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MS Amlin Underwriting Limited Syndicate 2001

Annual Report & Financial Statements
31 December 2021

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Directors and administration

Managing agent
MS Amlin Underwriting Limited

Directors
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A J Carrier
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P J Green
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M P Hudson
S Imayoshi
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H S Trilovszky
A Verga
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15 Canada Square
London
E14 5GL

Seven year financial summary

£m	2021	2020	2019	2018	2017	2016	2015
Syndicate allocated capacity	1,600.0	1,600.0	1,850.0	1,850.0	1,850.0	1,400.0	1,400.0
Gross premium written	1,339.7	1,370.0	2,084.5	2,372.2	2,082.2	1,830.7	1,653.9
Net premium written	952.4	975.8	1,548.7	1,699.9	1,533.9	1,357.6	1,217.6
Net earned premium	962.3	1,271.9	1,724.6	1,621.9	1,395.5	1,294.9	1,107.8
Net claims	(570.7)	(971.0)	(1,101.1)	(1,119.7)	(1,330.8)	(813.5)	(538.4)
Expenses	(411.5)	(541.0)	(675.2)	(679.5)	(641.1)	(571.1)	(479.4)
Foreign exchange (loss)/gain	(8.3)	(1.5)	6.8	37.7	6.1	16.3	11.5
Investment return	36.1	63.5	114.1	25.6	70.6	38.3	32.8
Profit/(loss) for the financial year	7.9	(178.1)	69.2	(114.0)	(499.7)	(35.1)	134.3
Claims ratio	59%	76%	64%	69%	95%	63%	49%
Expense ratio	43%	43%	39%	42%	46%	44%	43%
Combined ratio	102%	119%	103%	111%	141%	107%	92%

Report of the directors of the managing agent

The directors of MS Amlin Underwriting Limited (the 'managing agent' or 'MS AUL') present their managing agent's report for Syndicate 2001 (the 'Syndicate') for the year ended 31 December 2021.

The annual report is prepared using the annual basis of accounting as required by Statutory Instrument No. 1950 of 2008, the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 ('the 2008 Regulations') and in accordance with United Kingdom Generally Accepted Accounting Practice including Financial Reporting Standard 102: the Financial Reporting standard applicable in the United Kingdom and Republic of Ireland FRS 102 and Financial Reporting Standard 103: Insurance Contracts (FRS 103).

Business review and principal activities

The Syndicate is, through MS Amlin Corporate Member Limited (the 'Corporate Member' or 'MS ACM'), a wholly aligned Syndicate of Mitsui Sumitomo Insurance Company, Limited ('MSI'). The ultimate parent company is MS&AD Insurance Group Holdings, Inc. ('MS&AD'). The principal activity of Syndicate 2001 is the transaction of general insurance and reinsurance business in the United Kingdom and Belgium, primarily through the Society of Lloyd's and its component parts.

The total premium income capacity, net of brokerage, of the Syndicate for each of the years of account open during 2021 was as follows:

	£m
2019 year of account	1,850.0
2020 year of account	1,600.0
2021 year of account	1,600.0

The total premium income capacity of the Syndicate in 2022 is £1,600.0 million.

The result for calendar year 2021 is a profit of £7.9 million (2020: £178.1 million loss). Further information on the Syndicate's performance is outlined below.

Significant developments

During 2021 and to the date this report was authorised, there have been a number of significant events impacting the Syndicate.

Completion of restructuring – building a strong base

In 2021, a number of restructuring actions were completed. These began in 2019, with a strategic review of the business underwritten by the Syndicate leading to the ceasing of underwriting several lines of business by 31 January 2020. This was followed with the reorganisation of MSI's international business, leading to the Corporate Member and the managing agent becoming direct subsidiaries of MSI. MSI and its subsidiaries are hereby collectively referred to as the Group.

During 2020, a review of shared services in the UK was undertaken. The outcome was that a number of support functions and activities were transferred to the managing agent. This activity concluded in the early part of 2021. A new executive and senior management team of the managing agent was finalised during the year.

The underwriting actions taken over the course of 2019 and 2020, together with the structural and management changes described, have enabled the Syndicate to simplify the operating model, enhances strategic and operational oversight and allows for a focus on its core markets of Reinsurance and Insurance (previously referred to as Specialty).

During 2022, management intends to continue to address the legacy tail business (see the actions described) to manage the cost and capital base, improve the quality of the existing portfolio and therefore establish a platform for future profitability and growth. This includes co-orporation with associate Group companies in expanding the Syndicate's underwriting activities in the US.

Brexit – Lloyd's Brussels and Part VII transfer

The UK left the EU on 31 January 2020, with a new trade deal between the UK and EU that came into effect on 1 January 2021. On 30 December 2020, the Lloyd's market wide Part VII transfer of historical, open EEA policies and claims, to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), was completed. Further details on this transfer can be found in note 11(a).

By utilising this structure, MS AUL and Lloyd's has a platform for which there will be no restrictions on servicing any policies, especially for those clients with multi-jurisdictional polices, that span either individual EU states or the UK, mitigating the loss of EU passporting rights. This allows MS Amlin to continue to support our clients throughout the UK and Europe to the same high standard as was maintained pre-Brexit. Under the new arrangements, MS AUL seconded five employees to Lloyd's Brussels to directly engage with customers at a local level.

Legacy reserves

Following the decision to cease underwriting certain lines of business in 2019 and 2020, the Syndicate has been considering options to manage those lines of business appropriately. Having focussed initially on the former UK Property and Casualty business, the managing agent, on behalf of the Syndicate, sought permission from Lloyd's and the PRA to enter a "Split" Reinsurance to close (RITC) contract on its 2019 and prior years of account reserves for that business. The contract covers business not transacted through the Xchanging bureaux system. This contract was executed on 18 February 2022 but, as with all such contracts, takes effect from 1 January 2022.

On the same date, the Syndicate entered a 100% quota share contract for the 2020 year of account reserves in the same lines of business, in preparation for a similar split RITC transaction in 2023.

The value of liabilities reinsured, net of related debtor balances transferred, under the RITC as at 31 December 2021 was £187.3 million (c. 12% of net assets).

Russia – Ukraine conflict

In February 2022, a military conflict arose in Ukraine. The Syndicate does have some limited insurance exposure primarily through its crisis management, contract frustration, political risks and war lines of business. Management are actively monitoring the situation and assisting policyholders where possible. The Syndicate's investment portfolios have insignificant exposure to Ukrainian and Russian assets.

Underwriting performance

	2021 £m	2020 £m
Gross written premiums	1,339.7	1,370.0
Net written premiums	952.4	975.8
Net earned premiums	962.3	1,271.9
Claims ratio	59%	76%
Expense ratio	43%	43%
Combined ratio	102%	119%

The underwriting result is a loss of £19.8 million (balance on the technical account less allocated investment return) (2020: £240.1 million loss) with an overall combined ratio of 102% (2020: 119%).

