Important information about Syndicate Reports and Accounts

Access to this document is restricted to persons who have given the certification set forth below. If this document has been forwarded to you and you have not been asked to give the certification, please be aware that you are only permitted to access it if you are able to give the certification.

The syndicate reports and accounts set forth in this section of the Lloyd’s website, which have been filed with Lloyd’s in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005), are being provided for informational purposes only. The syndicate reports and accounts have not been prepared by Lloyd’s, and Lloyd’s has no responsibility for their accuracy or content. Access to the syndicate reports and accounts is not being provided for the purposes of soliciting membership in Lloyd’s or membership on any syndicate of Lloyd’s, and no offer to join Lloyd’s or any syndicate is being made hereby. Members of Lloyd’s are reminded that past performance of a syndicate in any syndicate year is not predictive of the related syndicate’s performance in any subsequent syndicate year.

You acknowledge and agree to the foregoing as a condition of your accessing the syndicate reports and accounts. You also agree that you will not provide any person with a copy of any syndicate report and accounts without also providing them with a copy of this acknowledgment and agreement, by which they will also be bound.

Agora Syndicate 3268

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

M S F Pritchard

Bankers
Barclays Plc
Citibank N.A,
RBC Dexia

Registered Auditor
Mazars LLP

Signing Actuary
Lane Clark Peacock

Agora 3268 – 2020 Active Underwriter Report

2020 ended as another unprecedented year for natural catastrophes, with a record number of named storms and insured industry losses estimated at approximately $85bn by a number of sources. This is further compounded by the effects of the COVID19 pandemic. Although stable, and a manageable loss for the syndicate, when added to record hurricane activity, the U.S. Derecho and other losses, this has made 2020 overall a difficult year of loss activity impacting both our 2019 and 2020 ultimate results.

We are however pleased to report that all other performance metrics continue to show improvements with our non-cat loss ratio improving significantly, driven by underwriting selection, a maturing portfolio and further improvements to rate, terms and conditions in our core lines.

The D&F portfolio continued to see meaningful increases throughout the year, and we anticipate this will continue, albeit not at the same rate. Submission flow to London remained strong and overall, we saw and obtained the business we were targeting and can point to risk adjusted rate in excess of our plan assumptions. In the Binders area the contraction of capacity which began in the early part of the year is unlikely to unravel in the short term and we see continued pressure on terms and commission level. We are also well positioned to expand with our key coverholders and saw rate ahead of our planned assumptions for the year. Treaty has seen loss affected accounts react well, but unaffected areas remain at the lower end with a focus more significantly on cyber and communicable disease clauses. Our Specialty area has been modestly expanding in line with plan benefiting from market wide improvements driven by consecutive years of poor results in non-cat or non-core lines. With some additional scale the portfolio will also benefit from reduced volatility and begin to contribute to capital efficiencies, and we see real potential in this area too.

Overall, our business model is seeing its increasing maturity reflected in our underlying key metrics. Non-cat loss ratios continue to see improvement, our acquisition and expense ratio is at the better end of the market and our outwards reinsurance program is both stable and responsive despite the extreme catastrophe activity over the last few years.

This has been an extremely challenging year not just in terms of catastrophe loss activity but also in the demands made of everyone in dealing with the consequences of the pandemic. I'd like to thank all our team in particular in moving so seamlessly and efficiently to working from home and maintaining their diligence and hard work throughout. It has been a quite extraordinary year but as we look forward to 2021 I'm confident that we have a solid, focused and efficient business platform from which to further develop.

Michael Pritchard
Active Underwriter, Syndicate 3268

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 loss of £18,457,481 (2019: profit £2,562,706)

The Syndicate has presented its results under FRS102, the Financial Reporting Standard applicable in the UK and Republic of Ireland. In accordance with FRS102, the Syndicate has identified its insurance contracts and accounted for them in accordance with FRS103.

Principal activity and review of the business

This is the third year of the Syndicate’s operations. The Syndicate’s principal activity is the underwriting of Property Insurance business in the Lloyd’s market.

