working together to establish a framework for assessing the impacts of climate change. This framework considers the impacts in relation to Governance, Disclosure, Risk Management, Scenario Analysis, Counterparty assessment and Investment Strategy.

Part VII Transfer

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 1993 and 2020 to Lloyd's Insurance Company S.A. ('Lloyd's Brussels') pursuant to Part VII of the Financial Services and Markets Act 2000. The value of the net liabilities transferred was $18,601,461. The Syndicate transferred cash of the same amount to Lloyd's Brussels. Lloyd's Brussels subsequently reinsured the same liabilities back to the Syndicate on the same day. The reinsurance premium received was of the same amount of $18,601,461. There was no gain or loss arising on either transaction.

Both the cash transferred for the Part VII transfer and the premium subsequently received back from Lloyd's Brussels have been included in the 'gross written premiums' line of the income statement. This is the appropriate treatment that best reflects the connection between economic substance of both the Part VII transfer and the associated reinsurance arrangement, and the resulting economic substance of the combined transaction.

On the balance sheet, certain policy-level balances impacted by the transfer that were previously reflected as amounts arising from direct insurance operations, have been reclassified to amounts arising from inwards reinsurance business.

The transaction has no impact on equity.

Coronavirus

Since the start of 2020, there has been a global outbreak of the Coronavirus, Covid-19, which is a new virus that predominantly affects lungs and airways. Many countries have reacted to contain the spread of the virus by isolating whole affected areas and infected individuals. This has resulted in wide-ranging operational changes across many industries, including syndicates operating in the Lloyd's of London insurance market.

As part of the ongoing activities of the Asta Risk Management Framework, such circumstances are considered and work has been undertaken to assess the insurance, operational and economic risks associated with the outbreak and any impact on the Syndicate has been mitigated or addressed where possible. There is continued assessment of liquidity, market and credit risk and the implications on the Syndicate are monitored, in conjunction with other insurance events, and are escalated to Board level where appropriate.

Working arrangements across the Agency and the Syndicate have been adjusted in line with government restrictions and guidance. While working remotely has proved challenging at times the overall experience has been successful. Staff have embraced new technology and maintained active communication with each other and clients. The IT infrastructure has dealt well with the changes and we have seen minimal downtime. The Agency and Syndicate have continued to meet the business and regulatory requirements.

The Agency plans to maintain the current form of operations for the foreseeable future with no adverse effects anticipated.

Directors

Details of the Directors of the Managing Agent that were serving at the year end and up to the date of signing of the financial statements are provided on page 1. Changes to Directors were as follows:

C N Griffiths	Appointed 01 January 2020
K A Green	Appointed 01 February 2020

Disclosure of Information to the Auditor

So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditor in connection with the auditor's report, of which the auditor is unaware. Having made enquiries of fellow directors of the Agency and the Syndicate's Auditor, each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Auditor

The Managing Agent intends to reappoint Mazars LLP as the Syndicate's auditor.

Managing Agent's Report continued

Syndicate Annual General Meeting

In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year; objections to this proposal or the intention to reappoint the auditor for a further 12 months can be made by Syndicate members before 30 April 2021.

On behalf of the Board

N J Burdett
Company Secretary
4 March 2021

Statement of Managing Agent's Responsibilities

The Managing Agent is responsible for preparing the financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the managing agent to prepare financial statements at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards and applicable law) including FRS 102 “the Financial Reporting Standard applicable in the UK and Republic of Ireland”. The financial statements are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the financial statements, the Managing Agent is required to:

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

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

The Managing Agent is responsible for the maintenance and integrity of the corporate and financial information included on the business' website. Legislation in the United Kingdom governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

Independent auditor’s report

Independent Auditor’s Report to the Members of Syndicate 2525

Opinion

We have audited the annual financial statements of Syndicate 2525 (the “Syndicate”) for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Member’s Balance, the Statement of Cash Flows and the related notes, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including FRS 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” (United Kingdom Generally Accepted Accounting Practice).

In our opinion the annual financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) (ISAs (UK)) and applicable law. Our responsibilities under those standards are further described in the “Auditor’s responsibilities for the audit of the financial statements” section of our report. We are independent of the Syndicate in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the Financial Reporting Council’s Ethical Standard and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Conclusions relating to going concern

In auditing the financial statements, we have concluded that the directors of the managing agent’s use of the going concern basis of accounting in the preparation of the annual financial statements is appropriate.

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

Our responsibilities and the responsibilities of the directors 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 Syndicate Annual Report and Accounts, other than the 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 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.

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

We have nothing to report in this regard.

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

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

- the information given in the Managing Agent's Report for the financial year for which the annual financial statements are prepared is consistent with those annual financial statements; and
- the Managing Agent's Report has been prepared in accordance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

In light of the knowledge and understanding of the Syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the Managing Agent's Report.

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

- the managing agent in respect of the Syndicate has not kept adequate accounting records; or
- the annual financial statements are not in agreement with the accounting records; or
- certain disclosures relating to amounts recharged to the Syndicate in respect of the emoluments of the active underwriter and the directors of the managing agent are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the managing agent

As explained more fully in the Statement of Managing Agent's Responsibilities set out on page 11, the managing agent is responsible for the preparation of the 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 financial statements that are free from material misstatement, whether due to fraud or error.

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

Auditor’s responsibilities for the audit of the financial statements

Our objectives are to obtain reasonable assurance about whether the 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 annual financial statements.

Irregularities, including fraud, are instances of non-compliance with laws and regulations. We design procedures in line with our responsibilities, outlined above, to detect material misstatements in respect of irregularities, including fraud. Based on our understanding of the Syndicate and the insurance sector in which it operates, we identified that the principal risks of non-compliance with laws and regulations related to the Council of Lloyd’s Byelaws, and we considered the extent to which non-compliance might have a material effect on the annual financial statements. We also considered those laws and regulations that have a direct impact on the preparation of the annual financial statements such as The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008.

