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Syndicate 5886

Syndicate Annual Report and Accounts

31 December 2020

Contents

Underwriter's Report

Introduction

2020 was the fourth trading year of Blenheim Syndicate 5886. We continued to see development in our core books during the year, with the Direct Property and Property Treaty accounts at or nearing maturity and the Specialty Treaty account increasingly so.

This year which has otherwise been dominated by COVID-19 saw fewer natural peril catastrophe losses than in previous years although there was a near record number of hurricanes, with thankfully only a few making landfall.

We have increased our capacity for the 2021 year of account to capitalise on a trading environment which continues to improve.

2018 Account

Our stamp capacity was £180.0 million for the 2018 year of account.

The makeup of the account was discussed in last year's report, as was the 2018 calendar year loss experience which continued in terms of frequency where 2017 had left off. Indeed, the 2017 and 2018 years combined saw the highest two year accumulation of insured catastrophe losses on record.

We are closing the 2018 account with a loss of £13.9 million being 7.7% of stamp, which is within the range of loss estimates we have previously indicated.

2019 Account

We increased our stamp capacity to £215.0 million for the 2019 year of account.

As discussed last year, 2019 saw a continuation of catastrophe loss frequency during the year, although to a lesser extent than was the case in 2017 and 2018. Hurricane Dorian coupled with two significant Japanese typhoons were the most notable of these, but in the United States major losses were thankfully absent.

All three of our core accounts grew to varying degrees; the Property Treaty account had largely reached maturity in 2018 but as discussed last year, we saw increasing opportunities in the Direct Property account which we were able to take advantage of after discussions with Lloyd's. The Specialty Treaty account also grew and continued its path to maturity and critical mass. We had also added an Accident and Health account during 2018 which continued to grow and perform well.

Over the last twelve months, the run-off of the 2019 account for all our books of business other than Contingency has been in line with, or better than, expectation. However, as outlined more fully below, Contingency has been significantly impacted during 2020 by COVID-19 related claims, much of which attaches to risks which are bound to the 2019 account.

The Managing Agent's Report details the latest forecast for this year of account, although due to COVID-19 being a developing, and indeed ongoing, issue from the insurance perspective, there is more than the usual range of uncertainty around the ultimate outcome of this year of account at this stage of development.

Underwriter's Report continued

2020 Account

We increased our stamp capacity to £250.0 million for the 2020 year of account.

2020 was an extraordinary year by any measure. The first global pandemic since 1918, another record-breaking hurricane season with 30 named storms and an inland hurricane in the U.S Mid-West. COVID-19 aside, the largest market loss of the year was Hurricane Laura with estimates ranging from US$8.0 billion to US$14.0 billion. The largest catastrophe loss for the Syndicate however was an inland hurricane or Derecho which tore through the Mid-West in August and produced nearly US$7.0 billion of market losses. Given the nature of our Property Treaty account, with its focus on regional US companies, including in the Mid-West, a sizeable gross loss was not surprising, but it has also forced an overall recalibration of market risk appetite in this area, with retentions and pricing increasing dramatically on renewal.

COVID-19 has had an impact not only in the way that we operate our business with the office and the underwriting room at Lloyd's being closed for most of the year, but also in terms of losses, in particular to our Contingency account. The Contingency account covers the costs associated with the cancellation or rescheduling of rock and pop concerts. We did not cover conferences or sporting events which can be more problematic and so were able to have a firm estimate of what our losses were at an early stage of the pandemic. Much of our overall contingency COVID-19 related loss falls on policies which attach to the 2019 year of account, but policies that attach to the 2020 year of account have also been affected. At this moment we believe our exposure to other lines of business is much more limited although there are still unresolved issues around the property focussed lines. We will release our first formal forecast for this year of account at the end of Q1 2021.

With both of our core Property accounts approaching some form of critical mass and the Contingency market being essentially on hold, we have focussed our attentions during the year on continuing to build out our Specialty Treaty account and to a lesser extent our Accident and Health account.

All of our lines of business with the exception of Contingency are at the higher end of our premium estimates for the year. It became apparent that the market was again moving ahead of our plan, so our focus turned to the 2021 planning season and maximising our ability to take advantage of the opportunities we were continuing to see.

2021 Account

We have increased our stamp capacity to £325.0 million for the 2021 year of account.

Market conditions which had been improving in 2020 continued this trend into the 2021 renewal season. It is our belief that this will extend through the rest of 2021, as although new capacity has entered the market, it too will be expected to generate suitable returns. A low interest rate environment, uncertainty around COVID-19 and the ever-present issue of under reserved liability business will also maintain upward pressure on the market.

It is therefore pleasing that we were successful in gaining approval for growth in all lines of business with the exception of the Contingency account where pandemic restrictions on gatherings worldwide unsurprisingly is severely curtailing product demand at present. Overall premium growth granted by Lloyd's was just shy of 25% whilst the stamp increased by 30%.

Underwriter’s Report continued

At this early stage we are seeing positive rate movement in all lines of business at least consistent with our planning assumptions, so the increase granted by Lloyd’s was both welcome and opportune.

It is however highly likely that we will have to revisit some of our premium expectations with Lloyd’s, in particular our Specialty and Property Treaty accounts, where rate increases have exceeded our planning assumptions

Calendar Year Result

On an annual accounting basis, the result for the Syndicate for the 2020 calendar year is a loss of £18.3 million after currency translation differences (2019: £10.1 million loss). This loss reflects the catastrophes that occurred in the year as well as the fact that reinsurance premiums and administrative expenses will earn quicker than the gross premium at the start of the underwriting year. Some £75.4 million (2019: £62.2 million) of gross premium predominantly attributable to the 2020 Account is unearned at the Statement of Financial Position date. This will essentially become fully earned over the next twelve to twenty four months.

Concluding Comments

As mentioned earlier we have seen positive rate movement in all lines of our business and believe that this momentum will be sustained throughout the rest of the year.

COVID-19 is still a source of uncertainty and will continue to be although going forward it is important to note though that from March last year we, in line with the rest of the market, have imposed communicable disease exclusions across all lines of business.

There would also appear to be an increase in frequency of catastrophic loss. There is no doubt that our climate is warming and that this will provide more “energy” for any storms that form. It is worth noting though that greater frequency in itself does not correlate directly with higher insured losses. For instance, 2020, despite the record number of hurricanes produced only US$20.0 billion in total hurricane loss, whereas 2017 with fewer hurricanes produced US$70.0 billion of loss.

There are obvious headwinds though. As ever in (re)insurance whenever there is a sign that the market is turning, new capital will enter the fray. Whilst some capacity has withdrawn from the market, so far around US$20.0 billion has entered the market, although there is a debate as to how much of this is there to write new business and how much is to pay for yesterday’s losses.

We are operating in challenging times, but we are lucky to have a team that has traded through similar circumstances in the past.

This has been my first full year as Active Underwriter and one which has been eventful to say the least. I am confident that with the team we have in place and the momentum in rates that we will be able to move the business forward and start generating the returns that are rightly expected of us.

I would like to thank everyone in the business for their continuing positivity, professionalism and rising to the challenge of operating remotely.

N J Destro
Active Underwriter
3 March 2021

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

N J Destro

Bankers

Barclays Bank
Citibank N.A.
RBC Dexia

Registered Auditors

BDO LLP

Managing Agent's Report

The Syndicate's Managing Agent is Asta Managing Agency Limited ("Asta") a company registered in England and Wales.

Blenheim Underwriting Limited ("Blenheim") provides many of the underwriting, claims and administrative services in respect of Syndicate 5886 to Asta as its Appointed Representative.

The Directors of the Managing Agent present their report for the year ended 31 December 2020.

This Syndicate Annual Report includes both the Syndicate Annual Accounts for the year ended 31 December 2020 and the Underwriting Year Accounts for the closed 2018 Year of Account.

Results

The result for the 2020 calendar year is a loss of £19.9 million (2019: loss of £11.9 million) before a gain on currency translation of £1.6 million (2019: gain on currency translation of £1.8 million) which equates to a total comprehensive loss of £18.3 million (2019: total comprehensive loss of £10.1 million).

The Syndicate has presented its results under Financial Reporting Standard 102 – "The Financial Reporting Standard applicable to the United Kingdom and Republic of Ireland" ("FRS 102"). In accordance with FRS 102, the Syndicate has identified its insurance contracts and accounted for them in accordance with Financial Reporting Standard 103 – "Insurance Contracts" ("FRS 103").

Principal activity and review of the business

The Syndicate's principal activity is the underwriting of direct insurance and reinsurance business in the Lloyd's market. For further narrative, see Active Underwriters Report on page 1 to 3.