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

	2020 £’000	**2019 £’000**
Property D&F	72,140	57,976
Property Treaty	26,439	23,279
Property Binders	27,736	35,490
Specialty	2,498	2,341
	128,813	119,086

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

	2020 £’000	**2019 £’000**	**Change %**
Gross written premiums	128,813	119,086	**8.2%**
(Loss)/Profit for the financial year	(18,190)	706	**2,676.5%**
Combined ratio*	117.5%	99.9%	**17.6%**

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

The performance of the Syndicate has been assessed by measuring, as a percentage of underwriting capacity, the 36 month forecasted result on a funded accounting basis for a “closed‟ underwriting year of account.

	2020 YOA Open	2019 YOA Open	2018 YOA Closed
Capacity (£'000)	106,425	107,650	86,500
Forecast result (£'000)	(40)	(8,186)	(11,357)
Forecast return on capacity (%)	0%	(7.6%)	(13.1%)

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 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 Actuarial 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.

The Syndicate has minimal exposure to changes in interest rates as all funds are held in cash and cash equivalents. The Syndicate participates in sweep accounts which means that the true nature of the other financial investments on the statement of financial position is cash.

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 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.

The Syndicate has in place a multicurrency overdraft facility with Barclays bank.

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, detailed procedures manual, 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

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 function that monitor business activity and regulatory developments to assess 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 AMA (Asta Managing Agency) 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).

Future developments

The Syndicate will continue to transact the current Property Insurance and Reinsurance business classes during 2021. The capacity for the 2020 year of account is £106m (2019 year of account £108m), for 2021 this has been increased to £140m.

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 above.

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

Climate change

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

The syndicate and AMA 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.

For Syndicate 3268, the most material identified insurance risk is through the physical risk to property from weather related events which may become more frequent or more severe due to the effects of climate change. As we develop the overall framework, the identification, assessment, quantification, mitigation and reporting of this and other associated risks will become more visible and identifiable. An initial scenario analysis of the impact of climate change will also be included in the Syndicate's 2021 ORSA report.

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.

The Syndicate has incurred material losses as a result of Covid-19, with the financial impact assessed as part of the reserving and capital modelling processes.

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.

Managing Agent’s report continued

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.

Part VII Transfer

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 2018 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 £0.5m. 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 £0.5m. 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.

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 from the last report 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 Auditors, 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.

Managing Agent’s report continued

Auditor

The Managing Agent appointed Mazars LLP as the Syndicate’s auditor in 2018. This engagement has continued for 2020.

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 auditors 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
04 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 auditors' report to the members of Syndicate 3268

Report on the syndicate annual accounts

Opinion

We have audited the annual financial statements of Syndicate 3268 (the "Syndicate") for the year ended 31 December 2020 which comprise the Profit and Loss Account, the Balance Sheet, the Statement of Changes in Members' Balances, 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 loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's 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 9, 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 behalf of Mazars LLP
Chartered Accountants and Statutory Auditor
Tower Bridge House
St. Katharine's Way
London E1W 1DD
04 March 2021

Income statement

Technical account - General business

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Gross premiums written	3	128,813	119,086
Outward reinsurance premiums		(24,422)	(21,689)
Net written premiums		104,391	97,397
Change in the provision for unearned premiums			
Gross amount		417	(16,368)
Reinsurers' share		488	989
	4	905	(15,379)
Earned premiums, net of reinsurance		105,296	82,018
Allocated investment return transferred from the non-technical account		450	607
Claims paid			
Gross amount		(85,254)	(48,906)
Reinsurers' share		12,250	12,346
		(73,004)	(36,560)
Changes in the provision for claims outstanding			
Gross amount		(25,760)	(20,533)
Reinsurers' share		9,073	5,120
	4	(16,687)	(15,413)
Claims incurred, net of reinsurance		(89,691)	(51,973)
Net operating expenses	5	(34,066)	(29,929)
Balance on technical account – general business		(18,011)	723

All the amounts above are in respect of continuing operations.

The notes on pages 19 to 42 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		(18,011)	723
Investment income	9	450	607
Allocated investment return transferred to the general business technical account		(450)	(607)
Exchange losses		(179)	(17)
(Loss)/Profit for the financial year		(18,190)	706

All the amounts above are in respect of continuing operations.