We evaluated the directors’ and management of the managing agent’s and Syndicate management’s incentives and opportunities for fraudulent manipulation of the annual financial statements (including the risk of override of controls) and determined that the principal risks were related to posting journal entries to manipulate financial performance, management bias through judgements and assumptions in significant accounting estimates, in particular in relation the valuation of the provisions for the settlement of future claims and application of earning patterns, and significant one-off or unusual transactions.

Our audit procedures were designed to respond to those identified risks, including non-compliance with laws and regulations (irregularities) and fraud that are material to the annual financial statements. Our audit procedures included but were not limited to:

- Discussing with the directors and management of the managing agent and Syndicate management their policies and procedures regarding compliance with laws and regulations;
- Communicating identified laws and regulations throughout our engagement team and remaining alert to any indications of non-compliance throughout our audit; and
- Considering the risk of acts by the Syndicate which were contrary to applicable laws and regulations, including fraud.

Our audit procedures in relation to fraud included but were not limited to:

- Making enquiries of the directors and management of the managing agent and Syndicate management on whether they had knowledge of any actual, suspected or alleged fraud;
- Gaining an understanding of the internal controls established to mitigate risks related to fraud;
- Discussing amongst the engagement team the risks of fraud; and
- Addressing the risks of fraud through management override of controls by performing journal entry testing.

There are inherent limitations in the audit procedures described above and the primary responsibility for the prevention and detection of irregularities including fraud rests with management. As with any audit, there remained a risk of non-detection of irregularities, as these may involve collusion, forgery, intentional omissions, misrepresentations or the override of internal controls.

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

Use of the audit report

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

Amanda Barker (Senior Statutory Auditor)

for and on behalfof Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD

4 March 2021

Income statement

Technical account - General business

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Gross premiums written	3	89,870	81,619
Outward reinsurance premiums		(16,875)	(13,534)
Net written premiums		72,995	68,085
Change in the provision for unearned premiums			
Gross amount		(2,261)	(7,855)
Reinsurers' share		1,622	1,207
	4	(639)	(6,648)
Earned premiums, net of reinsurance		72,356	61,437
Allocated investment return transferred from the non-technical account		1,805	1,817
Claims paid			
Gross amount		(27,590)	(25,430)
Reinsurers' share		3,390	6,941
		(24,200)	(18,489)
Changes in the provision for claims outstanding			
Gross amount		(18,956)	(29,458)
Reinsurers' share		3,331	16,039
	4	(15,625)	(13,419)
Claims incurred, net of reinsurance		(39,825)	(31,908)
Net operating expenses	5	(27,872)	(23,482)
Balance on technical account – general business		6,464	7,864

All the amounts above are in respect of continuing operations.

The notes on pages 22 to 50 form part of these financial statements.

Income statement continued

Non-technical account - General business

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Balance on technical account – general business		6,464	7,864
Investment income	9	2,305	2,433
Unrealised (losses) on investments	9	(23)	(324)
Investment expenses and charges	9	(477)	(292)
Allocated investment return transferred to the general business technical account	9	(1,805)	(1,817)
Exchange (losses)		(496)	(17)
Profit for the financial year		5,968	7,847

There were no recognised gains and losses in the year other than those reported in the Income Statement and hence no Statement of Other Comprehensive Income has been presented.

All the amounts above are in respect of continuing operations.

The notes on pages 22 to 50 form part of these financial statements.

Statement of changes in Members' balances

For the year ended 31 December 2020

	2020	2019
	£'000	£'000
Members' balances brought forward at 1 January	1,413	(3,208)
Profit for the financial year	5,968	7,847
Members' agent's fees	(437)	(390)
Payments of profit to members' personal reserve funds	(1,648)	(2,836)
Members' balances carried forward at 31 December	5,296	1,413

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

The notes on pages 22 to 50 form part of these financial statements.

Statement of financial position

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Assets			
Investments			
Other financial investments	10	131,503	118,851
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	8,842	7,220
Claims outstanding	4	64,125	60,698
		72,967	67,918
Debtors			
Debtors arising out of direct insurance operations	11	24,190	21,979
Debtors arising out of reinsurance operations	12	1,694	2,600
Other debtors		18	96
		25,902	24,675
Cash and other assets			
Cash at bank and in hand	15	18,801	11,115
		18,801	11,115
Prepayments and accrued income			
Deferred acquisition costs	4	10,166	9,981
Other prepayments and accrued income		730	675
		10,896	10,656
Total assets		260,069	233,215

The notes on pages 22 to 50 form part of these financial statements.

Statement of financial position continued

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Members' balances and liabilities			
Capital and reserves			
Members' balances		5,296	1,413
Liabilities			
Technical provisions			
Provision for unearned premiums	4	46,265	43,701
Claims outstanding	4	202,268	183,549
		248,533	227,250
Creditors			
Creditors arising out of direct insurance operations	13	796	532
Creditors arising out of reinsurance operations	14	2,631	3,000
Other creditors		1,602	539
		5,029	4,071
Accruals and deferred income		1,211	481
Total liabilities		254,773	231,802
Total members' balances and liabilities		260,069	233,215

The notes on pages 22 to 50 form part of these financial statements.