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

	2020	2019
	£'000	£'000
Property Treaty	**101,165**	90,074
Direct and Facultative Property	**90,858**	72,470
Contingency	**1,778**	7,254
Accident & Health	**7,582**	7,017
Specialty Treaty	**37,318**	27,727
	238,701	204,542

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

	2020	2019
	£'000	£'000
Gross written premiums	**238,701**	204,542
Loss for the financial year (before currency translation gains)	**(19,901)**	(11,916)
Total comprehensive loss	**(18,345)**	(10,088)
Combined ratio	**111.9%**	109.7%

The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned.

Underwriting year of account summary

The table below shows the Syndicate's actual results for the closed 2018 year of account and the forecast result for the 2019 open year based on the traditional three year Lloyd's basis after charging standard managing agent's fees and profit commission but before charging members' agents fees.

	2019 YOA Forecast	**2018 YOA Actual**
Capacity (£'000)	214 760	179,796
Total comprehensive loss (£'000)	(7,150)	(13,899)
Loss on capacity (%)	(3.3)	(7.7)

2018 underwriting year result

The result for the 2018 year of account closed on 31 December 2020 with a comprehensive loss of £13.9 million on gross written premiums of £155.0 million.

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

	2018 £'000
Property Treaty	86,769
Direct and Facultative Property	50,092
Contingency	8,879
Accident and Health	3,757
Specialty Treaty	5,482
	154,979

The key financial performance indicators for the year of account were as follows;

	2018 £'000
Gross written premiums	154,979
Loss for the financial year (before currency translation gains)	(14,933)
Total comprehensive loss	(13,899)
Combined ratio	112.6%

The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned.

The 2018 underwriting year accounts are set out on pages 49 to 72.

2019 underwriting year forecast

The 2019 forecast has been based on the following assumptions:

- Future claims development will follow an expected pattern. In particular, the incidence or development of major or attritional losses or the ability of the Syndicate's reinsurers to respond to potential recoveries will not diverge materially from expectations based on developments to date;

- No material changes occur in estimates as to ultimate premium levels and future reinsurance costs;
- There will be no material reinsurance failure;
- There will be no material surplus or deficiency arising from the reinsurance to close ("RITC") of the 2018 year of account;
- Interest, inflation and exchange rates at 31 December 2021 will not differ significantly from those taken into account in the forecast; and
- There will be no significant changes in regulatory or legislative policies which will affect the activities of the Syndicate.

Further details regarding the performance of the Syndicate for the 2019 and 2020 years of account are set out in the Underwriter's report on pages 1 to 3.

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 Syndicate actuary 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 highly liquid financial instruments.

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 also mitigates its liquidity risk by ensuring it retains adequate assets in liquid instruments.

Blenheim has also arranged various overdraft and other facilities to help manage the Syndicate's Cashflow. Further details are set out in Note 20 of the Syndicate Annual Accounts.

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 procedure manuals, thorough training programmes 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 The Society of Lloyd's ("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 monitors 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 controls 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 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).

Managing Agent's Report continued

Going concern

Following the outbreak of the COVID-19 pandemic the business continuity plan has been activated, as a result all staff are working remotely from home in line with the UK Government's advice. There has been no disruption to our client or customer service capabilities. The Syndicate continues to bind business and assess and settle claims.

At time of writing, due to the Syndicate's limited exposure to the lines of business that are likely to be directly impacted by the pandemic and the nature of its asset portfolio, it is not expected that the impacts of COVID-19 will cause the Syndicate liquidity or solvency issues. The potential for losses arising from COVID-19 have been and will continue to be monitored and discussed at a number of internal governance committees.

Future developments

London Inter-Bank offered rate

The Syndicate is exposed to London Inter-Bank Offered Rate ("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.

Climate change

Following the PRA Supervisory Statement in 2019 and subsequent Dear CEO letter in 2020, AMA have 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 5886, 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.

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.

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.

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 Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 2017 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ("LIC"), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account.

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and subsequently cash of £5.8 million was moved to cover the liabilities calculated by Lloyd's. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of £5.8 million. On 4 January 2021, Members and former Members of the Syndicate transferred the impacted European Economic Area ("EEA") policies and related liabilities to Lloyd's Brussels. The combined effect of the two transactions had no economic impact for the Syndicate, and accordingly there is no impact on the Syndicate's Income Statement or Statement of Financial Position.

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December

2020, and in line with Lloyd's guidance no movements were processed on these policies on 31 December 2020. 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.

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 4. Changes to Directors since 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 auditors

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.

Auditors

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

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
3 March 2021

Syndicate Annual Accounts

31 December 2020

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 and FRS 103. 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 5886

Opinion

In our opinion, the financial statements:

- give a true and fair view of the state of the Syndicate’s affairs as at 31 December 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 Syndicates and Aggregate Accounts) Regulations 2008.

We have audited the financial statements of Syndicate 5886 (the ‘Syndicate’) for the year ended 31 December 2020 which comprise the Income Statement, Statement of Comprehensive Income, the Statement of Changes in Members’ Balances, the Statement of Financial Position, the Statement of Cash Flows and notes to the financial statements, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 “The Financial Reporting Standard applicable in the UK and Republic of Ireland” and Financial Reporting Standard 103 “Insurance Contracts” (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Conclusions relating to going concern

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

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

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

Other information

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

Information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

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

We have nothing to report in this regard.

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

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

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

Matters on which we are required to report by exception

In the light of the knowledge and understanding of the syndicate and its environment obtained in the course of the audit, we have not identified material misstatements in the Managing Agents Report.

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

- adequate accounting records have not been kept; or
- the financial statements are not in agreement with the accounting records;
- certain disclosure of Managing Agent emoluments and other benefits specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent's Responsibilities out on page 13 the Managing Agent is responsible for the preparation of the financial statements and for being satisfied that they give a true and fair view, and for such internal control as the Managing Agent determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, the Managing Agent is responsible for assessing the syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Managing Agent either intends to cease the underwriting business of the Syndicate, or have no realistic alternative but to do so.

Auditor's responsibilities for the audit of the financial statements

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

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

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

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

Our audit procedures were designed to respond to risks of material misstatement in the financial statements, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the financial statements, the less likely we are to become aware of it.

Independent Auditor's Report continued

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

Use of our report

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

Alexander Barnes, *Senior Statutory Auditor*
For and on behalf of BDO LLP, Statutory Auditor
London, UK
4 March 2021

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

Income Statement

Technical account - General business

For the year ended 31 December 2020

	Notes	2020 £'000	2019 £'000
Gross premiums written	3	**238,701**	204,542
Outward reinsurance premiums		**(61,060)**	(47,822)
Net written premiums		**177,641**	156,720
Change in the provision for unearned premiums			
Gross amount		**(14,831)**	(21,177)
Reinsurers' share		**622**	1,055
	4	**(14,209)**	(20,122)
Earned premiums, net of reinsurance		**163,432**	136,598
Allocated investment return transferred from the non-technical account		**531**	1,058
Claims paid			
Gross amount		**(145,651)**	(99,407)
Reinsurers' share		**40,912**	34,528
		(104,739)	(64,879)
Changes in the provision for claims outstanding			
Gross amount		**(30,213)**	(31,965)
Reinsurers' share		**5,717**	(6,843)
	4	**(24,496)**	(38,808)
Claims incurred, net of reinsurance		**(129,235)**	(103,687)
Net operating expenses	5	**(53,640)**	(46,179)
Balance on technical account – general business		**(18,912)**	(12,210)

All the amounts above are in respect of continuing operations. The notes on pages 23 to 48 form part of these financial statements.

Income Statement continued

Non-technical account - General business

For the year ended 31 December 2020

	2020 £'000	2019 £'000
Balance on technical account – general business	**(18,912)**	(12,210)
Investment income	**531**	1,058
Allocated investment return transferred to the general business technical account	**(531)**	(1,058)
Exchange (loss)/gain	**(989)**	294
Loss for the financial year	**(19,901)**	(11,916)

Statement of Comprehensive Income

For the year ended 31 December 2020

	2020 £'000	2019 £'000
Loss for the financial year	**(19,901)**	(11,916)
Currency translation differences	**1,556**	1,828
Total comprehensive loss for the year	**(18,345)**	(10,088)

Statement of Changes in Members' Balances

For the year ended 31 December 2020

	2020 £'000	2019 £'000
At 1 January	**(41,814)**	(31,726)
Total comprehensive loss for the year	**(18,345)**	(10,088)
Collection from members	**15,366**	-
At 31 December	**(44,793)**	(41,814)

All the amounts above are in respect of continuing operations. The notes on pages 23 to 48 form part of these financial statements.