Gross written premiums decreased to £1,339.7 million (2020: £1,370.0 million), a reduction of 2.2% driven by the impact of a strengthening of Sterling and the underwriting strategy review noted above. Net earned premiums decreased by £309.5 million to £962.4 million (2020: £1,271.9 million) for the same reasons, noting that prior to the strategic review the syndicate recorded £1,548.7 million of net written premium, much of which was earned in 2020. The Syndicate's claims ratio improved to 59% (2020: 76%), with the main difference being the initial COVID losses recognised in 2020.

COVID has impacted all organisations in many ways. Operationally, we have adapted our ways of working such that the vast majority of our staff are able to work from home and have continued to do so during the extended lockdowns of 2021. With the easing of restrictions in the U.K. in 2022, a larger number of staff are now more frequently attending the company's offices.

As reported in 2020, the loss impact of COVID has been experienced across a number of classes, including our discontinued UK P&C classes for business interruption claims. Our assessment of the number of classes impacted has not materially changed in the year. The Supreme Court ruling issued on 15 January 2021, reflecting the benchmark case on policy wordings, brought a degree of certainty to many, but not all, matters relating to coverage of this extremely unusual event and enabled the settlement of many of those claims as the insureds quantified their claims in line with the court judgement. At 31 December 2021, we had settled 3,435 claims of 4,343 notified of UK business interruption claims notified totalling £104.8 million.

In terms of COVID losses, the Syndicate has recorded gross best estimate losses of £299.6.0 million (2020: £229.0 million) and £137.2.0 million net (2020: £136.0 million) at 31 December 2021. Further details on the COVID reserves and uncertainties can be found in note 11(i), page 45.

2021 saw a large number of natural catastrophe events, estimated to be within the top five most costly ever for insured losses. The Syndicate has recorded net loss reserves (net of reinstatement premiums) of £84.0 million in 2021. This includes exposure to the Uri Texas freeze, European Floods, Hurricane Ida and US Tornadoes. These events have exceeded our loss expectations for this type of event and contributed 9% to the loss ratio in 2021 (2020: 7%).

In concluding on the reserving for all classes, many of which are longer tailed in nature, management has reflected on the impact of the heightened inflationary environment that has emerged following the pandemic. There remains considerable uncertainty as to the extent and duration of this environment, as well as its potential impact on future claims settlements.

The expense ratio has remained the same at 43% (2020: 43%). Operating expenses as a value have reduced year on year as a result of cost savings as the restructuring and management actions, as well as COVID circumstances, towards rightsizing the expense base in line with the smaller size of the business compared with 2020 have yielded reductions. However, this is not reflected in the expense ratio due to the supressed net earned premium.

Divisional Analysis

During 2021, the Syndicate operations were managed across two divisions, Insurance (previously referred to as Specialty) and Reinsurance, managed by a single underwriting management team led by A J Carrier as active underwriter. This section analyses the underwriting performance of these two divisions, whilst the impact on performance of the discontinued lines has been separated out to provide clarity The comparatives for the Insurance and Reinsurance divisions have therefore been re-presented to align with this new divisional split, which is based on the managing agent's view of how the Syndicate is managed. This differs from the analysis by Lloyd's class disclosed in note 4.

Insurance

	2021 £m	2020 £m
Gross written premiums	876.5	863.6
Net written premiums	682.0	683.9
Net earned premiums	644.8	719.2
Claims ratio	46%	58%
Expense ratio	45%	43%
Combined ratio	91%	101%

Insurance generated £876.5 million of gross written premium, an increase of £12.7 million on the prior year. This increase reflects further favourable rate change and growth, supressed by selective reduction in underwriting in poorer performing classes and the continued wider economic impact of COVID.

The net claims ratio has reduced by 12%, largely driven by the absence of COVID losses in 2021. COVID losses totalled £24.0 million in 2020 compared to an improvement £4.0 million in 2021. Reserve releases of £23.0 million in 2021 compare favourably to 2020 which saw a strengthening of £12.0 million. Reserve releases were driven by favourable performance in a host of classes, including Cargo, Marine Liability, Commercial Property (driven by prior year cat releases), War, Financial Lines, and Credit. Cat losses of £38.0 million compare adversely to 2020 which totalled £24.0 million. The main drivers of the cat losses for the insurance segment are Hurricane Ida and winter storm Uri.

The expense ratio has deteriorated by 2 points due to the impact of suppressed net earned premium, in absolute terms expenses are down £30.0 million on the prior year, mainly as a result of reduced acquisition costs from the reduction in earned income.

Reinsurance

	2021 £m	2020 £m
Gross written premiums	458.2	449.9
Net written premiums	267.3	264.5
Net earned premiums	273.7	306.9
Claims ratio	58%	98%
Expense ratio	34%	35%
Combined ratio	92%	135%

Reinsurance generated £458.2 million of gross written premium, an increase of £8.3 million on the prior year. This modest increase reflects further favourable rate change and growth but is supressed by the impact of selective underwriting to continue to improve the profitability of the book.

The claims ratio of 58% reduced by 40 percentage points compared with 2020 driven by COVID. COVID losses in 2020 totalled £39.0 million compared to a £7.0 million release in 2021. Additionally, the Reinsurance division benefitted from £24.0 million of net reserve releases in 2021 (driven by favourable performance in Cat NA and Cat International) compared to a strengthening of £17.0 million in 2020.

The expense ratio has improved by 1 point. In absolute terms expenses have reduced by £17.0 million on the prior year, mainly due to the reduction in acquisition costs due to the reduced premium income as well as Lloyd's costs savings. However, the improvement is limited in ratio terms due to the impact of suppressed net earned premium.

Discontinued lines

	2021 £m	2020 £m
Gross written premiums	5.0	56.5
Net written premiums	3.3	28.0
Net earned premiums	43.9	245.9
Claims ratio	244%	99%
Expense ratio	85%	42%
Combined ratio	329%	141%

Gross written premium for discontinued classes predominantly relates to premium revisions within the Pro Rata class. This is down compared to 2020 which still had a small amount of premium renewing in P&C UK and International Casualty.

The net claims ratio has deteriorated by 145%, largely driven by reserve strengthening. Adverse reserve development totalled £94.0 million in 2021 compared to releases of £14.0 million in 2020. The strengthening is predominantly driven by US trucking liability (£33.0 million) and International Casualty (£38.0 million) classes, which saw significant deterioration in the year, driven by adverse experience, changes to the development pattern and prior loss ratios. Further deteriorations include the Contractors sub-class of the US Casualty book, Aviation, plus other P&C UK classes. These are partially offset by a release in Pro Rata.