Statement of other comprehensive income

For the year ended 31 December 2020

	2020 £'000	2019 £'000
(Loss)/Profit for the financial year	(18,190)	706
Other comprehensive income – Currency translation differences	(268)	1,857
Total comprehensive (loss)/profit for the year	(18,458)	2,563

Statement of changes in Members' balances

For the year ended 31 December 2020

	2020 £'000	2019 £'000
At 1 January	(15,899)	(18,381)
Total comprehensive (loss)/profit for the financial year	(18,458)	2,563
Members Agents' fees	(97)	(81)
Other non-standard personal expenses	(1,099)	-
At 31 December	(35,553)	(15,899)

The notes on pages 19 to 42 form part of these financial statements.

Statement of financial position

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
Assets			
Investments			
Short-term deposits with financial institutions	10	56,567	45,325
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	3,188	3,159
Claims outstanding	4	38,248	20,435
		41,436	23,594
Debtors			
Debtors arising out of direct insurance operations	11	15,250	16,848
Debtors arising out of reinsurance operations	11	22,236	15,182
Other debtors		4,207	3,314
		41,693	35,344
Cash and other assets			
Cash at bank and in hand	10	5,994	5,398
Other assets	12	3,663	2,190
		9,657	7,588
Prepayments and accrued income			
Deferred acquisition costs	4	10,079	12,401
Other prepayments and accrued income		281	629
		10,360	13,030
Total assets		159,713	124,881

The notes on pages 19 to 42 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		(35,553)	(15,899)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	54,008	56,624
Claims outstanding	4	114,556	71,068
		168,564	127,692
Creditors			
Creditors arising out of direct insurance operations	13	2,440	618
Creditors arising out of reinsurance operations	13	19,233	10,686
Amounts owed to credit institutions	10	4,088	-
		25,761	11,304
Accruals and deferred income		941	1,784
Total liabilities		195,266	140,780
Total members' balances and liabilities		159,713	124,881

The notes on pages 19 to 42 form part of these financial statements.

The financial statements on pages 14 to 42 were approved by the Board of Directors on 1 March 2021 and were signed on its behalf by:

R P Barke
Director
04 March 2021

Statement of cash flows

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Cash flows from operating activities			
(Loss)/Profit for the financial year		(18,190)	706
Increase in gross technical provisions		40,872	39,371
(Increase) in reinsurers' share of gross technical provisions		(17,842)	(9,101)
(Increase) in debtors		(6,349)	(4,270)
Increase in creditors		10,369	4,323
Movement in other assets/liabilities		354	(4,436)
Changes to market value and currency		1,050	2,678
Investment Return		(450)	(607)
Net cash inflow from operating activities		9,814	28,664
Cash flows from investing activities			
Purchase of debt and equity instruments		(1,354)	(373)
Investment income received		450	607
Net cash (outflow)/inflow from investing activities		(904)	234
Cash flows from financing activities			
Members expenses		(1,199)	(81)
Net cash (outflow) from financing activities		(1,199)	(81)
Net increase in cash and cash equivalents		**7,711**	**28,817**
Cash and cash equivalents at beginning of year		**50,350**	**22,354**
Exchange differences on opening cash		**(1,315)**	**(821)**
Cash and cash equivalents at end of year	10	**56,746**	**50,350**

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.

These financial statements are prepared on a going concern basis, under the historical cost convention as modified by the recognition of certain financial assets and liabilities measured at fair value.

The financial statements are prepared in Great British Pound Sterling (GBP) which is the 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 on 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.

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.

Accounting policies continued

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 adjustment 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).

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. Given its nature it is not possible to project COVID claims development based on past experience, IBNR has therefore been estimated using an assessment of exposed limits and potential damage factors for those contracts with exposure to COVID losses. 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.

Accounting policies continued

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 are 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 the 31 December 2020 the Syndicate had nil gross unexpired risk provision and nil net unexpired risk provision (2019 £Nil).

Profit commission

At 31 December 2020 the Syndicate had nil profit commission (2019 £Nil).

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 or including the insurance contract in the portfolio. It is not the Syndicate's policy to reallocate a portion of indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies, to acquisition costs.

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 and reinsurance receivables

Insurance and reinsurance 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 not recognised when the de-recognition criteria for financial assets have been met.