Statement of Financial Position

As at 31 December 2020

	Notes	2020 £'000	2019 £'000
ASSETS			
Investments			
Financial investments	9	**56,302**	56,180
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	**3,833**	2,437
Claims outstanding	4	**50,487**	45,781
		54,320	48,218
Debtors			
Debtors arising out of direct insurance operations	10	**19,770**	14,279
Debtors arising out of reinsurance operations	11	**60,527**	42,386
Other debtors		**6,283**	5,261
		86,580	61,926
Cash and other assets			
Cash at bank and in hand	15	**14,583**	5,789
Other assets	16	**10,411**	5,549
		24,994	11,338
Prepayments and accrued income			
Deferred acquisition costs	4	**14,748**	12,566
Other prepayments and accrued income		**1,384**	1,091
		16,132	13,657
Total assets		**238,328**	191,319

The notes on pages 23 to 48 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		**(44,793)**	(41,814)
Liabilities			
Technical provisions			
Provision for unearned premiums	4	**75,429**	62,192
Claims outstanding	4	**180,512**	151,557
		255,941	213,749
Creditors			
Creditors arising out of direct insurance operations	12	**983**	245
Creditors arising out of reinsurance operations	13	**22,195**	11,377
Other creditors	14	**2,381**	5,613
		25,559	17,235
Accruals and deferred income		**1,621**	2,149
Total liabilities		**283,121**	233,133
Total members' balances and liabilities		**238,328**	191,319

The notes on pages 23 to 48 form part of these financial statements.

The financial statements on pages 18 to 22 were approved by the Board of Directors on 1 March 2021 and were signed on its behalf by:

R P Barke
Director
3 March 2021

Statement of Cash Flows

For the year ended 31 December 2020

	Notes	**2020 £'000**	2019 £'000
Cash flows from operating activities			
Loss on ordinary activities		**(19,901)**	(11,916)
Increase in gross technical provisions		**42,192**	44,969
(Increase)/decrease in reinsurers' share of gross technical provisions		**(6,102)**	7,430
Increase in debtors		**(24,654)**	(17,616)
Increase in creditors		**8,324**	1,369
Movement in other asset/liabilities/foreign exchange		**(5,370)**	(2,617)
Investment return		**(531)**	(1,058)
Net cash (outflow)/inflow from operating activities		**(6,042)**	20,561
Cash flows from investing activities			
Purchase of other financial investments		**(2,666)**	(627)
Investment income received		**531**	1,058
Net cash (outflow)/inflow from investing activities		**(2,135)**	431
Cash flows from financing activities			
Collection of losses		**15,366**	-
Net cash inflow from financing activities		**15,366**	-
Net increase in cash and cash equivalents		**7,189**	20,992
Cash and cash equivalents at beginning of year		**61,342**	41,718
Foreign exchange on opening cash and cash equivalents		**(939)**	(1,368)
Cash and cash equivalents at end of year	15	**67,592**	61,342

The notes on pages 23 to 48 form part of these financial statements.

Notes to the Syndicate Annual Accounts

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 United Kingdom Generally Accepted Accounting Practice ("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 Syndicate's functional currency is US Dollars, being the primary economic environment in which it operates. The accounts have been presented in Sterling ("GBP"), which is the Syndicate's presentation currency and rounded to the nearest £'000. The presentation currency is consistent with the Syndicate's Quarterly Monitoring Return.

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 Statement of Financial Position 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.

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 misstatements 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 premiums comprise the total premiums payable for the whole cover provided by contracts entered in 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.

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 Statement of Financial Position date, but not reported until after the year end.

The provision for claims comprises amounts set aside for claims notified and IBNR.

The amount included in respect of IBNR is based on a combination of statistical techniques of estimation applied by the in-house actuaries and a detailed review of losses by management, further reviewed by external consulting actuaries. The statistical techniques generally involve projecting from past experience of the development of claims over time (using market data where Syndicate data is unavailable) 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.

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, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Provision for unearned premiums

Unearned premiums are those proportions of premiums written in a year that relate to periods of risk after the reporting date. 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 outwards reinsurance policy based on the underlying direct or inwards reinsurance business being reinsured.

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 and 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.

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, and indirect costs, such as the advertising costs or the administrative expenses connected with the processing of proposals and the issuing of policies.

Deferred acquisition costs are costs arising from the 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.

Accounting policies continued

Reinsurance assets
The Syndicate cedes insurance risk in the normal course of business. Reinsurance assets represent balances due from reinsurance companies and Lloyd's syndicates. 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.

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

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

Insurance receivables are not recognised when the derecognition criteria for financial assets have been met.

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 is US Dollars being the primary economic environment in which it operates. The Syndicate's presentation currency is Sterling (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 or appropriate average rate. 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.

Accounting policies continued

In translating its results and financial position into the presentational currency, the Syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

The following Statement of Financial Position rates of exchange have been used in the preparation of these accounts:

	2020	2019
	Year End	Year End
AUD	**1.77**	1.89
CAD	**1.73**	1.72
EUR	**1.12**	1.18
JPY	**141.11**	144.81
USD	**1.36**	1.33

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 Income Statement 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.

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.

Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

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.

Accounting policies continued

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 the Income Statement. 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 the Income Statement.

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. They also comprise collective investment schemes which are invested on a short-term basis.

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.

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, deposits with credit institutions and collective investment schemes which comprise Money Market Funds.

- Bonds have been valued at fair value using quoted prices in an active market.
- Deposits with credit institutions are included at cost plus accrued income.
- Money Market Funds are valued on a stable net asset value ("NAV") basis. Money Market Funds are readily convertible into cash, 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.

The Syndicate does not currently hold any level 1 financial instruments.

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 Statement of Financial Position 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.

- Currency derivatives and bond futures are included at market price.

- 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 Statement of Financial Position under the heading 'other debtors'.

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. Analysis of underwriting result

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

	2020					
	Gross written premiums	**Gross premium earned**	**Gross claims incurred**	**Gross operating expenses**	**Reinsurance balance**	**Total**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Direct Insurance;						
Accident & Health	**4,545**	**3,649**	**(404)**	**(1,676)**	**(294)**	**1,275**
Energy – Non Marine	**253**	**170**	**42**	**(45)**	**(104)**	**63**
Fire and other damage to Property	**73,499**	**64,644**	**(35,480)**	**(19,629)**	**(11,406)**	**(1,871)**
Aviation	**2,929**	**2,586**	**(2,515)**	**(612)**	**(589)**	**(1,130)**
Motor (other classes)	**2,279**	**1,767**	**(1,063)**	**(614)**	**(399)**	**(309)**
Third party liability	**338**	**328**	**(53)**	**(122)**	**(59)**	**94**
Transport	**812**	**470**	**(185)**	**(174)**	**(127)**	**(16)**
Pecuniary Loss	**2,098**	**3,595**	**(29,202)**	**(1,019)**	**5,538**	**(21,088)**
	86,753	**77,209**	**(68,860)**	**(23,891)**	**(7,440)**	**(22,982)**
Reinsurance	**151,948**	**146,661**	**(107,004)**	**(29,749)**	**(6,369)**	**3,539**
Total	**238,701**	**223,870**	**(175,864)**	**(53,640)**	**(13,809)**	**(19,443)**

	2019					
	Gross written premiums	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	£'000	£'000	£'000	£'000	£'000
Direct Insurance;						
Accident & Health	3,267	2,615	(1,915)	(1,099)	(339)	(738)
Energy – Non Marine	84	49	(118)	(16)	152	67
Fire and other damage to Property	57,540	46,744	(30,547)	(14,897)	(5,714)	(4,414)
Aviation	2,857	1,932	(1,798)	(439)	140	(165)
Motor (other classes)	793	324	(119)	(132)	(153)	(80)
Third party liability	315	305	(79)	(114)	(37)	75
Transport	390	132	(38)	(57)	(70)	(33)
Pecuniary Loss	7,288	6,819	(702)	(2,104)	(2,159)	1,854
	72,534	58,920	(35,316)	(18,858)	(8,180)	(3,434)
Reinsurance	132,008	124,445	(96,056)	(27,321)	(10,902)	(9,834)
Total	204,542	183,365	(131,372)	(46,179)	(19,082)	(13,268)

Commissions on direct insurance gross premiums written during 2020 were £19.9 million (2019: £16.7 million).

All premiums were concluded in the UK.