The expense ratio has deteriorated by 43 points due to the impact of suppressed net earned premium. In absolute terms expenses are down £30.0 million on the prior year, mainly as a result of reduced acquisition costs from the reduction in earned income.

Discontinued lines account for £993.0 million and £709.0 million of the total gross (£3,048.8 million) and net (£2,088.2 million) claims outstanding balances respectively. The RITC contract mentioned above accounted for £267.5 million of the gross claims outstanding.

Investment performance

The Syndicate produced an investment return of £36.1 million in the year (2020: £63.5 million). Syndicate underwriting assets, predominantly bonds and overseas deposits, generated £4.2 million at a return of 0.3% (2020: £22.3 million and return of 1.2%). Corporate member capital (Funds in Syndicate) generated a gain of £31.8 million at a return of 4.9% (2020: £41.2 million and return of 8.7%).

Investment returns were ahead of estimates through 2021 with exceptional results from real asset positions the primary driver. 2021 can be characterised as a year of transition. The pandemic transitioned from strict lockdowns to widespread availability of vaccines before a new variant emerged in the final month of the year. Equally, economies transitioned from low levels of activity to higher growth profiles later in the year as they re-opened. Finally, global central banks and governments transitioned from exceptional stimulus measures to removing (or indicating an impending removal of) emergency levels of support. These combined impacts resulted in the positive returns on the equity and property portfolios within the funds in syndicate.

Returns from fixed income were hard to come by in a year of rising interest rates and shifting yield curve shapes, with a slightly positive return across our holdings therefore pleasing against the wider difficult backdrop for the asset class. Higher starting interest rates are a positive for portfolio returns in the policyholder portfolios going forward.

At 31 December 2021, investments amounted to £2,057.7 million (2020: £2,204.1 million). Directly held bonds accounted for 39.0% of the portfolio (2020: 38.5%) with the residual of the portfolio held mostly in collective investment schemes and equities. The bond portfolio remains of a high quality with 24.1% of the portfolio government and government agency backed.

The principal risks and uncertainties of the business addressed within the notes to the financial statements on pages 17 to 48.

Liquidity

The Syndicate continues to experience negative cash flows from operating activities, as illustrated in the Statement of cash flows. This arises as a result of the payment of losses incurred in earlier years of account when the premium income was significantly higher than currently being written. The managing agent has ensured there is sufficient liquidity in the Syndicate during the year by making cash calls on the Corporate Member of £154.0 million, and utilising letters of credit in providing US trust fund collateral as an alternative to drawing on the Syndicate's free funds. The Syndicate has, at the date of this report, access to a cash based revolving credit facility of £160.0 million, and to a letter of credit facility for US trust fund collateral of $150.0 million. Further details of these facilities can be found in note 10(m).

Future developments

Syndicate 2001's underwriting capacity for 2022 is £1,600 million (2021: £1,600 million). The Syndicate will continue to transact predominantly the current classes of general insurance and reinsurance business with the changes outlined on page 4.

Climate Change

The Board has taken note of future requirements for climate related financial disclosures as set by the Bank of England (through the Prudential Regulation Authority) in various announcements and consultation processes.

The Board has overall responsibility for strategy, performance and risk management and only through careful management in each of these areas of our business can we achieve our strategic objectives and manage the risks and opportunities arising from climate change. We are committed to making transparent, sustainable financial decisions and to actively managing the long-term financial risks of climate change, in partnership with our customers as we transition together towards to a low carbon future.

The Board has appointed a dedicated executive and Board sponsor responsible for climate change. The MS AUL Strategy & Transformation Director is Chairman of our ESG Forum, the named executive with regulatory responsibility for climate change and represents MS Amlin on the ClimateWise Insurance Advisory Council.

MS Amlin has been a signatory to the ClimateWise initiative since its inception in 2007. Our membership offers us a platform to collaborate and actively contribute towards the insurance industry's response, identifying new ways and approaches to confront climate change challenges. The most recent MS Amlin ClimateWise report is available via www.msamlin.com and we are pleased to note an improvement in our score from prior year to 60% (2020: 52%). ClimateWise Principles are aligned with the Task Force on Climate-related Financial Disclosures. We recognise the need to continue to improve and have taken concrete steps to do so, by prioritising Underwriting and Investments.

As a responsible member of the (re)insurance community, we recognise that working hard to provide a sustainable and stable future for our clients, people and partners is essential to our business success. In 2021, MS AUL:

i) Complied with the PRA's supervisory statement SS3/19 and Climate Wise Principles;

ii) Integrated Climate Risk within the Risk Register;

iii) Participated in the Bank of England's Climate Biennial Exploratory Scenario (CBES) exercise;

iv) Established a Climate Risk forum to ensure alignment with our parent's sustainability commitments; and ensure MS AUL fulfils is regulatory compliance obligations

v) Promoted the further use of ESG factors in the investment process by actively engaging with external investment managers

vi) Appointed an experienced Head of Sustainability and ESG who reports to the MS AUL Strategy & Transformation Director.

Directors

The current directors of the managing agent are shown on page 2. During the year and up to the date of signing, the following changes to the Board of Directors have occurred:

Name	Date of appointment	Date of resignation
G A M Bonvarlet		30 November 2021
M Cronin	1 January 2021	30 April 2021
V Desai	27 January 2022	
J G Holland		29 May 2021
J Hopes	1 August 2021	
H S Trilovszky	1 April 2021	

Going concern

The Syndicate has financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment. The directors have continued to review the business plans, liquidity and operational resilience of the Syndicate, including the continuing impacts of COVID-19.

There is no intention to cease underwriting or cease the operations of the Syndicate. The 2022 year of account of Syndicate 2001 has opened and the directors have concluded that the Syndicate has sufficient resources to, and a reasonable expectation that it will, open a 2023 year of account. There is also surplus capital available in the Corporate Member.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

Independent auditor

Pursuant to Section 14 (2) of Schedule 1 of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008, the auditor will be deemed to be reappointed and KPMG LLP will therefore continue in office.

Disclosure of information to the auditor

Each director who held office at the date of the approval of this report confirms that:

- so far as the director is aware, there is no relevant audit information of which the Syndicate's auditor is unaware, and
- the director has taken all the steps that he or she ought to have taken as a director in order to make himself or herself aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

Statement of responsibilities of the directors of the managing agent

The directors of the managing agent are responsible for preparing the Syndicate financial statements in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their Syndicates financial statements for each financial year. Under that law they have elected to prepare the financial statements in accordance with UK Accounting Standards and applicable law (UK Generally Accepted Accounting Practice), including FRS 102 The Financial Reporting Standard applicable in the UK and Republic of Ireland.