Accounting policies continued

Insurance and reinsurance payables

Insurance and reinsurance 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 is US Dollars (USD) and presentational currency is Great British Pound Sterling (GBP).

Transactions denominated in currencies are initially recorded in the settlement currency and converted to USD functional at the exchange rate ruling at the date of the transactions and to GBP at the reporting date. 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 GBP presentational 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**
GBP	1.00	1.00
USD	1.37	1.32
EUR	1.12	1.18
CAD	1.74	1.72

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.

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.

Accounting policies continued

A financial asset or financial liability is measured initially at fair value plus, in the case of 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 fair value changes recognised immediately in the income statement. 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 measured 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.

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.

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

Other financial investments and units in unit trusts are investments in nature but are treated as Cash and cash equivalents for cash flow purposes.

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

- Level 1: quoted (unadjusted) prices in active markets for identical assets or liabilities.

- Level 2: other techniques for which all inputs which have a significant effect on the recorded fair value are observable, either directly or indirectly.

Accounting policies continued

- Level 3: techniques which use inputs which have a significant effect on the recorded fair value that are not based on observable market data.

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.

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'.

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.

Reinsurance to close "RITC"

Each syndicate's underwriting year of account is normally closed after the end of the third year by means of reinsurance into the following underwriting year of account, which reinsures all liabilities for the closed year in return for a premium determined by the syndicate's managing agent.

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
Direct Insurance:	£'000	£'000	£'000	£'000	£'000	£'000
Property	71,765	75,478	(70,332)	(21,834)	2,493	(14,195)
Property Reinsurance	57,048	53,752	(40,682)	(12,232)	(5,104)	(4,266)
Total	128,813	129,230	(111,014)	(34,066)	(2,611)	(18,461)

2019	Gross written premiums	Gross premium earned	Gross claims incurred	Net operating expenses	Reinsurance balance	Total
Direct Insurance:	£'000	£'000	£'000	£'000	£'000	£'000
Property	72,904	58,649	(38,391)	(17,085)	(2,112)	1,061
Property Reinsurance	46,182	44,069	(31,048)	(12,844)	(1,122)	(945)
Total	119,086	102,718	(69,439)	(29,929)	(3,234)	116

All premiums were concluded in the UK.

Commissions on direct insurance gross premiums written during 2020 were £14.0m (2019: £16.3m).

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 and 2019.

4. Technical provisions

	2020		
	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Claims outstanding			
Balance at 1 January	71,068	(20,435)	50,633
Change in claims outstanding	25,760	(9,073)	16,687
RITC from Syndicate 6126	20,660	(8,863)	11,797
Effect of movements in exchange rates	(2,932)	123	(2,809)
Balance at 31 December	**114,556**	**(38,248)**	**76,308**
Claims notified	68,324	(17,512)	50,812
Claims incurred but not reported	46,232	(20,736)	25,496
Balance at 31 December	**114,556**	**(38,248)**	**76,308**
Unearned premiums			
Balance at 1 January	56,624	(3,160)	53,464
Change in unearned premiums	(417)	(488)	(905)
Effect of movements in exchange rates	(2,199)	460	(1,739)
Balance at 31 December	**54,008**	**(3,188)**	**50,820**
Deferred acquisition costs			
Balance at 1 January	12,401	-	12,401
Change in deferred acquisition costs	(1,927)	-	(1,927)
Effect of movements in exchange rates	(395)	-	(395)
Balance at 31 December	**10,079**	**-**	**10,079**

	2019		
	Gross provisions £'000	Reinsurance assets £'000	Net £'000
Claims outstanding			
Balance at 1 January	44,829	(11,857)	32,972
Change in claims outstanding	20,533	(5,120)	15,413
RITC from Syndicate 6126	8,428	(3,662)	4,766
Effect of movements in exchange rates	(2,722)	204	(2,518)
Balance at 31 December	**71,068**	**(20,435)**	**50,633**
Claims notified	35,740	(3,652)	32,088
Claims incurred but not reported	35,328	(16,783)	18,545
Balance at 31 December	**71,068**	**(20,435)**	**50,633**
Unearned premiums			
Balance at 1 January	43,492	(2,636)	40,856
Change in unearned premiums	16,368	(989)	15,379
Effect of movements in exchange rates	(3,236)	466	(2,770)
Balance at 31 December	**56,624**	**(3,159)**	**53,465**
Deferred acquisition costs			
Balance at 1 January	9,630	-	9,630
Change in deferred acquisition costs	3,518	-	3,518
Effect of movements in exchange rates	(747)	-	(747)
Balance at 31 December	**12,401**	**-**	**12,401**