4. Technical provisions

	2020		
	Gross provisions £'000	**Reinsurance assets £'000**	**Net provisions £'000**
Claims outstanding			
Balance at 1 January	**151,557**	**(45,781)**	**105,776**
Change in claims outstanding	**30,213**	**(5,717)**	**24,496**
Effect of movements in exchange rates	**(1,258)**	**1,011**	**(247)**
Balance at 31 December	**180,512**	**(50,487)**	**130,025**
Claims notified	**100,809**	**(27,340)**	**73,469**
Claims incurred but not reported	**79,703**	**(23,147)**	**56,556**
Balance at 31 December	**180,512**	**(50,487)**	**130,025**
Unearned premiums			
Balance at 1 January	**62,192**	**(2,437)**	**59,755**
Change in unearned premiums	**14,831**	**(622)**	**14,209**
Effect of movements in exchange rates	**(1,594)**	**(774)**	**(2,368)**
Balance at 31 December	**75,429**	**(3,833)**	**71,596**
Deferred acquisition costs			
Balance at 1 January	**12,566**	**-**	**12,566**
Change in deferred acquisition costs	**2,404**	**-**	**2,404**
Effect of movements in exchange rates	**(222)**	**-**	**(222)**
Balance at 31 December	**14,748**	**-**	**14,748**

	2019		
	Gross provisions £'000	Reinsurance assets £'000	Net provisions £'000
Claims outstanding			
Balance at 1 January	126,111	(54,385)	71,726
Change in claims outstanding	31,965	6,843	38,808
Effect of movements in exchange rates	(6,519)	1,761	(4,758)
Balance at 31 December	151,557	(45,781)	105,776
Claims notified	79,837	(21,876)	57,961
Claims incurred but not reported	71,720	(23,905)	47,815
Balance at 31 December	151,557	(45,781)	105,776
Unearned premiums			
Balance at 1 January	42,669	(1,263)	41,406
Change in unearned premiums	21,177	(1,055)	20,122
Effect of movements in exchange rates	(1,654)	(119)	(1,773)
Balance at 31 December	62,192	(2,437)	59,755
Deferred acquisition costs			
Balance at 1 January	8,434	-	8,434
Change in deferred acquisition costs	4,466	-	4,466
Effect of movements in exchange rates	(334)	-	(334)
Balance at 31 December	12,566	-	12,566

There was no provision for unexpired risks at 31 December 2020 (31 December 2019: £nil).

5. Net operating expenses

	2020	2019
	£'000	£'000
Acquisition costs	**39,887**	35,616
Change in deferred acquisition costs	**(2,404)**	(4,466)
Administrative expenses	**16,157**	15,029
Net operating expenses	**53,640**	46,179

Members' standard personal expenses amounting to £3.5 million (2019: £3.1 million) 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 and staff numbers

	2020	2019
	£'000	£'000
Wages and salaries	**5,895**	5,352
Social security costs	**752**	693
Pension costs	**31**	492
Other staff costs	**993**	370
	7,671	6,907

The average number of staff working for the Syndicate during the year is as follows:

	2020	2019
Underwriting and claims	**21**	20
Operations, finance and administration	**29**	26
	50	46

7. Auditor's remuneration

	2020	2019
	£'000	£'000
Audit of the Financial statements	**125**	85
Other services pursuant to Regulations and Lloyd's Byelaws	**60**	34
	185	119

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 and the Active Underwriter

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 emoluments of the Active Underwriter are borne by Blenheim and are separately recharged by Blenheim to the Syndicate as set out below:

	2020	2019
	£'000	£'000
Remuneration	**295**	270
Medical insurance	**4**	9
	299	279

9. Financial investments

	2020		2019	
	Carrying value	**Purchase price**	Carrying value	Purchase price
	£'000	**£'000**	£'000	£'000
Shares and other variable yield securities and units in unit trusts				
- Designated at fair value through profit or loss	**56,302**	**56,302**	56,180	56,180
	56,302	**56,302**	56,180	56,180

Amounts included within Shares and other variable securities include Collective Investment Schemes where funds are invested in a single vehicle which invests in investments.

There was no material change in fair value for financial instruments held at fair value attributable to own credit risk in the current period.

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	**-**	**53,009**	**3,293**	**56,302**
Total	**-**	**53,009**	**3,293**	**56,302**

	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	-	55,553	627	56,180
Total	-	55,553	627	56,180

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.

Financial investments continued

The main asset classes in the level 3 category are unlisted equities, structured bond-type debt products and interest rate swaps.

- For unlisted equities, the non-observable inputs relate to assumptions regarding the price/equity ratio of the investee compared to those of comparable listed entities together with an illiquidity adjustment which typically ranges between 10-20%.

- For structured bond-type debt products, these are valued using an internally developed cash flow model using a discount rate with a non-observable illiquidity adjustment of between 5-10%.

- For interest rate swaps, these are valued from broker quotes which include non-observable discount rates based on the credit rating of the counterparty.

The Syndicate's level 3 financial investment are in respect of a loan to the Lloyd's Central Fund. Lloyd's considers the loans to meet the criteria to be recognised as a basic financial instrument under FRS 102 and be classified as level 3 in the fair value hierarchy. These loans are being valued using a model based on assumptions based on the third party inputs.

10. Debtors arising out of direct insurance operations

	2020	2019
	£'000	£'000
Due from intermediaries (within one year)	**19,324**	13,748
Due from intermediaries (after one year)	**446**	531
	19,770	14,279

11. Debtors arising out of reinsurance operations

	2020	2019
	£'000	£'000
Due from intermediaries (within one year)	**60,394**	42,170
Due from intermediaries (after one year)	**133**	216
	60,527	42,386

Other Debtors consist of Members Agent Fees £1.8 million and Loss Fund Advances £4.5 million (2019: Members Agents Fees £1.4 million and Loss Fund Advances £3.9 million)

12. Creditors arising out of direct insurance operations

	2020	2019
	£'000	£'000
Direct Business - intermediaries (within one year)	**983**	245
	983	245

13. Creditors arising out of reinsurance operations

	2020	2019
	£'000	£'000
Reinsurance accepted (within one year)	4,499	423
Reinsurance ceded (within one year)	17,696	10,954
	22,195	11,377

14. Other creditors

	2020	2019
	£'000	£'000
Expenses due to Blenheim Underwriting Ltd (within one year)	2,269	5,613
Other (within one year)	112	-
	2,381	5,613

15. Cash and cash equivalents

	2020	2019
	£'000	£'000
Cash at bank and in hand	14,583	5,789
Holdings in collective investment schemes	53,009	55,553
	67,592	61,342

16. Other assets

	2020	2019
	£'000	£'000
Overseas deposits	10,411	5,549
	10,411	5,549

17. Related parties

Asta provides services and support to Syndicate 5886 in its capacity as Managing Agent. During the year, managing agency fees of £1.9 million (2019: £1.6 million) were charged to the Syndicate. Asta also recharged £0.9 million (2019: £1.1 million) worth of service charges in the year, of which as at 31 December 2020 an amount of £nil (2019: £0.1 million) was accrued to Asta in respect of this service.

Related parties continued

From time to time, Syndicates managed by Asta enter into (re)insurance contracts with one another and/or with Companies within a group with a Lloyd's Corporate Member that participates on an Asta managed Syndicate with an allocated Syndicate capacity greater than 10%. All such transactions are subject to Asta's internal controls which ensure that all are compliant with Lloyd's Related Party Byelaw provisions. All transactions are entered into on an arm's length basis.

The table below shows the transaction between Syndicate 5886 and the other Asta managed Syndicates during calendar year 2020.

£'000	Gross Written Premium	RI Written Premium	RI Recoveries	RI on Outstanding Claims	RI IBNR
Dale Syndicate 1729	-	(591)	-	233	215
Pioneer Syndicate 1980	140	-	-	-	-
Verto Syndicate 2689	-	(189)	-	-	-
Everest Syndicate 2786	19	-	-	-	-
Agora Syndicate 3268	400	-	-	-	-
Beat Syndicate 4242	23	(588)	36	38	53
Skuld Marine Agency	132	-	-	-	-
Total	**715**	**(1,368)**	**36**	**271**	**268**

Blenheim's parent company – White Bear Capital Limited, wholly owns White Bear Corporate Capital Limited, a Lloyd's corporate member which participates on Syndicate 5886 with the following participations – 2018 Year of Account (£4,605), 2019 Year of Account (£5,501) and 2020 Year of Account (£79,586,685).

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

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 4).

19. 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.

20. Bank facilities

At the start of the year, the Syndicate had the benefit of a US$25 million letter of credit facility, a US$45 million catastrophe cash facility and a working capital overdraft facility of £7.5 million, all with Barclays Bank Plc. All of these facilities where subsequently renewed for the 12 months to 31 December 2021.

The Syndicate utilised US$20 million of the letter of credit facility throughout the 2020 calendar year.

21. Off-Statement of Financial Position items

As noted in Note 20, during the year, the Syndicate had the benefit of a US$25 million letter of credit facility with Barclays Bank of which it utilised US$20 million for the purposes of US gross funding at 31 December 2020. This arrangement is considered to be off-Statement of Financial Position as neither the asset nor the liability are owned by the Syndicate.