Under the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the financial statements unless they are satisfied that they give a true and fair view of the state of affairs of the Syndicate and of the profit or loss of the Syndicate for that period. In preparing these financial statements, the directors of the managing agent are required to:

- Select suitable accounting policies and then apply them consistently;
- Make judgements and estimates that are reasonable and prudent;
- State whether applicable UK Accounting Standards have been followed, subject to any material departures disclosed and explained in the financial statements; and
- Assess the Syndicate's ability to continue as a going concern, disclosing, as applicable, matters related to going concern; and
- Use the going concern basis of accounting unless they either intend to cease trading, or have no realistic alternative but to do so.

The directors of the managing agent are responsible for keeping adequate accounting records that are sufficient to show and explain the Syndicate's transactions and disclose with reasonable accuracy at any time the financial position of the Syndicate and enable them to ensure that the financial statements comply with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error, and have general responsibility for taking such steps as are reasonably open to them to safeguard the assets of the Syndicate and to prevent and detect fraud and other irregularities.

The directors of the managing agent are responsible for the maintenance and integrity of the Syndicate and financial information included on the Syndicate's website. Legislation in the UK governing the preparation and dissemination of financial statements may differ from legislation in other jurisdictions.

On behalf of the Board

J Slabbert
Chief Executive Officer
3 March 2022

Independent auditor's report to the member of Syndicate 2001

Opinion

We have audited the Syndicate financial statements of Syndicate 2001 (the "Syndicate") for the year ended 31 December 2021 which comprise the Statement of Profit or Loss, Statement of Financial Position, Statement of Cash Flows, Statement of Changes in Members' Balances, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate financial statements:

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

Basis for opinion

We conducted our audit in accordance with International Standards on Auditing (UK) ("ISAs (UK)") and applicable law. Our responsibilities are described below. We have fulfilled our ethical responsibilities under, and are independent of the Syndicate in accordance with, UK ethical requirements including the Financial Reporting Council ("FRC") Ethical Standard as applied to other entities of public interest. We believe that the audit evidence we have obtained is a sufficient and appropriate basis for our opinion.

Going concern

The directors of the managing agent have prepared the Syndicate financial statements on the going concern basis as they do not intend to cease underwriting or to cease its operations, and as they have concluded that the Syndicate's financial position means that this is realistic. They have also concluded that there are no material uncertainties that could have cast significant doubt over its ability to continue as a going concern for at least a year from the date of approval of the Syndicate financial statements (the "going concern period").

In our evaluation of the directors' conclusions, we considered the inherent risks to the Syndicate's business model and analysed how those risks might affect the Syndicate's financial resources or ability to continue operations over the going concern period.

Our conclusions based on this work:

- we consider that the directors' use of the going concern basis of accounting in the preparation of the financial statements is appropriate; and
- we have not identified, and concur with the directors' assessment that there is not, a material uncertainty related to events or conditions that, individually or collectively, may cast significant doubt on the Syndicate's ability to continue as a going concern for the going concern period.

However, as we cannot predict all future events or conditions and as subsequent events may result in outcomes that are inconsistent with judgements that were reasonable at the time they were made, the above conclusions are not a guarantee that the Syndicate will continue in operation.

Fraud and breaches of laws and regulations – ability to detect

Identifying and responding to risks of material misstatement due to fraud

To identify risks of material misstatement due to fraud ("fraud risks") we assessed events or conditions that could indicate an incentive or pressure to commit fraud or provide an opportunity to commit fraud.

Our risk assessment procedures at the Syndicate and managing agent included:

- Enquiring of directors, the audit committee, internal audit, compliance, legal and risk and inspection of policy documentation as to the Syndicate and managing agent's high-level policies and procedures to prevent and detect fraud, including the internal audit function, and the Syndicate and managing agent's channel for "whistleblowing", as well as whether they have knowledge of any actual, suspected or alleged fraud.
- Reading Board, audit committee and risk and solvency committee minutes.
- Considering remuneration incentive schemes and performance targets for management and directors.
- Using analytical procedures to identify any usual or unexpected relationships.
- Using our own forensic specialists to assist us in identifying fraud risks based on discussions of the circumstances of the Syndicate.

We communicated identified fraud risks throughout the audit team and remained alert to any indications of fraud throughout the audit.

As required by auditing standards, and taking into account possible pressures to meet profit targets and our overall knowledge of the control environment, we perform procedures to address the risk of management override of controls, in particular:

- the risk that management may be in a position to make inappropriate accounting entries; and
- the risk of bias in accounting estimates and judgements such as the valuation of claims outstanding and the valuation of premium estimates.

We did not identify any additional fraud risks. We performed procedures including:

- Identifying journal entries and other adjustments to test based on risk criteria and comparing the identified entries to supporting documentation. These included those posted by senior management, duplicate entries, unbalanced journals, journals posted without a user identity, those posted to accounts linked to an accounting estimate and those posted with unusual descriptions; and
- Assessing whether the judgements made in making accounting estimates are indicative of a potential bias.

Identifying and responding to risks of material misstatement due to non-compliance with laws and regulations

We identified areas of laws and regulations that could reasonably be expected to have a material effect on the Syndicate financial statements from our general commercial and sector experience and through discussion with the directors and other management (as required by auditing standards), and from inspection of the Syndicate and Managing Agent's regulatory and legal correspondence and discussed with the directors and other management the policies and procedures regarding compliance with laws and regulations.

As the Syndicate is regulated, our assessment of risks involved gaining an understanding of the control environment including the entity's procedures for complying with regulatory requirements.

We communicated identified laws and regulations throughout our team and remained alert to any indications of non-compliance throughout the audit.

The potential effect of these laws and regulations on the Syndicate financial statements varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the Syndicate financial statements including financial reporting legislation (including related Lloyd's regulations) and we assessed the extent of compliance with these laws and regulations as part of our procedures on the related Syndicate financial statements items.

Secondly, the Syndicate is subject to many other laws and regulations where the consequences of non-compliance could have a material effect on amounts or disclosures in the Syndicate financial statements, for instance through the imposition of fines or litigation or the loss of the Syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: regulatory capital, conduct and financial crime recognising the financial and regulated nature of the Syndicate's activities. Auditing standards limit the required audit procedures to identify non-compliance with these laws and regulations to enquiry of the directors and other management and inspection of regulatory and legal correspondence, if any. Therefore, if a breach of operational regulations is not disclosed to us or evident from relevant correspondence, an audit will not detect that breach.

Context of the ability of the audit to detect fraud or breaches of law or regulation

Owing to the inherent limitations of an audit, there is an unavoidable risk that we may not have detected some material misstatements in the Syndicate financial statements, even though we have properly planned and performed our audit in accordance with auditing standards. For example, the further removed non-compliance with laws and regulations is from the events and transactions reflected in the Syndicate financial statements, the less likely the inherently limited procedures required by auditing standards would identify it.