5. Net operating expenses

	2020	2019
	£'000	£'000
Acquisition costs	(21,693)	(22,693)
Change in deferred acquisition costs	(1,927)	3,518
Administration expenses	(10,446)	(10,754)
Net operating expenses	(34,066)	(29,929)

Members' standard personal expenses amounting to £2.0m (2019: £1.8m) are included in administrative expenses. Members' standard personal expenses include Lloyd's Members subscriptions, Central Fund contributions and Managing Agent's fees.

6. Staff costs

	2020	2019
	£'000	£'000
Wages and salaries	(2,420)	(2,914)
Social security costs	(364)	(439)
Other pension costs	(345)	(376)
	(3,129)	(3,729)

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

	2020	2019
Administration and finance	9	9
Underwriting	18	17
Claims	3	2
	30	28

7. Auditors' remuneration

	2020	2019
	£'000	£'000
Audit of the Financial Statements	(85)	(62)
Other services pursuant to Regulations and Lloyd's Byelaws	(69)	(65)
	(154)	(127)

Auditors' 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 Ltd 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.

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

	2020 £'000	2019 £'000
Active Underwriter's emoluments	(200)	(200)
	(200)	(200)

No other compensation was payable to key management personnel.

9. Investment return

	2020 £'000	2019 £'000
Interest on cash at bank	255	588
Income on overseas deposits	181	19
Interest on Syndicate Loan	14	-
Total investment return	450	607
Average amount of funds available for investing during the year:		
Sterling	(1,598)	(701)
United States dollars	69,164	33,129
Canadian dollars	10,706	3,634
Euros	6,485	3,744
Australian dollars	2,414	563
South African rand	8,277	208
Combined in sterling	62,605	40,577

"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.

10. Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash at bank in hand	5,994	5,398
Short-term deposits with financial institutions	56,567	45,325
Central Fund Loan	(1,727)	(373)
Amounts owed to credit institutions	(4,088)	-
	56,746	50,350

Other financial investments of £56.6m comprise the short-term deposits with financial institutions shown above, and a loan to the Central Fund of £1.7m (2019: £0.4m).

11. Debtors arising out of insurance operations

	2020	2019
	£'000	£'000
Due from direct intermediaries within one year	15,250	16,848
Due from reinsurance intermediaries within one year	22,236	15,182
	37,486	32,030

12. Other assets

	2020	2019
	£'000	£'000
Overseas deposits	3,663	2,190
	3,663	2,190

13. Creditors arising out of insurance operations

	2020	2019
	£'000	£'000
Due to direct intermediaries within one year	(2,440)	(618)
Due to reinsurance intermediaries within one year	(19,233)	(10,686)
	(21,673)	(11,304)

14. Related parties

Asta provides services and support to Syndicate 3268 in its capacity as Managing Agent. During the year, Managing Agency fees of £1.0m (2019: £1.0m) were charged to the Syndicate. Asta also recharged £1.9m (2019: £1.8m) worth of service charges in the year and as at 31 December 2020 £nil (2019: £0.2m) was owed to Asta in respect of this service.

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 an arm's length basis. During 2020, Syndicate 3268 purchased Reinsurance from Syndicate 5886 totalling £0.6m.

Related parties continued

A £3.4m claims fund (£2.5m in 2019) related party was in place with Syndicate 1897, which is also managed by Asta Managing Agency Ltd. The £3.4m claims fund is to cover anticipated claims payments in relation to SPA 6126 YOA 2016 and 2017 which was accepted as an RITC into Syndicate 3268 on 1 January 2019 and 1 January 2020 respectively. The claims fund is necessitated by the inability to separate policy messaging from the host Syndicate 1897. Therefore, settlements pass through the host and are offset by the claims funds.

15. 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).

16. 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.

17. 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.

18. 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 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 3268 is not disclosed in these financial statements.