22. 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.

Risk management continued

b) Capital management objectives, policies and approach

Capital framework at Lloyd's

Lloyd's is a regulated undertaking and subject to the supervision of the 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 Syndicate 5886 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. The SCR for the 2020 and 2021 year of account was calculated using the Syndicate’s internal model.

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% (2019: 35%) of the member's SCR 'to ultimate'. An additional 20% loading is also applied to new Syndicates for their first three years of underwriting. This additional loading no longer applies for the 2020 year of account.

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 (FAL), 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 member’s balances reported on the Statement of Financial Position on page 21, 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.

Risk management continued

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. Further details are set out in the Managing Agents Report on pages 6 to 11.

The Syndicate purchases reinsurance as part of its risks mitigation programme. Reinsurance ceded is placed largely 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.

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.

The Syndicate models various loss scenarios and runs specific realistic disaster scenarios (“RDS”) in accordance with Lloyd’s franchise guidelines to enable it to monitor its exposures. Given the nature of the risks underwritten, the loss estimates may be materially different from those that arise depending on the size and nature of the event.

Based on the July 2020 Lloyd’s RDS submission, the largest RDS was a North-East US windstorm event with an industry loss estimate of US$1.1 trillion. This equates to a loss to the Syndicate of US$215.8 million gross and US$42.1 million net of reinsurance recoveries and reinstatement costs (2019: US$206.7 million gross and US$26.6 million net of reinsurance recoveries and reinstatement costs).

Key assumptions

The principal assumption underlying the liability estimates is that the future claims development will follow a similar pattern to past claims development experience. This includes assumptions in respect of average claim costs, claim handling costs, claim inflation factors and claim numbers for each underwriting year. Additional qualitative judgements are used to assess the extent to which past trends may not apply in the future, for example: one-off occurrence; changes in market factors such as public attitude to claiming and 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 claim liabilities are sensitive to the key assumptions that follow. It has not been possible to quantify the sensitivity of certain assumptions such as legislative changes or uncertainty in the estimation process.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on 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 can be non-linear.

	2020	2019
Gross	**£'000**	£'000
Five percent increase in claim liabilities	**(9,026)**	(7,578)
Five percent decrease in claim liabilities	**9,026**	7,578
Net		
Five percent increase in claim liabilities	**(6,501)**	(5,289)
Five percent decrease in claim liabilities	**6,501**	5,289

Risk management continued

Claims development table gross of reinsurance

The table below and on the following page 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 Statement of Financial Position date.

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

	Underwriting Year			
	2017	**2018**	**2019**	**2020**
Estimate of cumulative GAAP gross claims incurred:	**£'000**	**£'000**	**£'000**	**£'000**
At end of first underwriting year	116,486	88,548	81,593	109,916
One year later	141,998	126,105	138,850	-
Two years later	148,483	127,668	-	-
Three years later	145,368	-	-	-
Less cumulative gross paid	(129,513)	(98,447)	(71,235)	(42,095)
Liability for gross outstanding claims	15,855	29,211	67,615	67,821
Total gross outstanding claims (all years)				**180,512**

Risk management continued

Claims development table net of reinsurance

The table 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 net of reinsurance basis at the Statement of Financial Position date.

	Underwriting Year			
	2017	**2018**	**2019**	**2020**
Estimate of cumulative GAAP net claims incurred:	**£'000**	**£'000**	**£'000**	**£'000**
At end of first underwriting year	63,895	60,726	64,535	77,938
One year later	78,587	92,857	109,949	-
Two years later	80,808	96,287	-	-
Three years later	77,405	-	-	-
Less cumulative gross paid	(70,243	(74,991)	(58,968)	(27,352)
Liability for gross outstanding claims	7,162	21,296	50,981	50,586
Total gross outstanding claims (all years)				**130,025**

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. Currently, the financial assets of the Syndicate are only held in cash and cash equivalents. In due course, 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.

Risk management continued

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:

- 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 has no credit rating, then collateral is sought to mitigate any risk. This is monitored by the Reinsurance Security Committee, a subcommittee of the Syndicate Board.

The table below shows 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.

31 December 2020	**£'000**			
	Neither past due or impaired	**Past due but not impaired**	**Impaired**	**Total**
Shares and other variable yield securities	**56,302**	**-**	**-**	**56,302**
Overseas Deposits	**10,411**	**-**	**-**	**10,411**
Reinsurers share of claims outstanding	**50,487**	**-**	**-**	**50,487**
Debtors arising out of direct insurance operations	**12,952**	**6,818**	**-**	**19,770**
Debtors arising out of reinsurance operations	**-**	**11,764**	**-**	**11,764**
Other assets	**75,011**	**-**	**-**	**75,011**
Cash at bank and in hand	**14,583**	**-**	**-**	**14,583**
Total	**219,746**	**18,582**	**-**	**238,328**

31 December 2019	£'000			
	Neither past due or impaired	Past due but not impaired	Impaired	Total
Shares and other variable yield securities	56,180	-	-	56,180
Overseas Deposits	5,549	-	-	5,549
Reinsurers share of claims outstanding	45,781	-	-	45,781
Debtors arising out of direct insurance operations	8,326	5,953	-	14,279
Debtors arising out of reinsurance operations	-	3,106	-	3,106
Other assets	60,635	-	-	60,635
Cash at bank and in hand	5,789	-	-	5,789
Total	182,260	9,059	-	191,319

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 BB are classified as speculative grade and have not been rated, debtors, other than amounts arising from reinsurance contracts ceded, have been excluded from the table as these are not rated.

31 December 2020				**£'000**			
	AAA	**AA**	**A**	**BBB**	**BB or less**	**Not Rated**	**Total**
Shares and other variable yield securities	**-**	**-**	**56,302**	**-**	**-**	**-**	**56,302**
Overseas Deposits	**5,883**	**1,089**	**939**	**881**	**1,179**	**440**	**10,411**
Reinsurers share of claims outstanding	**-**	**29,832**	**14,094**	**-**	**-**	**6,651**	**50,487**
Cash at bank and in hand	**-**	**-**	**14,583**	**-**	**-**	**-**	**14,583**
Total	**5,883**	**30,921**	**85,918**	**881**	**1,179**	**7,001**	**131,783**

31 December 2019				£'000			
	AAA	AA	A	BBB	BB or less	Not Rated	Total
Shares and other variable yield securities	-	-	56,180	-	-	-	56,180
Overseas Deposits	3,200	672	592	387	465	233	5,549
Reinsurers share of claims outstanding	-	7,529	32,565	-	-	5,687	45,781
Cash at bank and in hand	-	-	5,789	-	-	-	5,789
Total	3,200	8,201	95,126	387	465	5,920	113,299

Of the £7.0 million currently not rated at 31 December 2020, £2.9 million is fully collateralised, £0.4 million relates to overseas deposits and £2.7 million relates to general reinsurance IBNR that has not been allocated to any specific loss. (2019: of the £5.9 million not rated, £4.7 million was fully collateralised, £0.2 million related to overseas deposits with £1.0 relates to general reinsurance IBNR).

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

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 and utilising available banking facilities.

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.

31 December 2020			**£'000**			
	No stated maturity	**0-1 Year**	**1-3 Years**	**3-5 Years**	**More than 5 years**	**Total**
Creditors	**-**	**25,559**	**-**	**-**	**-**	**25,559**
Claims outstanding	**-**	**86,119**	**63,325**	**18,584**	**12,484**	**180,512**
Total	**-**	**111,678**	**63,325**	**18,584**	**12,484**	**206,071**

31 December 2019			£'000			
	No stated maturity	0-1 Year	1-3 Years	3-5 Years	More than 5 years	Total
Creditors	-	17,235	-	-	-	17,235
Claims outstanding	-	73,748	52,654	15,558	9,597	151,557
Total	-	90,983	52,654	15,558	9,597	168,792

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 risks.

The objective of market risk management is to manage and control market risk exposures within acceptable parameters, while optimising the return on risk.

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 US Dollars and its exposure to foreign exchange risk arises primarily with respect to transactions in Sterling, Euro, Japanese Yen, Canadian Dollars and Australian Dollars.