The financial statements on pages 16 to 50 were approved by board of directors on 24 February 2021 and were signed on its behalf by:

R P Barke
Director
4 March 2021

Statement of cash flows

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
Profit on ordinary activities		5,968	7,847
Increase in gross technical provisions		21,283	35,575
(Decrease) in reinsurers' share of gross technical provisions		(5,049)	(16,933)
(Increase) in debtors		(1,227)	(3,306)
Increase in creditors		958	655
Movement in other assets/liabilities		490	(1,933)
Changes to market value and currency		151	111
Investment Return		(1,805)	(1,817)
Net cash inflow from operating activities		20,769	20,199
Cash flows from investing activities			
Purchase of other financial investments		(74,493)	(69,682)
Sale of other financial investments		70,888	43,776
Investment income received		1,838	2,141
(Decrease) in overseas deposits		(3,903)	(3,327)
Net cash (outflow) from investing activities		(5,670)	(27,092)
Cash flows from financing activities			
Payments of profit to members' personal reserve fund		(1,648)	(2,836)
Members' agents fee advances		(437)	(390)
Net cash (outflow) from financing activities		(2,085)	(3,226)
Net Increase/(Decrease) in cash and cash equivalents		13,014	(10,119)
Cash and cash equivalents at beginning of year		21,165	31,284
Cash and cash equivalents at end of year	15	34,179	21,165

Notes to the financial statements

For the year ended 31 December 2020

1. Basis of preparation

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

Having assessed the principal risks, the directors considered it appropriate to adopt the going concern basis of accounting in preparing the financial statements.

2. Accounting policies

Use of estimates

In preparing these financial statements, the directors of the Managing Agent have made judgements, estimates and assumptions that affect the application of the Syndicate's accounting policies and the reported amounts of assets, liabilities, income and expenses.

The measurement of the provision for claims outstanding involves judgements and assumptions about the future that have the most significant effect on the amounts recognised in the annual accounts.

The provision for claims outstanding comprises the estimated cost of settling all claims incurred but unpaid at the balance sheet date, whether reported or not. This is a judgemental and complex area due to the subjectivity inherent in estimating the impact of claims events that have occurred but for which the eventual outcome remains uncertain. In particular, judgement is applied when estimating the value of amounts that should be provided for claims that have been incurred at the reporting date but have not yet been reported (IBNR) to the Syndicate.

The ultimate cost of outstanding claims is estimated using a range of techniques including actuarial and statistical projections, benchmarking, case by case review and judgement. Statistical techniques assume that past claims development experience can be used as a basis to project ultimate claims costs. Judgement is used to assess the extent to which past trends may not apply in the future. Case estimates are generally set by skilled claims technicians applying their experience and knowledge to the circumstances of individual claims. There has been no discounting of claims.

Accounting policies continued

Whilst the Directors consider that the gross provision for claims and the related reinsurance recoveries are fairly stated based on the information currently available to them, the ultimate liability will vary as a result of subsequent information and events.

Significant accounting policies

The following principal accounting policies have been applied consistently in dealing with items which are considered material in relation to the Syndicate's financial statements.

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. Gross written premiums are stated gross of brokerage payable and exclude taxes and duties levied on them.

For certain insurance contracts, premium is initially recognised based on estimates of ultimate premiums. These estimates, primarily relating to binder business, are judgemental and could result in significant adjustments of revenue recorded in the financial statements.

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

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. They are recognised on the date on which the policy commences.

Claims incurred

Claims incurred comprise claims and settlement expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses, including an allowance for the cost of claims incurred by the reporting date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and claims incurred, but not yet reported (IBNR).

Accounting policies continued

The amount included in respect of IBNR is based on statistical techniques of estimation applied by actuaries. These techniques generally involve projecting from past experience of the development of claims over time to form a view of the likely ultimate claims to be experienced for more recent underwriting, having regard to variations in the business accepted and the underlying terms and conditions. The provision for claims also includes amounts in respect of internal and external claims handling costs. For the most recent years, where a high degree of volatility arises from projections, estimates may be based in part on output from rating and other models of the business accepted and assessments of underwriting conditions.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business and the claims experience for the year. The Syndicate uses a number of statistical techniques to assist in making these estimates.

Accordingly, the two most critical assumptions as regards claims provisions are that the past is a reasonable predictor of the likely level of claims development and that the rating and other models used for current business are fair reflections of the likely level of ultimate claims to be incurred.

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

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

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 insurance policies for risks-attaching contracts and over the term of the reinsurance contract for losses-occurring contracts.

Unexpired risks

A provision for unexpired risks is made where claims and related expenses likely to arise after the end of the financial period in respect of contracts concluded before that date, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

The provision for unexpired risks is calculated separately by reference to classes of business which are managed together, after taking into account relevant investment return.

At 31 December 2020 the Syndicate did not have an unexpired risk provision.

Accounting policies continued

Deferred acquisition costs

Acquisition costs comprise costs arising from the conclusion of insurance contracts. They include both direct costs, such as intermediary commissions or the cost of drawing up the insurance document, 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.

Reinsurance assets

The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision or settled claims associated with the reinsurer's policies and are in accordance with the related reinsurance contract.

Reinsurance assets are reviewed for impairment at each reporting date, or more frequently, when an indication of impairment arises during the reporting year. Impairment occurs when there is objective evidence 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.

Gains or losses on buying reinsurance are recognised in the income statement immediately at the date of purchase and are not amortised. There were no such gains recognised in 2020 or 2019.

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 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.

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. Subsequent to initial recognition, they are measured at amortised cost using the effective interest rate method. Insurance payables are derecognised when the obligation under the liability is settled, cancelled or expired.

Foreign currencies

The Syndicate's functional currency and presentational currency is GBP.

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.

Exchange differences are recorded in the non-technical account.

The following balance sheet rates of exchange have been used in the preparation of these accounts:

	2020	**2019**
	Year End	**Year End**
USD	1.37	1.32
CAD	1.74	1.72
EUR	1.12	1.18
AUD	1.77	1.88
ZAR	20.08	18.51

Financial assets and liabilities

In applying FRS 102, the Syndicate has chosen to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement (as adopted for use in the EU).

Financial assets and financial liabilities at fair value through profit and loss comprise financial assets and financial liabilities held for trading and those designated as such on initial recognition. Investments in shares and other variable yield securities, units in unit trusts, and debt and other fixed income securities are designated as at fair value through profit or loss on initial recognition, as they are managed on a fair value basis in accordance with the Syndicate’s investment strategy.