In addition, as with any audit, there remained a higher risk of non-detection of fraud, as these may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal controls. Our audit procedures are designed to detect material misstatement. We are not responsible for preventing non-compliance or fraud and cannot be expected to detect non-compliance with all laws and regulations.

Report of the directors of the managing agent

The directors are responsible for the Report of the directors of the managing agent. Our opinion on the Syndicate financial statements does not cover that report and we do not express an audit opinion or, except as explicitly stated below, any form of assurance conclusion thereon.

Our responsibility is to read the Report of the directors of the managing agent and, in doing so, consider whether, based on our Syndicate financial statements audit work, the information therein is materially misstated or inconsistent with the Syndicate financial statements or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in that report;
- in our opinion the information given in the Report of the directors of the managing agent is consistent with the Syndicate financial statements; and

- in our opinion the information given in the Report of the directors of the managing agent have been prepared in accordance with the requirements of the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

Matters on which we are required to report by exception

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

- adequate accounting records have not been kept, or returns adequate for our audit have not been received from branches not visited by us; or
- the Syndicate financial statements are not in agreement with the accounting records and returns; or
- certain disclosures of directors' remuneration specified by law are not made; or
- we have not received all the information and explanations we require for our audit.

We have nothing to report in these respects.

Responsibilities of the directors of the managing agent

As explained more fully in their statement set out on page 9, the directors of the managing agent are responsible for: the preparation of the Syndicate financial statements and for being satisfied that they give a true and fair view; such internal control as they determine is necessary to enable the preparation of Syndicate financial statements that are free from material misstatement, whether due to fraud or error; 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 they either intend to cease trading, or have no realistic alternative but to do so.

Auditor's responsibilities

Our objectives are to obtain reasonable assurance about whether the Syndicate financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue our opinion in an auditor's report. Reasonable assurance is a high level of assurance, but does not 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 aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of the Syndicate financial statements.

A fuller description of our responsibilities is provided on the FRC's website at www.frc.org.uk/auditorsresponsibilities.

The purpose of our audit work and to whom we owe our responsibilities

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

Timothy Butchart (Senior Statutory Auditor)
for and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
15 Canada Square,
London, E14 5GL

3 March 2022

Statement of profit or loss for the year ended 31 December 2021

Technical account – general business	Note	2021 £m	2020 £m
Earned premiums, net of reinsurance			
Gross written premiums	4	1,339.7	1,370.0
Outward reinsurance premiums		(387.3)	(394.2)
Net written premiums		952.4	975.8
Change in the provision for unearned premiums			
Gross amount	11(c)	9.4	363.0
Reinsurers' share	11(c)	0.6	(66.9)
Change in the net provision for unearned premiums	11(c)	10.0	296.1
Earned premiums, net of reinsurance		962.4	1,271.9
Allocated investment return transferred from the non-technical account		4.2	22.3
Claims incurred, net of reinsurance			
Claims paid			
Gross amount	11(a)	(1,199.5)	(1,333.2)
Reinsurers' share	11(a)	362.6	399.2
Net claims paid	11(a)	(836.9)	(934.0)
Change in the provision for claims			
Gross amount	11(a)	292.3	(32.9)
Reinsurers' share	11(a)	(26.1)	(4.1)
Change in the net provision for claims	11(a)	266.2	(37.0)
Claims incurred, net of reinsurance	11(a)	(570.7)	(971.0)
Net operating expenses	5	(411.5)	(541.0)
Balance on the technical account for general business		(15.6)	(217.8)

Non-technical account – general business	Note	2021 £m	2020 £m
Balance on the technical account for general business		(15.6)	(217.8)
Investment income	8	19.8	35.5
Realised losses on investments	8	(38.6)	(4.0)
Unrealised gains on investments	8	55.9	32.1
Investment expenses and charges	8	(1.1)	(0.1)
Allocated investment return transferred to general business technical account		(4.2)	(22.3)
Foreign exchange losses		(8.3)	(1.5)
Profit/(loss) for the financial year		7.9	(178.1)

All operations of the Syndicate relate to continuing operations.

There were no amounts recognised in other comprehensive income in the current or preceding year other than those included in the Statement of profit or loss. Therefore, no Statement of other comprehensive income has been presented.

The accompanying notes on pages 17 to 48 form part of these financial statements.

Statement of financial position at 31 December 2021

	Note	2021 £m	2020 £m
Investments			
Financial investments	10(c)	1,968.1	2,204.1
Reinsurers' share of technical provisions			
Provision for unearned premiums	11(c)	122.6	124.1
Claims outstanding	11(a)	960.6	987.3
		1,083.2	1,111.4
Debtors			
Debtors arising out of direct insurance operations		489.0	500.6
Debtors arising out of reinsurance operations		505.4	698.0
Other debtors	10(d)	175.7	206.6
		1,170.1	1,405.2
Other assets			
Cash at bank and in hand	10(a)	89.6	106.6
Overseas deposits	10(b)	147.6	139.4
		237.2	246.0
Prepayments and accrued income			
Deferred acquisition costs	11(d)	173.6	183.3
Other prepayments and accrued income		21.8	27.0
		195.4	210.3
Total assets		4,654.0	5,177.0
Capital and reserves			
Member's balance		551.6	471.6
Technical provisions			
Provision for unearned premiums	11(c)	767.1	776.2
Claims outstanding	11(a)	3,048.8	3,340.2
		3,815.9	4,116.4
Creditors			
Creditors arising out of direct insurance operations		116.0	157.0
Creditors arising out of reinsurance operations		148.3	361.1
Other creditors	10(e)	22.2	70.9
		286.5	589.0
Total liabilities		4,654.0	5,177.0

The accompanying notes on pages 17 to 48 form part of these financial statements.

The financial statements on pages 13 to 16 were approved by the Board of Directors of MS Amlin Underwriting Limited and were signed on its behalf by

P J Green
Chief Financial Officer
3 March 2022

Statement of cash flows for the year ended 31 December 2021

Cash flows from operating activities	Note	2021 £m	2020 £m
Profit/(Loss) for the financial year		7.9	(178.1)
Decrease in gross technical provisions		(293.2)	(318.3)
Decrease in reinsurers' share technical provisions		30.7	68.4
Decrease in debtors		205.1	228.1
(Decrease)/increase in creditors		(255.7)	21.5
(Decrease)/increase in other assets/liabilities		(19.1)	112.9
Investment return		(36.1)	(63.6)
Foreign exchange gains		(0.8)	(95.2)
Net cash (outflow)/inflow from operating activities		(361.2)	(224.3)
Cash flows from investing activities			
Purchase of equity, debt instruments and derivatives		(3,495.4)	(3,443.6)
Sale of equity, debt instruments and derivatives		3,747.7	3,609.7
Investment income received		13.1	8.5
Foreign exchange losses		2.3	-
Net cash inflow from investing activities		267.7	174.6
Cash flows from financing activities			
Distribution of profit		(0.7)	(104.3)
Cash call		154.0	110.0
Funds in Syndicate (releases)/additions		(81.2)	53.4
Net cash inflow/(outflow) from financing activities		72.1	59.1
Net (decrease)/increase in cash and cash equivalents		(21.4)	9.4
Cash and cash equivalents at the beginning of the year		106.5	102.3
Effect of exchange rate on cash and cash equivalents		4.5	(5.1)
Cash and cash equivalents at the end of the year	10(a)	89.6	106.6

The accompanying notes on pages 17 to 48 form part of these financial statements.