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:

31 December 2020	**CNV £'000**						
	GBP	**USD**	**EUR**	**CAD**	**AUD**	**JPY**	**Total**
Total Assets	**19,467**	**173,233**	**6,625**	**22,196**	**14,271**	**2,536**	**238,328**
Total Liabilities	**(29,359)**	**(196,180)**	**(13,485)**	**(16,580)**	**(10,990)**	**(16,527)**	**(283,121)**
Net Assets/(Liabilities)	**(9,892)**	**(22,947)**	**(6,860)**	**5,616**	**3,281**	**(13,991)**	**(44,793)**

31 December 2019	CNV £'000						
	GBP	USD	EUR	CAD	AUD	JPY	Total
Total Assets	11,516	148,999	5,478	13,431	8,767	3,128	191,319
Total Liabilities	(23,098)	(151,625)	(11,642)	(10,732)	(7,367)	(28,669)	(233,133)
Net Assets/(Liabilities)	(11,582)	(2,626)	(6,164)	2,699	1,400	(25,541)	(41,814)

The Syndicate holds assets and liabilities in these six main currencies. The Syndicate for the most part aims to ensure its assets and liabilities match in currency as closely as possible to mitigate the currency risk. The currency shortfall in Japanese Yen is partly driven by the gross claims for Typhoons Hagibis, Faxai and Jebi being mainly in Japanese Yen but any recoveries being in US Dollars. However, it should be noted that there is a degree of currency mitigation because the reinsurance collections made on this loss are based on the gross loss in Japanese Yen being converted to sterling at the prevailing exchange rate to mitigate the currency risk.

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, Australian Dollar, Japanese Yen and Euro simultaneously. The analysis is based on the information as at 31 December 2020.

	Impact on profit and members' balance	
	2020 £'000	2019 £'000
Sterling weakens		
10% against other currencies	**(3,490)**	(3,023)
20% against other currencies	**(6,980)**	(6,046)
Sterling strengthens		
10% against other currencies	**3,490**	3,023
20% against other currencies	**6,980**	6,046

Risk management continued

b) Interest rate risk

Interest rate risk is the risk that the value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Floating rate instruments expose the Syndicate to cash flow interest risk, whereas fixed rate instruments expose the Syndicate to fair value interest risk.

The Syndicate has no significant concentration of interest rate risk. Insurance liabilities are not discounted and therefore not exposed to interest rate risk.

23. Post Statement of Financial Position events

The Syndicate will collect the 2018 underwriting year loss of £13.9 million before personal expenses in US Dollars from members in June 2021.

24. Part VII transfer Statement of Financial Position

Part VII liabilities as at 31 December 2020;

	2020
	£'000
Provision for unearned premiums	483
Deferred acquisition costs	(68)
Claims outstanding	3,009
Total	**3,424**

Following the sanction of the scheme by the High Court on 25 November 2020, the scheme took effect on 30 December 2020 and subsequently cash of £5.8 million was moved to cover the liabilities calculated by Lloyd's. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back, together with an equal amount of cash of £5.8 million. On 4 January 2021, Members and former Members of the Syndicate transferred the EEA policies and related liabilities to Lloyd's Brussels. The figures shown in the above table are the Syndicate's own internal view of the current Part VII liabilities.

Syndicate Underwriting Year Accounts

For the 2018 Year of Account

Closed at 31 December 2020

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

N J Destro

Bankers

Barclays Bank
Citibank NA
RBC Dexia

Registered Auditors

BDO LLP

Managing Agent's Report for the 2018 Closing Year of Account

For the 36 months ended 31 December 2020

The Directors of Asta Managing Agency Ltd ("Asta") present their report at 31 December 2020 for the 2018 closed year of account.

This report is prepared in accordance with the Lloyd's Syndicate Bylaw (No 8 of 2005). It accompanies the underwriting year accounts prepared on an underwriting year basis of accounting as required by Statutory Instrument No 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Business Review

A summary of the 2018 year of account performance is given in the accompanying Underwriter's Report within the Syndicate Annual Accounts.

Underwriting year results

The Syndicate generated a loss of £14.9 million after standard personal expenses on gross written premiums of £154.9 million for the 2018 underwriting year.

Principal activities and review of the business

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

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

	2018 £'000
Property Treaty	86,769
Direct and Facultative Property	50,092
Contingency	8,879
Accident and Health	3,757
Specialty	5,482
	154,979

The Syndicate's key financial performance indicators for the year of account were as follows;

	2018 £'000
Gross written premiums	154,979
Loss for the financial year (before currency translation gains)	(14,933)
Total comprehensive loss	(13,899)
Combined ratio	112.6%

The combined ratio is the ratio of net claims incurred and net operating expenses to net premiums earned.

Managing Agent's report continued

Directors

Details of the Directors of the Managing Agent that served during the year and up to the date of signing of the financial statements are provided on page 49. Changes to the 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 this report is aware, there is no relevant audit information, being information needed by the auditors in connection with their 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/she is obliged to take as a Director in order to make he/she aware of any relevant audit information and to establish that the auditors are aware of that information.

The board of directors of the Managing Agent has overall responsibility for the establishment and oversight of the Syndicate's risk and capital management.

Approved by the Board of Directors and signed on behalf of the Board.

N J Burdett
Company Secretary
3 March 2021

Statement of Managing Agent's Responsibilities

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

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

- select suitable accounting policies and apply them consistently throughout each underwriting year and from one underwriting year to the next. Where items affect more than one underwriting year, the Managing Agent must ensure that the Syndicate treats the affected member equitably. In particular, the premium charged for reinsurance to close should be equitable between the reinsured and reinsuring members of the Syndicate;

- take into account all income and charges relating to a closed year of account without regard to the date of receipt or payment;

- make judgements and estimates that are reasonable and prudent; and

- state whether applicable UK accounting standards have been followed, subject to any material departures disclosed and explained in these accounts.

The Managing Agent is responsible for keeping proper accounting records which disclose with reasonable accuracy at any time the financial position of the Syndicate and enable it to ensure that the Syndicate underwriting year accounts comply with the Lloyd's Regulations 2008 and Syndicate Accounting Byelaw. It is also responsible for safeguarding the assets of the Syndicate and hence for taking reasonable steps for the prevention and detection of fraud and other irregularities.

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

Independent Auditor's Report to the Members of Syndicate 5886

2018 Closed Year of Account

Opinion

In our opinion, the Syndicate underwriting year accounts:

- give a true and fair view of the profit/loss for the 2018 closed year of account;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicates and Aggregate Accounts) Regulations 2008 and in accordance with the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005).

We have audited the Syndicate underwriting year accounts of Syndicate 5886 ('the Syndicate') for the three years ended 31 December 2020 which comprise the Income Statement, the Statement of Comprehensive Income, the Statement of Financial Position, the Statement of Members' Balances the Statement of Cash Flows and notes to the Syndicate underwriting year accounts, including a summary of significant accounting policies. The financial reporting framework that has been applied in their preparation is applicable law and United Kingdom Accounting Standards, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" and Financial Reporting Standard 103 "Insurance Contracts" (United Kingdom Generally Accepted Accounting Practice).

Basis for opinion

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

Other information

The Managing Agent is responsible for the other information. The other information comprises the information included in the annual report, other than the Syndicate underwriting year accounts and our auditor's report thereon. Our opinion on the Syndicate underwriting year accounts does not cover the other information and, except to the extent otherwise explicitly stated in our report, we do not express any form of assurance conclusion thereon.

Our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the Syndicate underwriting year accounts 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 Syndicate underwriting year accounts 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.

Matters on which we are required to report by exception

Under the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005) we are required to report in respect of the following matters if, in our opinion:

- The Managing Agent in respect of the Syndicate has not kept adequate accounting records; or

- the syndicate underwriting year accounts are not in agreement with the accounting records.

We have nothing to report in this regard.

Responsibilities of the Managing Agent

As explained more fully in the Statement of Managing Agent's responsibilities out on page 53, the Managing Agent is responsible for the preparation of the syndicate underwriting year accounts and for being satisfied that they give a true and fair view of the results for the 2018 closed year of account, and for such internal control as the Managing Agent determines is necessary to enable the preparation of syndicate underwriting year accounts that are free from material misstatement, whether due to fraud or error.

In preparing the syndicate underwriting year accounts, the Managing Agent is responsible for assessing the syndicate's ability to realise its assets and discharge its liabilities in the normal course of business, disclosing, as applicable, any matters that impact its ability to do so.

Auditor's responsibilities for the audit of the syndicate underwriting year accounts

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

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

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

- Obtaining an understanding of the legal and regulatory framework applicable to the Syndicate's operations and the control environment in monitoring compliance with laws and regulations;

- Review of correspondence with the Prudential Regulation Authority ("PRA") and Financial Conduct Authority ("FCA");

Independent Auditor’s Report continued

- Our responses to significant audit risks over technical provisions and management override of controls are intended to sufficiently address the risk of fraudulent manipulation. Specially we engaged an actuary as auditors expert to review the assumptions and methodology applied by the Syndicate in the valuation of technical provisions to ensure the methods utilised are in compliance with Technical Actuarial Standards (TAS 100: Principles for Technical Actuarial Work and TAS 200: Insurance);

- Enquiries of management;

- Review of minutes of board meetings throughout the period; and

- Agreement of the syndicate underwriting year accounts disclosures to underlying supporting documentation

Our audit procedures were designed to respond to risks of material misstatement in the syndicate underwriting year accounts, recognising that the risk of not detecting a material misstatement due to fraud is higher than the risk of not detecting one resulting from error, as fraud may involve deliberate concealment by, for example, forgery, misrepresentations or through collusion. There are inherent limitations in the audit procedures performed and the further removed non-compliance with laws and regulations is from the events and transactions reflected in the syndicate underwriting year accounts the less likely we are to become aware of it.