Accounting policies continued

Financial instruments are recognised when the Syndicate becomes a party to the contractual provisions of the instrument. Financial assets are derecognised if the Syndicate‘s contractual rights to the cash flows from the financial assets expire or if the Syndicate transfers the financial asset to another party without retaining control of substantially all risks and rewards of the asset. A financial liability is derecognised when its contractual obligations are discharged, cancelled, or expire.

Regular way purchases and sales of financial assets are recognised and derecognised, as applicable, on the trade date, i.e. the date that the Syndicate commits itself to purchase or sell the asset.

A financial asset or financial liability is measured initially at fair value plus, for a financial asset or financial liability not at fair value through profit and loss, transaction costs that are directly attributable to its acquisition or issue.

Financial assets at fair value through profit or loss are measured at fair value with changes recognised immediately in profit or loss. Net gains or net losses on financial assets measured at fair value through profit or loss includes foreign exchange gains/losses arising on their translation to the functional currency, but excludes interest and dividend income.

At each reporting date the Syndicate assesses whether there is objective evidence that financial assets not at fair value through profit or loss are impaired. Financial assets are impaired when objective evidence demonstrates that a loss event has occurred after the initial recognition of an asset, and that the loss event has an impact on the future cash flows on the asset that can be estimated reliably.

Objective evidence that financial assets are impaired includes observable data that comes to the attention of the Syndicate about any significant financial difficulty of the issuer, or significant changes in the technological, market, economic or legal environment in which the issuer operates.

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset’s original effective interest rate. Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

An impairment loss recognised reduces directly the carrying amount of the impaired asset. All impairment losses are recognised in profit or loss. An impairment loss is reversed if the reversal can be related objectively to an event occurring after the impairment loss was recognised. For financial assets measured at amortised cost the reversal is recognised in profit or loss.

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.

Accounting policies continued

Dividend income is recognised when the right to receive income is established. Usually this is the ex-dividend date for equity securities. Interest income on financial assets measured at amortised cost is recognised using the effective interest method. For the purpose of separately presenting investment income and unrealised gains and losses for financial assets at fair value through profit or loss, interest income is recognised as it accrues on the next coupon payment.

For investments at fair value through profit or loss, realised gains and losses represent the difference between the net proceeds on disposal and the purchase price. For investments measured at amortised cost, realised gains and losses represents the difference between the net proceeds on disposal and the latest carrying value (or if acquired after the last reporting date, the purchase price).

Unrealised gains and losses on investments represent the difference between the fair value at the balance sheet date and their purchase price. Movements in unrealised investment gains and losses comprise the increase/decrease in the reporting period in the value of the investments held at the reporting date and the reversal of unrealised investment gains and losses recognised in earlier reporting periods in respect of investment disposals of the current period, or the valuation at the beginning of the year; as well as the reversal of previously recognised unrealised gains and losses in respect of investments disposed of in the current period.

Investment return is initially recorded in the non-technical account. The return is transferred in full to the general business technical account to reflect the investment return on funds supporting underwriting business.

Cash and cash equivalents

Cash and cash equivalents comprise cash balances and call deposits with maturities of three months or less from the acquisition date that are subject to an insignificant risk of changes in fair value, and are used by the Syndicate in the management of its short-term commitments.

Fair value measurement of investments

Financial instruments that are classified as fair value through the profit or loss account are assigned a level using a fair value hierarchy that reflects the significance of the inputs used in these measurements.

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

Level 1 financial instruments comprise government bonds that are regularly traded and deposits with credit institutions.

- Bonds have been valued at fair value using bid prices in an active market.

Accounting policies continued

Level 2 financial instruments are less regularly traded government and agency bonds, supranational bonds, corporate bonds, currency derivatives, bond futures, and fund investments.

- Bonds are included in the balance sheet at bid price using prices supplied by the custodian or by the investment managers, who obtain market data from numerous independent pricing services. The prices used are reconciled against a common market pricing source.

- Investments in regulated collective investment schemes are valued on the NAVs of each of the individual funds as published publicly by the managers.

- Investments in pooled investments in unregulated investment schemes (hedge funds) are valued based on the underlying NAVs of each of the individual funds. Hedge fund NAVs are provided by the administrators of the schemes.

- Investments in investment pools are valued on the valuations supplied by the investment manager (Lloyd's).

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data.

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 (currently at 20%) 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 other overseas tax payable by members on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the balance sheet under the heading 'other debtors'.

Profit commission

Profit commission is charged by the managing agent at a rate of 17.5% of profit subject to the operation of a two year deficit clause. Such commission is recognised when the year of account becomes profitable but does not become payable until after the appropriate year of account closes normally at 36 months.

Pension costs

The Managing Agent operates a defined contribution scheme. Pension contributions to Syndicate staff are charged to the Syndicate and included within net operating expenses.

Syndicate operating expenses

Where expenses are incurred by the Managing Agent or on behalf of the Managing Agent on the administration of managed Syndicates, these expenses are apportioned using various methods depending on the type of expense. Expenses which are incurred jointly for the Managing Agent and managed Syndicates are apportioned between the Managing Agent and the Syndicates depending on the amount of work performed, resources used and volume of business transacted.

3. Particulars of business written

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

2020	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Third-party liability	81,486	78,878	(42,569)	(24,819)	(7,012)	4,478
Reinsurance Acceptances	8,384	8,731	(3,977)	(3,053)	(1,520)	181
	89,870	87,609	(46,546)	(27,872)	(8,532)	4,659

2019	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct insurance:						
Third-party liability	73,035	68,063	(40,764)	(20,964)	6,067	12,402
Reinsurance Acceptances	8,584	5,701	(14,124)	(2,518)	4,586	(6,355)
	81,619	73,764	(54,888)	(23,482)	10,653	6,047

Commissions on direct insurance gross premiums written during 2020 were £14.6 million (2019: £13.6 million).

All premiums were concluded in the UK.