Statement of changes in member's balance for the year ended 31 December 2021

	2021 £m	2020 £m
Member's balance brought forward at 1 January	471.6	590.6
Profit/(loss) for the financial year	7.9	(178.1)
Funding received from member	72.1	59.1
Member's balance carried forward at 31 December	551.6	471.6

Members participate on syndicates by reference to years of account. Assets and liabilities are assessed with reference to policies incepting in that year of account in respect of their membership of a particular year. MS Amlin Corporate Member Limited is a wholly owned subsidiary of Mitsui Sumitomo Insurance Company, Limited.

The accompanying notes on pages 17 to 48 form part of these financial statements.

1. Basis of preparation

The financial statements have been prepared using the annual basis of accounting in accordance with Regulation 5 the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts Regulations 2008) applicable Accounting Standards in the United Kingdom and the Republic of Ireland, including Financial Reporting standard 102 (FRS 102). FRS 102 requires the application of Financial Reporting Standard 103 (FRS 103) in relation to insurance contracts. These requirements have been consistently applied to all years presented.

The financial statements are presented in pound sterling (GBP), which is the Syndicate's functional currency.

Going concern
The Syndicate has financial resources to meet its financial needs and manages a mature portfolio of insurance risk through an experienced and stable team. The directors believe that the Syndicate is well positioned to manage its business risks successfully in the current economic environment. The directors have continued to review the business plans, liquidity and operational resilience of the Syndicate, including continuing impacts of COVID-19.

There is no intention to cease underwriting or cease the operations of the Syndicate. The 2022 year of account of Syndicate 2001 has opened and the directors have concluded that the Syndicate has sufficient resources to, and a reasonable expectation that it will, open a 2023 year of account. There is also surplus capital available in the Corporate Member.

Accordingly, the directors continue to adopt the going concern basis in preparing the annual report and financial statements.

2. Critical accounting judgements and key sources of estimation uncertainty

The preparation of financial statements in conformity with FRS 102 and FRS 103 requires the use of certain critical accounting estimates. It also requires management to exercise its judgement in the process of applying the Syndicate's accounting policies. The areas involving a higher degree of judgement or complexity, or areas where assumptions and estimates are significant to the financial statements are disclosed below. The preparation of financial statements requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities, and the disclosure of contingent assets and liabilities. Although these estimates are based on management's best knowledge of current events and actions, actual results may ultimately differ from those estimates.

Insurance claims outstanding
The most significant estimate made in the financial statements relates to unpaid insurance claim reserves and related loss adjustment expenses of the Syndicate. The methods, assumptions and estimates used by the Syndicate to estimate the insurance contract liabilities are described in note 11(i).

Unpaid claims reserves are estimated on an undiscounted basis. Provisions are subject to a detailed quarterly review where forecast future cash flows and existing amounts provided are reviewed and reassessed. Any changes to the amounts held are adjusted through the statement of profit or loss.

Details of the Syndicate's outstanding claims reserves and claims development are given in note 11(b).

Insurance contract premium
The significant accounting policy note on insurance contracts premiums details how the Syndicate accounts for insurance premiums including the estimates made by the Syndicate. In addition to this further information is included below to aid in the understanding of the potential significance of the impact of these estimations to the Syndicate.

With over supply of capital in recent years, particularly in the reinsurance market, clients have increasingly requested multi-year placements of their reinsurance programme. A number of contracts include cancellation clauses which can be enforced by the client. Judgement is therefore required to be applied in calculating the estimated total premium at the inception of these contracts.

2. Critical accounting judgements and key sources of estimation uncertainty (continued)

The calculation of estimated premium income is inherently subjective and attained through a combination of underwriters' best estimates at a policy level and actuarial techniques at a portfolio level, based on observable historical trends. The estimated premium income in respect of facility contracts, for example binding authorities, is deemed to be written in full at the inception of the contract and estimates are made to allow for business incepted but not yet reported. These estimates are reviewed on a quarterly basis by underwriters and independently assessed by the actuarial and finance teams. Subsequent adjustments, based on reports of actual premium by the insureds, ceding companies, intermediaries or coverholders, or revisions in estimates, are recorded in the period in which they are determined.

The estimation of earned premium uses judgement about the profile of risk over the coverage period of (re)insurance contracts. For premium written under facilities, the earned element is calculated based on the estimated inception date and coverage period of the underlying contracts. Some classes of business may be exposed to a seasonal pattern for the incidence of claims. Where this is the case, the earnings profile of the related premium is aligned.

Financial assets and financial liabilities
The Syndicate uses pricing vendor sources in determining the fair value of financial assets and financial liabilities. Depending on the methods and assumptions used (for example, in the fair valuation of Level 2 and Level 3 financial assets), the fair valuation of financial assets and financial liabilities can be subject to estimation uncertainty. Details of these methods and assumptions are described in note 10(e).

3. Significant accounting policies

The principal accounting policies are summarised below. They have been applied consistently throughout the current and prior years.

Insurance contract premiums
Gross written premium comprise premium on insurance contracts incepting during the financial year together with adjustments to premium written in previous accounting years.

Premium is disclosed before the deduction of brokerage and taxes or duties levied on them. The proportion of gross written premium, gross of commission payable, attributable to periods after the reporting date is deferred as a provision for unearned premium. The change in this provision is taken to the statement of profit or loss in order that revenue is recognised over the period of the risk.

Premium is recognised as earned over the policy contract period. The earned element is calculated separately for each contract on a basis where the premium is apportioned over the period of risk.

Acquisition costs
Acquisition costs comprise brokerage incurred on insurance contracts written during the financial year. They are incurred on the same basis as the earned proportions of the premiums they relate to. Deferred acquisition costs are amortised over the period in which the related revenues are earned. Deferred acquisition costs are reviewed at the end of each reporting year and are impaired where they are no longer considered to be recoverable out of future margins in the related revenues.