A further description of our responsibilities for the audit of the syndicate underwriting year accounts is located on the Financial Reporting Council’s website at: www.frc.org.uk/auditorsresponsibilities. This description forms part of our auditor’s report.

Use of our report

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

Alexander Barnes *Senior Statutory Auditor*
For and on behalf of BDO LLP, Statutory Auditor
London, UK
4 March 2021
BDO LLP is a limited liability partnership registered in England and Wales
(Registered number OC305127).

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Income Statement

Technical account – General business

For the 36 months ended 31 December 2020

	Notes	£'000	£'000
Earned premiums, net of reinsurance			
Gross premiums written	4	154,979	
Outward reinsurance premiums		(36,463)	
			118,516
Change in the provision for unearned premiums			
Gross amount		2,453	
Reinsurers' share		(281)	
			2,172
			120,688
Reinsurance to close premium receivable net of reinsurance			14,305
Allocated investment return transferred from the non-technical account			1,138
Claims incurred, net of reinsurance			
Claims paid - Gross amount		(115,737)	
- Reinsurers' share		32,003	
Net claims paid		(83,734)	
Reinsurance to close premium payable net of reinsurance	6	(26,214)	
			(109,948)
Net operating expenses	7		(40,266)
Balance on the technical account – general business			(14,083)

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 63 to 72 form part of these financial statements.

Income Statement continued

Non-technical account – General business

For the 36 months ended 31 December 2020

	Notes	£'000
Balance on the technical account – general business	5	(14,083)
Investment Income	8	1,114
Net realised gains on investments	8	25
		1,139
Allocated investment return transferred to general business technical account		(1,139)
Exchange loss		(850)
Loss for the closed year of account		(14,933)

Statement of Comprehensive Income

For the 36 months ended 31 December 2020

	£'000
Loss for the closed year of account	(14,933)
Currency translation differences	1,034
Total comprehensive loss for the closed year of account	(13,899)

The underwriting year closed and therefore all items relate to discontinued operations.

The notes on pages 63 to 72 form part of these financial statements.

Statement of Financial Position

As at 31 December 2020

	Notes	£'000	£'000
ASSETS			
Investments	9		14,865
Debtors			
Debtors arising out of direct insurance operations	10	585	
Debtors arising out of reinsurance operations	11	3,106	
Other debtors, prepayments and accrued income		1,748	
			5,439
Reinsurance recoveries anticipated on gross reinsurance premiums payable to close the account			14,418
Other Assets			
Cash at bank and in hand	14	2,218	
Overseas deposits		2,087	
			4,305
Total assets			39,027
LIABILITIES			
Amounts due from members			(14,425)
Reinsurance to close premiums payable to close the Account – gross amount			40,632
Creditors			
Creditors arising out of direct insurance operations	12	264	
Creditors arising out of reinsurance operations	13	1,253	
Inter-year loans		10,661	
Other creditors, accruals and deferred income		642	
			12,820
Total liabilities			39,027

The notes on pages 63 to 72 form part of these financial statements.

The Syndicate underwriting year accounts were approved by the Board of Asta Managing Agency Ltd on 1 March 2021 and were signed on its behalf by

R P Barke
Director
3 March 2021

Statement of Members' Balances

For the 36 months ended 31 December 2020

	£'000
Total comprehensive loss for the closed year of account	(13,899)
Collection from members	-
Members' agents' fees paid on behalf of members	(526)
Members' balances carried forward at 31 December 2020	(14,425)

The notes on pages 63 to 72 form part of these financial statements.

Statement of Cash Flows

	Notes	£'000
Cash flows from operating activities		
Loss for the closed year of account		(14,933)
Increase in debtors		6,970
Increase in creditors		1,518
Movement in other asset/liabilities/foreign exchange		(72)
Investment return		(1,138)
RITC premium payable, net of reinsurance		26,214
Net cash inflow from operating activities		18,559
Cash flows from investing activities		
Investment income received		1,138
Increase in overseas deposits		(2,087)
Net cash outflow from investing activities		(949)
Cash flows from financing activities		
Member's agents fees paid on behalf of members		(526)
Net cash outflow from financing activities		(526)
Net increase in cash and cash equivalents		17,084
Cash and cash equivalent at 1 January 2018		-
Cash and cash equivalent at end of the year of account	14	17,084

The notes on pages 63 to 72 form part of these financial statements.

Notes to Syndicate Underwriting Year Accounts

For the 36 months ended 31 December 2020

1. Basis of preparation

The Syndicate underwriting year accounts have been prepared under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ("the Lloyd's Regulations") and in accordance with the Syndicate Accounting Byelaw (No. 8 of 2005) and applicable Accounting Standards in the United Kingdom, including relevant disclosures of Financial Reporting Standard 102, The Financial Reporting Standard applicable in the UK (“FRS 102”) and Financial Reporting Standard 103 Insurance Contracts (“FRS 103”).

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

The Syndicate's functional currency is US Dollars, being the primary economic environment in which it operates. The accounts have been presented in Sterling (GBP), which is the Syndicate’s presentation currency and rounded to the nearest £'000.

Members participate on a Syndicate by reference to a year of account and each Syndicate year of account is a separate annual venture. These accounts relate to the 2018 year of account which has been closed by reinsurance to close (“RITC”) at 31 December 2020. Consequently the Statement of Financial Position represents the assets and liabilities of the 2018 year of account at the date of closure and the Income Statement reflects the transactions for that year of account during the 36 months period until closure. As each Syndicate year of account is a separate annual venture, there are no comparative figures.

The 2018 underwriting year has now closed. The Directors of the Managing Agent have prepared the underwriting year accounts on a non-going concern basis. There was no effect of this on the amounts reported in the accounts.

2. Accounting policies

Significant accounting estimates and judgements

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 Statement of Financial Position 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.

Accounting policies continued

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.

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.

Underwriting transactions

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

Gross premiums are allocated to years of account on the basis of the inception date of the policy. Commission and brokerage are charged to the year of account to which the relevant policy is allocated. Policies written under binding authorities, lineslips or consortium arrangements are allocated to the year of account into which the arrangement incepts. Additional and return premiums follow the year of account of the original premium. Premiums are shown gross of brokerage payable and exclude taxes and duties levied on them. Estimates are made for pipeline premiums, representing amounts due, but not yet notified to the Syndicate year of account.

Written premium is earned over the period of the policy on a time apportionment basis having regard, where appropriate, to the incidence of risk. Unearned premiums represent the balance of premiums written in the period to the Statement of Financial Position date that are not earned.

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

Gross claims paid are allocated to the same year of account as that to which the corresponding premiums are allocated and include internal and external claims settlement expenses. Reinsurance recoveries are allocated to the year of account to which the claim was charged.

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

Accounting policies continued

The outstanding claims comprise amounts set aside for claims notified and claims IBNR.

Notified claims are estimated on a case by case basis with regard to the circumstances as reported, any information available from loss adjusters and previous experience of the cost of settling claims with similar characteristics. The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate's external consulting 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. 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 provision for claims includes amounts in respect of internal and external claims handling costs.

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, the claims experience for the year and the current security rating of the reinsurance companies involved.

The Syndicate uses a number of statistical techniques to assist in making the above estimates. 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 methods used, and the estimates made, are reviewed regularly.

A provision for unexpired risks is created where claims, related expenses and deferred acquisition costs, likely to arise after the Statement of Financial Position date in respect of contracts relating to the closing year of account, are expected to exceed the unearned premiums and premiums receivable under these contracts, after the deduction of any acquisition costs deferred.

Acquisition costs, comprising commission and other internal and external costs related to the acquisition of new insurance contracts are deferred to the extent that they are attributable to premiums at the Statement of Financial Position date.

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 Income Statement 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.

Initially, financial assets and liabilities should be measured at fair value (including transaction costs, for assets and liabilities not measured at fair value through profit or loss).

Financial assets at fair value through profit or loss are measured at fair value with fair value 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.

Accounting policies continued

Investment return

Investment return comprises all investment income, realised investment gains and losses and movements in unrealised gains and losses, net of investment expenses, charges and interest.