Lloyd's capital setting process

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

Risk management continued

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 participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 was 35% (in 2019: 35%) of the member's SCR 'to ultimate'.

Provision of capital by members

Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (funds at Lloyd's), held within and managed within a Syndicate (funds in Syndicate) or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, the ending members balances reported on the Statement of Financial Position on page 16, 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.

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.

Risk management continued

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

	2020	2020
	Estimated Gross loss	**Estimated Net loss**
	£'000	**£'000**
Cyber – Major Data Security Breach	4,032	1,210
AEP Loss 30 Year Return Period – Whole world	102,361	49,215
Terrorism – One World Trade Centre	6,855	2,016
Terrorism – Rockefeller Centre	6,048	2,016
Alternative RDS A	56,452	16,129
Alternative RDS B	64,516	16,129
Aviation Collision	8,065	2,016
Liability – Internal Scenario 1	806	403
AEP Loss 30 Year Return Period – US WS (Incl GM WS)	76,252	29,689
AEP Loss 30 Year Return Period – UC EQ	29,153	14,708
Loss of Major Complex	806	403
Marine - Marine Collision in US Waters	806	403
Marine - Major Cruise Vessel Incident	806	403

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. This includes consideration of the potential impact of COVID assumptions. Judgement is further used to assess the extent to which external factors such as judicial decisions and government legislation affect the estimates.

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

Sensitivities

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

Risk management continued

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on net liabilities, profit and members' balances. The correlation of assumptions will have a significant effect in determining the ultimate claims liabilities, but to demonstrate the impact due to changes in assumptions, assumptions had to be changed on an individual basis. It should be noted that movements in these assumptions are non-linear.

	2020	2019
Gross	**£'000**	**£'000**
Five percent increase in claim liabilities	(5,728)	(6,512)
Five percent decrease in claim liabilities	5,728	6,512
Net		
Five percent increase in claim liabilities	(3,815)	(5,309)
Five percent decrease in claim liabilities	3,815	5,309

Concentration risk

The Syndicate writes worldwide property insurance and reinsurance through the UK Lloyds platform.

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.

Underwriting year	**2016**	**2017**	**2018**	**2019**	**2020**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Estimate of cumulative gross claims incurred:					
At end of first underwriting year			47,793	44,246	58,634
One year later			69,836	87,816	
Two years later	7,902	20,143	74,732		
Three years later	7,264	18,684			
Four years later	8,043				
Less cumulative gross paid	(5,738)	(7,704)	(55,673)	(45,912)	(18,326)
Liability for gross outstanding claims (prior years)	2,305	10,980	19,059	41,904	40,308
Total gross outstanding claims (all years)					**114,556**

Risk management continued

Underwriting year	2016	2017	2018	2019	2020
	£'000	£'000	£'000	£'000	£'000
Estimate of cumulative net claims incurred:					
At end of first underwriting year			36,490	32,618	44,809
One year later			52,308	67,243	
Two years later	4,507	11,588	58,144		
Three years later	4,064	9,750			
Four years later	5,499				
Less cumulative net paid	(3,811)	(3,172)	(44,988)	(39,569)	(17,597)
Liability for net outstanding claims (prior years)	1,688	6,578	13,156	27,674	27,212
Total net outstanding claims (all years)					**76,308**

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 to the uncertainty inherent in the claims estimation process, initial reserves may not always be in a surplus. This is particularly so for large catastrophe claims where uncertainly is initially great.

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.

e) 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 Syndicates portfolio. The policy is monitored by the Syndicate Board, however is yet to be implemented given that the Syndicate has not yet owned any investments to date.

- 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 Syndicate Board.

Risk management continued

The tables below show the maximum exposure to credit risk (including an analysis of financial assets exposed to credit risk) for the components of the statement of financial position. The maximum exposure is shown gross, before the effect of mitigation through collateral agreements and the use of credit derivatives.