Under FRS 103, deferred acquisition costs are monetary assets. These are therefore valued at closing exchange rates at the reporting period end and any foreign currency gains or losses are recognised in the statement of profit or loss.

Reinsurance premiums ceded
Reinsurance premiums ceded comprise premiums on reinsurance arrangements bought which incept during the financial year, together with adjustments to premium ceded in previous accounting years. The proportion of reinsurance premium ceded attributable to periods after the reporting date is deferred as reinsurers' share of unearned premium. Reinsurance premium ceded is earned over the policy contract period in accordance with the terms of the reinsurance contract.

Insurance contract liabilities

Claims paid are defined as those claims transactions settled during the reporting period including internal and external claims settlement expenses allocated to those transactions.

Unpaid claims reserves are made for known or anticipated liabilities under insurance contracts which have not been settled by the reporting date. Included within the provision is an allowance for the future costs of settling those claims. This is estimated based on past experience and current expectations of future cost levels. Management also includes a margin above the estimate for the known and anticipated liabilities.

3. Significant accounting policies (Continued)

The unpaid claims reserves also include, where necessary, a reserve for unexpired risks where, at the reporting date, the estimated costs of future claims and related deferred acquisition costs are expected to exceed the unearned premium provision.

Some insurance contracts permit the Syndicate to sell (usually damaged) property acquired in settling a claim (for example, salvage). The Syndicate may also have the right to pursue third parties for payment of some or all costs (for example, subrogation). Estimates of salvage recoveries and subrogation reimbursements are included as allowances in the measurement of the insurance liability for unpaid claims, and recognised in insurance and reinsurance receivables when the liability is settled.

Reinsurance recoveries
The benefits to which the Syndicate is entitled under its reinsurance contracts held are recognised as reinsurance assets.

These assets consist of short-term balances due from reinsurers, as well as longer-term receivables that are dependent on the expected claims and benefits arising under the related reinsured insurance contracts. Amounts recoverable from or due to reinsurers are measured consistently with the amounts associated with the reinsured insurance contracts and in accordance with the terms of each reinsurance contract.

Where there is objective evidence that a reinsurance asset is impaired, the Syndicate reduces the carrying amount of the reinsurance asset to its recoverable amount and recognises that impairment loss in the statement of profit or loss.

Financial assets
The Syndicate's financial assets are classified at fair value through profit and loss ('FVPL'). This classification requires all fair value changes to be recognised immediately within the investment return line in the statement of profit or loss. The Syndicate has availed itself of the option in FRS 102 to apply the recognition and measurement provisions of IAS 39 Financial Instruments: Recognition and Measurement to its financial assets and financial liabilities.

Within the FVPL category, holdings in collective investment schemes, fixed income securities, equity securities, property funds and certain derivatives are classified as 'trading' as the Syndicate buys with the intention to resell.

All other assets at FVPL are classified as 'other than trading' within the FVPL category as they are managed, and their performance is evaluated, on a FVPL basis.

Purchases and sales of investments are recognised on the trade date, which is the date the Syndicate commits to purchase or sell the assets. These are initially recognised at fair value, and are subsequently re-measured at fair value based on quoted bid prices. Transaction costs are recognised directly in the statement of profit or loss when incurred. Changes in the fair value of investments are included in the statement of profit or loss in the year in which they arise. The uncertainty around valuation is discussed further in note 10(e).

Derivative financial instruments
Derivative financial instruments primarily include currency swaps, currency and interest rate futures, currency options and other financial instruments that derive their value mainly from underlying interest rates or foreign exchange rates. Derivatives are initially recognised at fair value on the date on which a derivative contract is entered into. They are subsequently measured at fair value, with their fair values obtained from quoted market prices or, where these are not available, by using valuation techniques such as discounted cash flow models or option pricing models. Changes in the fair value of derivative instruments are recognised immediately in the statement of profit or loss.

Investment return
The investment return comprises investment income, investment gains less losses, and is net of investment expenses and charges.

Realised gains or losses are calculated as the difference between the net sales proceeds and their purchase price in the financial year or their valuation at the commencement of the year. Unrealised gains and losses are calculated as the difference between the valuation of investments at the balance sheet date and their purchase price in the financial year and their valuation at the commencement of the year.

All of the investment return arising in the year is reported initially in the non-technical account. A transfer is then made from the non-technical account to the technical account to reallocate investment return relating to underwriting assets.

3. Significant accounting policies (Continued)

Tax
No provision has been made in respect of UK income tax on trading income. It is the responsibility of the member to settle their tax liabilities. Overseas taxation comprises US Federal Income tax and Canadian Federal Income tax. The amounts charged to the member are collected centrally through Lloyd's Members' Services Unit as part of the member's distribution process. The ultimate tax liability is the responsibility of the underwriting member.

Foreign currencies
The Syndicate maintains seven separate currency funds, namely pound sterling, US dollar, euro, Canadian dollar, New Zealand dollar, Australian dollar and Japanese yen.

(a) Functional and presentation currency
Items included in the financial statements of the Syndicate are measured in pound sterling (£) which is the functional currency of the primary economic environment in which the Syndicate operates. The financial statements are presented in pound sterling (£).

(b) Transactions and balances
Transactions denominated in foreign currencies are translated into the functional currency using the exchange rates prevailing at the dates of the transactions. Monetary assets and liabilities are translated at the rates of exchange at the reporting date (insurance balances are considered to be monetary assets). Non-monetary assets and liabilities are translated at the rate prevailing on the date in which the asset or liability first arose or, where such items are revalued, at the latest valuation date. Exchange differences are recognised within the 'non-technical account'.

Loans and receivables
Loans and receivables are initially recognised at fair value and subsequently measured at amortised cost using an effective interest rate. Appropriate allowances for estimated irrecoverable amounts are recognised in the statement of profit or loss when there is evidence that the asset is impaired. These are reversed when the triggering event that caused the impairment is reversed.

Other payables
Other payables are initially recognised at fair value and subsequently measured at amortised cost. They represent liabilities to pay for goods or services that have been received or supplied in the normal course of business, invoiced by the supplier before the year end, but for which payment has not yet been made.

Insurance debtors and creditors
In the normal course of business, for the majority of contracts, settlement is required to be made with Lloyd's Central Accounting, the market settlement bureau, on the basis of the net balance due to or from insurance brokers in total rather than the amounts due to or from the individual parties which they represent. The legal status of this practice of net settlement is uncertain and in the event of insolvency it is generally abandoned. Accordingly, insurance debtors and creditors, as presented, in respect of both Lloyd's Central Accounting settled business and business that is settled direct with brokers and service companies comprise respectively the totals of all the Syndicate's individual outstanding debit and credit transactions before any offset. The resultant totals give no indication of future net cash flows.