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 Statement of Financial Position 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 investment 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.

Syndicate operating expenses

Costs incurred by the Managing Agent in respect of the Syndicate are charged to the Syndicate and included within the relevant Income Statement account heading. Where expenses do not relate to any specific year of account they are apportioned between years of account on a basis which reflects the benefit obtained by each year of account from each type of expense.

Where expenses are incurred jointly by the Managing Agent and the Syndicate, they are apportioned as follows:

- Salaries and Related Costs
    - According to time of each individual spent on Syndicate matters.

- Accommodation Costs
    - According to number of personnel.

- Other Costs
    - As appropriate in each case.

Accounting policies continued

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

Amounts recharged by the Managing Agent include costs arising from the use of assets in the period. These rental costs are expensed in full in the period to which the recharge relates.

Offsetting

The Syndicate sets off and presents its financial assets and liabilities net where:

(i) each it and another party owes the other determinable amounts,

(ii) it has the right to set off the amount owed with the amount owed by the other party,

(iii) it intends to set off, and

(iv) the right of set off is enforceable at law.

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 income tax deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax. It is the responsibility of members to agree and settle their individual tax liabilities with HM Revenue & Customs.

Members resident overseas for tax purposes are responsible for agreeing and settling any tax liabilities with the taxation authorities of their country of residence.

Foreign currencies

The Syndicate's functional currency is US Dollars being the primary economic environment in which it operates. The Syndicate's presentation currency is Sterling (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 or appropriate average rate. 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.

In translating its results and financial position into the presentational currency, the Syndicate translates all assets and liabilities at the closing rates of exchange and translates all income and expense items at average rates, with all resulting exchange gains and losses recognised in other comprehensive income.

3. Risk management

Effective from 31 December 2020, the RITC process means that Insurance, Financial, Credit, Liquidity, Market and Capital risks for the Syndicate's 2018 and prior Years of Account are transferred to the accepting 2019 Year of Account of the Syndicate. Accordingly, these Underwriting Year accounts do not have any associated disclosures as required by section 34 of FRS 102 and FRS 103. Full disclosures relating to these risks are provided in the main Annual accounts of the Syndicate.

4. Particulars of business written

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

	Gross premiums written	Gross premium earned	Gross claims incurred	Gross operating expenses	Reinsurance balance	Total
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Direct Insurance;						
Accident & Health	2,579	2,609	(790)	(1,102)	(381)	336
Motor (other)	56	56	-	(18)	(15)	23
Aviation and Transport	541	561	(254)	(122)	(138)	47
Fire and other damage to property	37,940	38,708	(26,290)	(12,469)	(3,368)	(3,419)
Third party liability	268	274	(33)	(105)	(48)	88
Credit and suretyship	8,811	8,837	(5,275)	(2,700)	(1,288)	(426)
	50,195	51,045	(32,642)	(16,516)	(5,238)	(3,351)
Reinsurance acceptances	104,784	106,387	(97,632)	(23,750)	3,125	(11,870)
Total	154,979	157,432	(130,274)	(40,266)	(2,113)	(15,221)

5. Analysis of result by year of account

	2017 Pure Year	2018 Pure Year	2018 Total
	£'000	**£'000**	**£'000**
Technical account balance before allocated investment return and net operating expenses	1,948	23,097	25,097
Brokerage and commission on gross premium	(37)	(24,431)	(24,468)
	1,911	(1,334)	577
Other acquisition costs	-	(1,968)	(1,968)
Change in deferred acquisition costs	-	(404)	(404)
Net other expenses	(46)	(13,472)	(13,426)
Investment income	25	1,113	1,138
	71	(14,731)	(14,660)
Balance on technical account	1,982	(16,065)	(14,083)

6. Reinsurance to close premium payable net of reinsurance

	Reported £'000	IBNR £'000	Total £'000
Gross outstanding losses	(32,754)	(12,322)	(45,076)
Reinsurance recoveries anticipated	11,130	5,488	16,618
Net outstanding losses	(21,624)	(6,834)	(28,458)
Future gross premium reinstatements			4,444
Future reinsurance premium reinstatements			(2,200)
Reinsurance to close premium payable			(26,214)

7. Net operating expenses

	£'000
Acquisition costs	26,436
Change in deferred acquisition costs	(404)
Standard personal expenses	2,569
Administration expenses	10,857
	40,266

The closed year loss is stated after charging:

	£'000
Auditor's remuneration:	
Audit of the Financial statements	88
Other services pursuant to Regulations and Lloyd's Byelaws	8
	96

The auditor did not receive any other remuneration other than that stated above.

8. Investment income

	£'000
Income from investments	1,114
Realised gains on investments	78
Realised losses on investments	(53)
	1,139

9. Investments

	Fair Value £'000	Cost £'000
Holdings in collective investment schemes	14,865	14,865
	14,865	14,865

There was no material change in fair value for financial instruments held at fair value (other than derivatives) attributable to own credit risk in the current or comparative period.

All financial investments are recorded at fair value and have been categorised within the level 2 category of the fair value hierarchy. 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.

There are no financial investments within the level 1 or 3 categories of the fair value hierarchy.

10. Debtors arising out of direct insurance operations

	£'000
Due within one year – Intermediaries	585
	585

11. Debtors arising out of reinsurance operations

	£'000
Due within one year – Intermediaries	3,106
	3,106

12. Creditors arising out of direct insurance operations

	£'000
Due within one year – Intermediaries	264
	264

13. Creditors arising out of reinsurance operations

	£'000
Due within one year – Reinsurance accepted	7,640
Due within one year – Reinsurance ceded	489
	8,129

14. Cash and cash equivalents

	£'000
Cash at bank and in hand	2,218
Holdings in collective investment schemes	14,865
	17,083

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

The Financial Statements of the Managing Agency can be obtained by application to the Registered Office (see page 4).

16. Related parties

Asta provides services and support to Syndicate 5886 in its capacity as Managing Agent. The 2018 year of account was charged managing agency fees of £1.35 million. Asta also recharged £1.44 million worth of service charges to the 2018 year of account. As at 31 December 2020, nothing 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 Byelaw provisions. All transactions are entered into on an arm's length basis.

The Managing Agent is owned by Asta Capital Limited, a company incorporated in the U.K. and registered in England and Wales. Paraline International, a wholly owned subsidiary of Paraline Group, owns 31.3% of Asta Capital Limited.

Blenheim's parent company – White Bear Capital Limited, wholly owns White Bear Corporate Capital Limited, a Lloyd's corporate member which participated on Syndicate 5886 for the 2018 year of account with a capacity of £4,605.

17. Post Statement of Financial Position event

The 2018 underwriting year loss, including members' agents' fees, equates to £14.4 million. This will be collected from members in US Dollars during June 2021.

Summary of Closed Year Results (unaudited)

As at 31 December 2020

	2017 £'000	2018 £'000
Syndicate allocated capacity	**149,904**	**179,796**
Number of Underwriting members	1,378	1,363
Aggregate net premiums (£'000)	71,414	118,516
Results for an illustrative share of £10,000		
	£	**£**
Gross premiums written	6,907	8,620
Net earned premiums	4,641	6,712
Reinsurance to close from an earlier account	-	796
Net claims	(4,572)	(4,657)
Reinsurance to close	(954)	(1,458)
Loss on exchange	(7)	(47)
Syndicate operating expenses	(1,678)	(2,097)
Balance on technical account	(2,571)	(751)
Investment income less investment expenses and charges and investment gains less losses	35	63
Loss on ordinary activities	(2,536)	(688)
Currency translation differences	74	58
Loss before illustrative personal expenses	(2,462)	(630)
Illustrative personal expenses		
Managing agent's fee	(75)	(75)
Other personal expenses (excluding member's agents fees)	(79)	(68)
	(154)	(143)
Loss after illustrative personal expenses	(2,616)	(773)
Total of Syndicate operating expenses, managing agent's fee and profit commission	(1,753)	(2,172)
Capacity utilised	69.1%	86.2%
Net capacity utilised	47.6%	65.9%
Loss ratio	119.1%	81.4%

Notes

1. The summary of closed year results has been prepared from the audited accounts of the Syndicate. This summary however is not audited.

2. Personal expenses have been stated at the amount which would be incurred pro rata by individual Names writing the illustrative premium income in the Syndicate irrespective of any minimum charge applicable. Corporate members may be charged at different rates. Foreign tax, which may be treated as a credit for personal tax purposes, has been excluded.

3. As regards the 2018 year of account, an illustrative share of £10,000 represents 0.0056% of the respective allocated capacity.

4. The loss ratio is net claims paid plus the reinsurance to close divided by net earned premiums plus reinsurance to close received.