Gross operating expenses are the same as net operating expenses shown in the income statement, as no commissions in respect of outward reinsurance were received and set off in arriving at the net operating expenses for 2020.

As stated in the Managing Agency report, on 30 December 2020, the Syndicate transferred its EEA non-life insurance policies to Lloyd's Brussels pursuant to Part VII of the Financial Services and Markets Act 2000. The value of the net liabilities transferred was $18,601,461 with a reinsurance premium received of the same amount. To reflect the economic substance of this initial transfer both transactions have been reflected through gross written premiums having no net impact. The income items in the segmental analysis reflect the same result pre and post transfer with the reinsurance premium received reported in the same class of business as the negative gross written premium, mirroring the treatment at total gross written premium level. In future years results relating to these risks will be reported under the inwards reinsurance class of business reflecting the new contractual arrangement with Lloyd's Brussels

4. Technical provisions

	2020 Gross provisions £'000	2020 Reinsurance assets £'000	2020 Net £'000	2019 Gross provisions £'000	2019 Reinsurance assets £'000	2019 Net £'000
Claims outstanding						
Balance at 1 January	183,549	(60,698)	122,851	155,425	(44,972)	110,453
Change in claims outstanding	18,956	(3,331)	15,625	29,458	(16,039)	13,419
Effect of movements in exchange rates	(237)	(96)	(333)	(1,334)	313	(1,021)
Balance at 31 December	202,268	(64,125)	138,143	183,549	(60,698)	122,851
Claims notified	142,160	(42,763)	99,397	139,284	(42,105)	97,179
Claims incurred but not reported	60,108	(21,362)	38,746	44,265	(18,593)	25,672
Balance at 31 December	**202,268**	**(64,125)**	**138,143**	**183,549**	**(60,698)**	**122,851**
Unearned premiums						
Balance at 1 January	43,701	(7,220)	36,481	36,250	(6,013)	30,237
Change in unearned premiums	2,261	(1,622)	639	7,855	(1,207)	6,648
Effect of movements in exchange rates	303	-	303	(404)	-	(404)
Balance at 31 December	**46,265**	**(8,842)**	**37,423**	**43,701**	**(7,220)**	**36,481**
Deferred acquisition costs						
Balance at 1 January	9,981	-	9,981	8,438	-	8,438
Change in deferred acquisition costs	121	-	121	1,631	-	1,631
Effect of movements in exchange rates	64	-	64	(88)	-	(88)
Balance at 31 December	**10,166**	**-**	**10,166**	**9,981**	**-**	**9,981**

There were favourable movements during the year of £8.9m (2019: £5.6m), on prior year gross claims reserves, held at 31 December 2020.

5. Net operating expenses

	2020	2019
	£'000	£'000
Acquisition costs	(18,472)	(17,378)
Change in deferred acquisition costs	121	1,631
Administration expenses	(9,521)	(7,735)
Net operating expenses	(27,872)	(23,482)

Members' standard personal expenses amounting to £2.9m (2019: £1.9m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, New Central Fund contributions, managing agent's fees and profit commission.

6. Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	(2,783)	(2,568)
Social security costs	(356)	(323)
Other pension costs	(168)	(179)
	(3,307)	(3,070)

The average number of employees of the Managing Agent, working during the year for the Syndicate were as follows:

	2020	2019
Administration	2	2
Underwriting	9	11
Claims	12	11
	23	24

7. Auditor's remuneration

	2020	2019
	£'000	£'000
Audit of the Financial statements	(110)	(97)
Other services pursuant to Regulations and Lloyd's Byelaws	(47)	(51)
	(157)	(148)

Auditor's remuneration is included as part of the administrative expenses in note 5 to the financial statements.

8. Emoluments of the directors of Asta Managing Agency Ltd

The aggregate emoluments of the Directors and staff of the Managing Agency are met by Asta Managing Agency Ltd and are disclosed within the financial statements of that company, with the exception of J. M. Tighe, S.P.A. Norton, D.J.G. Hunt and L Harfitt. J.M. Tighe and S.P.A Norton's remuneration is disclosed in the financial statements of Asta Capital Limited and the remuneration of D.J.G. Hunt and L Harfitt is disclosed in the financial statements of Asta Insurance Markets Ltd and were all charged in the accounts of Asta Managing Agency Ltd.

No emoluments of the Directors or staff of Asta Managing Agency Ltd were directly charged to the Syndicate.

No other compensation was payable to key management personnel.

The Active Underwriter received the following aggregate remuneration, charged as a Syndicate expense:

	2020	Restated 2019
	£'000	£'000
Active Underwriter's emoluments	(415)	(368)
	(415)	(368)

The 2019 comparative has been restated to ensure that it is directly comparable to the 2020 figure reported above for a full year of active underwriter's emoluments, given the change in active underwriter part way through 2019.

9. Investment return

	2020	2019
	£'000	**£'000**
Income from other financial investments	2,256	2,377
Gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	49	56
Total investment income	2,305	2,433
Losses on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	(403)	(203)
Investment expenses and charges	(74)	(89)
	(477)	(292)
Unrealised losses on investments		
- Financial instruments at fair value through profit and loss	(23)	(324)
Total investment return	1,805	1,817

Average amount of funds available for investing during the year:		
Sterling	72,452	74,081
United States dollars	15,341	8,949
Canadian dollars	76,431	42,408
Euros	8,604	8,784
Australian dollars	8,430	10,379
South African rand	63,860	51,811
Combined in sterling	143,846	122,319

Gross calendar year investment yield:		
Sterling	718	917
United States dollars	144	170
Canadian dollars	1,411	816
Euros	(6)	31
Australian dollars	86	328
South African rand	2,723	1,476
Combined in sterling	1,805	1,817

"Average fund" is the average of bank balances, overseas deposits and investments held at the end of each quarter during the calendar year. For this purpose, investments are revalued at month-end market prices, which include accrued income where appropriate. Income from financial investments is all interest income, there is no dividend income.