2020	**£'000**			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	56,567	-	-	56,567
Overseas Deposits	3,663	-	-	3,663
Reinsurers share of claims outstanding	38,248	-	-	38,248
Debtors arising out of direct insurance operations	15,250	-	-	15,250
Reinsurance Debtors	10,654	-	-	10,654
Other debtors	29,337	-	-	29,337
Cash at bank in hand	5,994	-	-	5,994
Total	159,713	-	-	159,713

2019	**£'000**			
	Neither past due or impaired	**Past due**	**Impaired**	**Total**
Shares and other variable yield securities	45,325	-	-	45,325
Overseas Deposits	2,190	-	-	2,190
Reinsurers share of claims outstanding	20,435	-	-	20,435
Debtors arising out of direct insurance operations	16,848	-	-	16,848
Reinsurance Debtors	2,737	-	-	2,737
Other debtors	31,948	-	-	31,948
Cash at bank in hand	5,398	-	-	5,398
Total	124,881	-	-	124,881

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. 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	-	-	56,567	-	-	-	56,567
Overseas Deposits	1,621	344	361	249	402	686	3,663
Reinsurers share of claims outstanding	-	6,316	24,914	-	223	6,795	38,248
Reinsurance Debtors	-	1,014	8,084	-	162	1,395	10,655
Cash at bank in hand	-	-	5,994	-	-	-	5,994
Total	1,621	7,674	95,920	249	787	8,876	115,127

2019				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BBB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	-	-	45,325	-	-	-	45,325
Overseas Deposits	1,199	231	238	121	321	80	2,190
Reinsurers share of claims outstanding	-	-	16,204	-	-	4,231	20,435
Reinsurance Debtors	-	-	15,182	-	-	-	15,182
Cash at bank in hand	-	-	5,398	-	-	-	5,398
Total	1,199	231	82,347	121	321	4,311	88,530

Risk management continued

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

2020	£'000			
	Level 1	Level 2	Level 3	Total Fair Value
Shares and other variable yield securities	-	54,840	1,727	56,567
Overseas Deposits	594	3,069	-	3,663
Total	594	57,909	1,727	60,230

2019	£'000			
	Level 1	Level 2	Level 3	Total Fair Value
Shares and other variable yield securities	-	44,952	373	45,325
Overseas Deposits	303	1,887	-	2,190
Total	303	46,839	373	47,515

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 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.

Maximum credit exposure

It is the Syndicate's policy to maintain accurate and consistent risk ratings across its credit portfolio. This enables management to focus on the applicable risks and the comparison of credit exposures across all lines of business.

During the year, no credit exposure limits were exceeded.

Risk management continued

1) 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	-	64,825	38,694	7,411	3,626	114,556
Creditors	-	25,761	-	-	-	25,761
Total	-	90,586	38,694	7,411	3,626	140,317

2) Market risk

2019			**£'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Claims outstanding	-	39,957	25,274	4,125	1,712	71,068
Creditors	-	11,304	-	-	-	11,304
Total	-	51,261	25,274	4,125	1,712	82,372

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.

3) Currency risk

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

The Syndicate's functional currency is US Dollar and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro 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				**£'000**	
	GBP	**EUR**	**CAD**	**USD**	**Total**
Total Assets	19,911	8,909	9,012	121,881	159,713
Total Liabilities	(25,377)	(9,804)	(7,058)	(153,027)	(195,266)
Net Assets	(5,466)	(895)	1,954	(31,146)	(35,553)

2019				**£'000**	
	GBP	**EUR**	**CAD**	**USD**	**Total**
Total Assets	15,878	7,617	6,521	94,865	124,881
Total Liabilities	(18,025)	(7,069)	(5,791)	(109,895)	(140,780)
Net Assets	(2,147)	548	730	(15,030)	(15,899)

Sensitivity to changes

The table below gives an indication of the impact on profit of a percentage change in the relative strength of the Sterling against the value of US Dollar and all other currencies simultaneously. The analysis is based on the information as at 31st December 2020.

	Impact on profit and member's balance	
	2020 £'000	**2019 £'000**
Sterling weakens		
10% against other currencies	(3,009)	(1,375)
20% against other currencies	(6,017)	(2,750)
Sterling strengthens		
10% against other currencies	3,009	1,375
20% against other currencies	6,017	2,750

4) Interest rate risk

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

The Syndicate has no significant concentration of interest rate risk.

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

19. Post balance sheet events

Subsequent to the balance sheet date, the 2018 underwriting year loss of £11.4m ($15.6m) has been called as a consequence of this year closing. This will be collected in USD during 2021.