10. Financial investments

	2020		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Loans and receivables	31,428	31,428	31,428
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	100,075	100,098	98,704
	131,503	131,526	130,132

	2019		
	Carrying value	Purchase price	Listed
	£'000	£'000	£'000
Shares and other variable yield securities and units in unit trusts			
- Loans and receivables	21,236	21,236	21,236
Debt securities and other fixed income securities			
- Designated at fair value through profit or loss	97,615	97,939	97,048
	118,851	119,175	118,284

Amounts included within shares and other variable securities include money market funds. These are treated as cash equivalents with the carrying value and purchase price being the same. See note 15 for split of cash and cash equivalents.

Financial investments continued

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

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2020				
Shares and other variable yield securities and units in unit trusts	-	15,378	1,189	16,567
Debt securities and other fixed income securities	1,985	98,090	-	100,075
Total	1,985	113,468	1,189	116,642

	Level 1	Level 2	Level 3	Total
	£'000	£'000	£'000	£'000
31 December 2019				
Shares and other variable yield securities and units in unit trusts	-	10,050	228	10,278
Debt securities and other fixed income securities	6,967	90,648	-	97,615
Total	6,967	100,698	228	107,893

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

Included in the level 2 category are financial assets measured using a valuation technique based on assumptions that are supported by prices from observable current market transactions. For example, assets for which pricing is obtained via pricing services but where prices have not been determined in an active market, financial assets with fair values based on broker quotes, investments in private equity funds with fair values obtained via fund managers and assets that are valued using the Syndicate's own models whereby the significant inputs into the assumptions are market observable.

Included in the level 3 category, are financial assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data. Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

Lloyd's Central Fund Loan is categorized as a Level 3 Investment.

11. Debtors arising out of direct insurance operations

	2020	2019
	£'000	£'000
Due from intermediaries (within one year)	24,190	21,979
	24,190	21,979

12. Debtors arising out of reinsurance operations

	2020	2019
	£'000	£'000
Due from intermediaries (within one year)	1,694	2,600
	1,694	2,600

13. Creditors arising out of direct insurance operations

	2020	2019
	£'000	£'000
Direct Business - Intermediaries (within one year)	796	532
	796	532

14. Creditors arising out of reinsurance operations

	2020	2019
	£'000	£'000
Reinsurance ceded (within one year)	2,631	3,000
	2,631	3,000

15. Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash at bank and in hand	18,801	11,115
Investments in money market funds	16,567	10,278
	35,368	21,393
Central Fund Loan	(1,189)	(228)
	34,179	21,165

16. Related parties

Asta provides services and support to Syndicate 2525 in its capacity as Managing Agent. During the year, managing agency fees of £0.800m (2019: £0.699m) were charged to the Syndicate. Asta also recharged £2.010m (2019: £1.949m) of service charges in the year and as at 31 December 2020 an amount of £Nil (2019: £Nil) was owed to Asta in respect of this service. Syndicate staff are employed and paid by a service company, Asta Management Services Limited.

Syndicate 2525 has recorded an accrual of £1.6m (2019: £0.5m) for profit commission payable to Asta Managing agency.

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Bylaw provisions. All transactions are entered into on normal market conditions.

17. Disclosure of interests

Managing Agent's interest

During 2020 Asta was the Managing Agent for ten Syndicates, three Special Purpose Arrangements and one Syndicate in a Box. Syndicate 1729, 1897,1980, 2288, 2525, 2689, 2786, 3268, 4242 and 5886 as well as Special Purpose Arrangements 1892, 6123, and 6131 and Syndicate in a Box 4747 were managed on behalf of third party capital providers.

On 1 January 2020, Asta took on management of Syndicate 2288.

On 1 July 2020, Asta took on management of Syndicate in a Box 4747.

On 1 January 2021, Asta novated Syndicate 1897 to Riverstone Managing Agency.

On 4 February 2021, Asta took on management of Syndicate 1609.

The agency also provides administrative services to Syndicates and Special Purpose Arrangements, also undertaking a number of ancillary roles for other clients.

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 1).

18. Funds at Lloyd's

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

The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on PRA requirements and resource criteria. FAL has regard to 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 financial statements by way of such capital resources. However, the Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses.

19. Off-balance sheet items

The Syndicate has not been party to an arrangement, which is not reflected in its statement of financial position, where material risks and benefits arise for the Syndicate.

20. Risk management

a) Governance framework

The Syndicate's risk and financial management framework aims to protect the Syndicate's members' capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, while maximising the returns to its members. The directors recognise the critical importance of having efficient and effective risk management systems in place.

Asta maintains a risk management function for the Syndicate with clear terms of reference from the Syndicate Board, its committees and sub committees. Asta supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Asta managing agency board to the Syndicate who perform the underwriting activities. Lastly, the Syndicate policy framework sets its risk management and control, and business conduct standards for operations. Asta reviews and monitors each policy to ensure compliance with the policy throughout the Syndicate.

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

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

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

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

Although Lloyd's capital setting processes use a capital requirement set at Syndicate level as a starting point, the requirement to meet Solvency II and Lloyd's capital requirements apply at overall and member level only respectively, not at Syndicate level. Accordingly the capital requirement in respect of 2525 is not disclosed in these financial statements.

Risk management continued

Lloyd's capital setting process

In order to meet Lloyd's requirements, each Syndicate is required to calculate its Solvency Capital Requirement (SCR) for the prospective underwriting year. This amount must be sufficient to cover a 1 in 200 year loss, reflecting uncertainty in the ultimate run-off of underwriting liabilities (SCR 'to ultimate'). The Syndicate must also calculate its SCR at the same confidence level but reflecting uncertainty over a one year time horizon (one year SCR) for Lloyd's to use in meeting Solvency II requirements. The SCRs of each Syndicate are subject to review by Lloyd's and approval by the Lloyd's Capital and Planning Group.

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it participates but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the member’s balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the statement of financial position on page 17, represent resources available to meet members' and Lloyd's capital requirements.

c) Insurance risk

The principal risk the Syndicate faces under insurance contracts is that the actual claims and benefit payments or the timing thereof, differ from expectations. This is influenced by the frequency of claims, severity of claims, actual benefits paid and subsequent development of long-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 large portfolio of insurance contracts and geographical areas. The variability of risks is also improved by careful selection and implementation of underwriting strategy guidelines, as well as the use of reinsurance arrangements.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed on a non-proportional basis. Non-proportional reinsurance is excess-of-loss reinsurance designed to mitigate the Syndicate's net exposure to large losses. Amounts recoverable from reinsurers are estimated in a manner consistent with the outstanding claims provision and are in accordance with the reinsurance contracts. 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.

Risk management continued

Sub committees of the Syndicate board oversee the management of reserving risk. The use of standardised and internal modelling techniques, as well as benchmarking and the review of claims development are key in mitigating reserving risk.

The purpose of these underwriting, reinsurance and reserving strategies is to limit exposure to catastrophes or large losses based on the Syndicate's risk appetite as decided by the Syndicate board.

The Syndicate uses both its own and commercially available 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.

As a further guide to the level of catastrophe exposure written by the Syndicate, the following table shows hypothetical claims arising out of the RDS on the Syndicates in-force exposure at 31 December 2020.

	Estimated Gross loss	Estimated Net loss
	£'000	**£'000**
Alternative RDS A	(26,000)	(2,000)
Alternative RDS B	(25,000)	(1,250)
Loss of Major Complex	(30,000)	(1,500)

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: once-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.

Risk management continued

Sensitivities

The Syndicate reviewed the Ogden discount rate for reserves for large bodily injury claims and used an assumed rate of 0% for the purposes of reserving. The impact on the change in Ogden rate from prior year is not significant on a net basis.

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 table below has been prepared for Third party liability only as Reinsurance acceptances are immaterial on this account.

2020	**Five Percent increase**	**Five Percent decrease**
	£'000	**£'000**
Third party liability	(10,113)	10,113

2019	**Five Percent increase**	**Five Percent decrease**
	£'000	**£'000**
Third party liability	(8,126)	8,126

Concentration risk

The Syndicate predominately writes direct UK liability business, with 86% (2019: 87%) of contracts relating to risks in the UK. The value of these contracts equates to 58% (2019: 60%) of the premium income.

The method used for deriving sensitivity information and significant assumptions did not change from the previous period.

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and IBNR for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

The Syndicate has elected to translate estimated claims and claims payments at a consistent rate of exchange as determined by the balance sheet date.

Risk management continued

Gross Claims development table

Underwriting year	2012	2013	2014	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative gross claims incurred:									
At end of first underwriting year	8,018	8,210	9,740	10,007	25,672	12,800	15,512	16,670	18,137
One year later	32,153	24,364	27,728	34,322	55,728	37,097	52,562	46,047	
Two years later	31,334	30,675	39,929	33,639	58,987	42,329	59,796		
Three years later	25,537	29,397	35,212	28,391	57,924	42,274			
Four years later	23,922	21,183	31,082	31,073	55,619				
Five years later	21,588	19,031	26,531	26,980					
Six years later	19,214	18,129	24,489						
Seven years later	19,033	17,931							
Eight years later	18,245								
Less cumulative gross paid	(14,229)	(16,329)	(20,965)	(15,328)	(31,039)	(9,470)	(5,460)	(3,754)	(71)
Liability for gross outstanding claims (2012 to 2020)	4,016	1,602	3,524	11,652	24,580	32,804	54,336	42,293	18,066
Liability for gross outstanding claims (2011 and before)									9,395
Total gross outstanding claims (all years)									202,268

Risk management continued

Net Claims development table

Underwriting year	2012	2013	2014	2015	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative net claims incurred:									
At end of first underwriting year	6,780	6,540	8,273	8,318	10,358	10,640	12,277	10,465	13,038
One year later	22,088	22,489	23,756	24,657	28,862	28,104	34,590	34,687	
Two years later	25,418	23,720	28,512	29,250	30,615	34,407	45,574		
Three years later	21,716	19,816	25,097	25,964	29,489	33,235			
Four years later	18,261	17,800	22,512	22,697	26,845				
Five years later	16,594	15,704	20,521	19,641					
Six years later	15,040	15,101	18,782						
Seven years later	14,889	15,016							
Eight years later	14,346								
Less cumulative net paid	(12,582)	(13,507)	(16,339)	(13,985)	(12,580)	(9,178)	(5,460)	(2,712)	(71)
Liability for net outstanding claims (2012 to 2020)	1,764	1,509	2,443	5,656	14,265	24,057	40,114	31,975	12,967
Liability for net outstanding claims (2011 and before)									3,393
Total net outstanding claims (all years)									138,143

Risk management continued

The uncertainty associated with the ultimate claims experience of an underwriting year is greatest when the underwriting year is at an early stage of development and the margin for future experience potentially being more adverse than assumed is at its highest. As claims develop, and the ultimate cost of the claims becomes more certain, the relative level of margin should decrease. Due, however, to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus.

d) Financial risk

The focus of financial risk management for the Syndicate is ensuring that the proceeds from its financial assets are sufficient to fund the obligations arising from its insurance contracts. The goal of the investment management process is to optimise the risk-adjusted investment income and risk-adjusted total return by investing in a diversified portfolio of securities, whilst ensuring that the assets and liabilities are managed on a cash flow and duration basis.

1) Credit risk

Credit risk is the risk that one party to a financial instrument will cause a financial loss by failing to discharge an obligation.

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

- Investment guidelines are established setting out the quality of investments to be included within the Syndicate's portfolio. The policy is monitored by the Investment Committee and/or Syndicate Board.

- 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. If the counterparty is downgraded or does not have a good credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee, a sub committee of the Syndicate Board.

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. The maximum exposure is shown gross.

Risk management continued

2020	£'000			
	Neither past due or impaired	Past due but not impaired	Impaired	Total
Shares and other variable yield securities	16,567	-	-	16,567
Debt Securities	100,075	-	-	100,075
Overseas Deposits	14,861	-	-	14,861
Reinsurers share of claims outstanding	64,125	-	-	64,125
Debtors arising out of direct insurance operations	24,190	-	-	24,190
Debtors arising out of reinsurance insurance operations	1,694	-	-	1,694
Other debtors	19,756	-	-	19,756
Cash at bank and in hand	18,801	-	-	18,801
Total	260,069	-	-	260,069

2019	£'000			
	Neither past due or impaired	Past due but not impaired	Impaired	Total
Shares and other variable yield securities	10,278	-	-	10,278
Debt Securities	97,615	-	-	97,615
Overseas Deposits	10,958	-	-	10,958
Reinsurers share of claims outstanding	60,698	-	-	60,698
Debtors arising out of direct insurance operations	21,979	-	-	21,979
Debtors arising out of reinsurance insurance operations	2,600	-	-	2,600
Other debtors	17,972	-	-	17,972
Cash at bank and in hand	11,115	-	-	11,115
Total	233,215	-	-	233,215

Risk management continued

The table below provides information regarding the credit risk exposure of the Syndicate at 31 December 2020 by classifying assets according to independent credit ratings of the counterparties. AAA is the highest possible rating. Assets that fall outside the range of AAA to BBB are classified as speculative grade and have not been rated. Debtors, other than amounts due from reinsurers, have been excluded from the table as these are not rated.

2020				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	16,567	-	-	-	16,567
Debt Securities	43,612	20,938	17,483	13,161	-	4,881	100,075
Overseas Deposits	6,595	1,549	3,540	1,176	1,936	65	14,861
Reinsurers share of claims outstanding	-	19,214	44,911	-	-	-	64,125
Debtors arising out of reinsurance operations	-	-	-	-	-	-	-
Cash at bank and in hand	-	-	18,801	-	-	-	18,801
Total	50,207	41,701	101,302	14,337	1,936	4,946	214,429

2019				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	10,278	-	-	-	10,278
Debt Securities	38,235	30,779	21,330	7,271	-	-	97,615
Overseas Deposits	5,698	1,274	994	519	2,441	32	10,958
Reinsurers share of claims outstanding	-	20,766	39,932	-	-	-	60,698
Debtors arising out of reinsurance operations	-	-	-	-	-	-	-
Cash at bank and in hand	-	-	11,115	-	-	-	11,115
Total	43,933	52,819	83,649	7,790	2,441	32	190,664

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.

During the year, no credit exposure limits were exceeded.

Risk management continued

2) Liquidity risk

Liquidity risk is the risk that the Syndicate may not have enough cash to pay insurance claims and other liabilities. The Syndicate tries to reduce this risk by reviewing its expected cash obligations on a quarterly basis and keeping adequate cash on deposit to meet those obligations.

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

2020			**£’000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	55,917	74,585	40,008	31,758	202,268
Creditors	-	5,029	-	-	-	5,029
Total	-	60,946	75,585	40,008	31,758	207,297

2019			**£’000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	52,755	66,220	33,101	31,473	183,549
Creditors	-	3,963	108	-	-	4,071
Total	-	56,718	66,328	33,101	31,473	187,620

3) Market risk

Market risk is the risk that the fair value or future cash flows of a financial instrument or insurance contract will fluctuate because of changes in market prices. Market risk comprises three types of risk: interest rate risk, currency risk and other price risk.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk. The nature of the Syndicate exposures to market risk and its objectives, policies and processes for managing market risk have not changed significantly from the prior year.

a) Currency risk

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

The Syndicate's functional currency is GBP and its exposure to foreign exchange risk arises primarily with respect to transactions in Euro, US and Canadian dollars. The Syndicate seeks to mitigate the risk by matching the estimated foreign currency denominated liabilities with assets denominated in the same currency.

Risk management continued

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

2020

	GBP	USD	EUR	CAD	AUD	OTH	Total
Total Assets	143,025	18,255	25,384	59,076	10,394	3,935	260,069
Total Liabilities	(161,670)	(15,557)	(19,218)	(47,516)	(7,286)	(3,526)	(254,773)
Net Assets	(18,645)	2,698	6,166	11,560	3,108	409	5,296

2019

	GBP	USD	EUR	CAD	AUD	OTH	Total
Total Assets	151,619	16,037	18,280	35,730	7,707	3,842	233,215
Total Liabilities	(158,378)	(16,402)	(15,505)	(31,576)	(6,084)	(3,857)	(231,802)
Net Assets	(6,759)	(365)	2,775	4,154	1,623	(15)	1,413

The Syndicate matches its currency position so it 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 so as 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 currency investments.

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of Sterling against the value of the US dollar, Canadian dollar and Euro simultaneously. The analysis is based on the information as at 31 December 2020.

Impact on profit and members' balance

	2020	2019
	£'000	£'000
Sterling weakens		
10% against other currencies	2,353	817
20% against other currencies	4,706	1,634
Sterling strengthens		
10% against other currencies	(2,353)	(817)
20% against other currencies	(4,706)	(1,634)

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.

Risk management continued

The Syndicate has no significant concentration of interest rate risk.

Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

	2020	2019
	£'000	£'000
Interest rate risk		
Impact of 50 basis point increase on result	(526)	(451)
Impact of 50 basis point decrease on result	526	451
Impact of 50 basis point increase on net assets	(526)	(451)
Impact of 50 basis point decrease on net assets	526	451

The method used for deriving sensitivity information and significant variables did not change from the previous period.

21. Post balance sheet events

The Syndicate will distribute the 2018 year of account profits to members during 2021.