Syndicate operating expenses
Costs incurred by the managing agent exclusively for the Syndicate are charged to the Syndicate on an accruals basis.

Expenses incurred jointly by the managing agent and the Syndicate are charged to the Syndicate and reflect the costs of services provided and does not include any profit element. The managing agent charges a management fee of 1.0% of syndicate capacity. The fee is earned over the 3-year cycle of each year of account.

Retirement benefit costs
Pension contributions payable by the Syndicate are charged to the statement of profit or loss when due.

Cash and cash equivalents
Cash and cash equivalents are carried in the statement of financial position at fair value. For the purposes of the statement of cash flows, cash and cash equivalents comprise cash in hand, deposits held on call with banks and other short-term, highly liquid investments which are believed to be subject to insignificant risk of change in fair value.

Deposits with cedants
Deposits with cedants are carried in the statement of financial position at fair value. These relate to balances deposited with Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), by the Syndicate in relation to business out carried through Lloyd's Brussels on its behalf. These deposits are considered highly liquid investments which are believed to be subject to insignificant risk of change in fair value.

4. Technical account analysis

An analysis of the underwriting result before investment return and net technical provisions is set out below:

2021	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	**Total £m**	Net technical provisions £m	Commissions on gross premiums earned £m
Direct insurance								
Accident and health	29.8	30.0	(19.2)	(8.5)	(0.4)	**1.9**	61.0	(10.2)
Motor (third party liability)	11.2	10.8	(5.9)	(3.1)	(0.3)	**1.5**	22.7	(3.2)
Motor (other classes)	112.5	116.9	(66.6)	(37.0)	(3.6)	**9.7**	250.9	(28.6)
Marine, aviation and transport	157.2	164.6	(80.1)	(53.5)	1.1	**32.1**	374.9	(34.3)
Fire and other damage to property	326.7	316.4	(226.0)	(94.4)	20.7	**16.7**	641.3	(70.4)
Third party liability	75.5	80.9	(99.6)	(26.2)	(4.4)	**(49.3)**	160.6	(13.7)
Miscellaneous	60.3	55.9	(31.4)	(18.0)	0.9	**7.4**	119.0	(17.3)
	773.2	775.5	(528.8)	(240.7)	14.0	**20.0**	1,630.4	(177.7)
Reinsurance	566.5	573.6	(378.4)	(170.8)	(64.3)	**(39.9)**	1,102.4	(99.4)
Total	1,339.7	1,349.1	(907.2)	(411.5)	(50.3)	**(19.9)**	2,732.8	(277.1)

2020	Gross written premiums £m	Gross earned premiums £m	Gross claims incurred £m	Net operating expenses £m	Reinsurance balance £m	**Total £m**	Net technical provisions £m	Commissions on gross premiums earned £m
Direct insurance								
Accident and health	28.5	30.1	(27.6)	(12.5)	1.8	**(8.2)**	62.5	(11.0)
Motor (third party liability)	6.3	8.9	(6.4)	(1.9)	1.9	**2.5**	24.3	(2.4)
Motor (other classes)	88.0	148.9	(98.4)	(42.8)	(3.0)	**4.7**	333.1	(35.8)
Marine, aviation and transport	191.1	222.4	(94.1)	(79.6)	(20.8)	**27.9**	409.1	(65.3)
Fire and other damage to property	272.2	352.6	(332.6)	(112.8)	13.7	**(79.1)**	593.5	(98.0)
Third party liability	155.9	239.7	(115.4)	(86.3)	(46.2)	**(8.2)**	437.8	(70.5)
Miscellaneous	33.6	28.8	(4.2)	(11.3)	(2.1)	**11.2**	56.3	(12.9)
	775.6	1,031.4	(678.7)	(347.2)	(54.7)	**(49.2)**	1,916.6	(295.9)
Reinsurance	594.4	701.6	(687.4)	(193.8)	(11.3)	**(190.9)**	1,088.4	(88.9)
Total	1,370.0	1,733.0	(1,366.1)	(541.0)	(66.0)	**(240.1)**	3,005.0	(384.8)

All premiums are concluded in the UK. The reinsurance balance is gross of commission and profit participation earned by the Syndicate as detailed in note 5. The above analysis is as per Lloyd's requirements and is different to how the managing agent views how the Syndicate is managed.

The geographical analysis of gross written premiums by location of client, as a proxy for risk location, is as follows:

	2021 £m	2020 £m
UK	241.8	290.6
European Union	69.9	131.3
USA	674.9	498.4
Other	353.1	449.7
Total	1,339.7	1,370.0

5. Net operating expenses

	Note	2021 £m	2020 £m
Acquisition costs		266.7	293.1
Change in deferred acquisition costs	11(d)	10.4	91.7
Administrative expenses		107.8	137.8
Managing agent's fees		16.8	20.8
Lloyd's charges		15.7	24.3
Reinsurance commission and profit participation		(5.9)	(26.7)
		411.5	541.0
Administrative expenses include:			
Fees payable to the Syndicate's auditor for:			
– Audit of the Syndicate's annual report		(0.9)	(0.8)
– Other audit-related services		(0.1)	(0.1)

Total commissions for direct insurance business for the year amounted to £169.1 million (2020: £215.0 million).

For MS Amlin Underwriting Limited the auditor's remuneration was £34,136 (2020: £23,433).

6. Staff costs

All staff are employed by MS Amlin Corporate Services Limited. The following amounts were recharged to the Syndicate in respect of salary costs:

	2021 £m	2020 £m
Wages and salaries	41.8	45.5
Social security costs	5.7	5.1
Other pension costs	3.6	7.6
	51.2	58.2

Pension costs reflect contributions paid to the MS Amlin defined benefit scheme (2020 only) and defined contribution schemes.

The defined benefit scheme covers a number of MS Amlin entities and is therefore expensed based on contributions paid. The scheme was closed to future accrual on 30 November 2020, and contributions ceased at that point. Further information can be found in the financial statements of the Corporate Member.

7. Directors’ emoluments

Executive directors and certain non-executive directors are also directors or employees of other companies within the MSI Group. As such a proportion of the total emoluments have been allocated to the Syndicate. However, this is not necessarily a reflection of the amount, if any, charged to the Syndicate by the company employing the director. Only amounts in respect of qualifying services are disclosed in the table below.

The directors of the managing agent received the following proportionate total emoluments during their time in office:

	2021 £’000	2020 £’000
Salaries and other short-term benefits	2,484	3,555
Employer's contribution to pension schemes	19	170
Termination benefits	264	2,288
	2,767	6,012

Payments were made to no directors (2020: two) in respect of defined benefit pension schemes and to three directors (2020: eight) in respect of defined contribution schemes. During the year, four directors were members of long-term incentive schemes (2020: nine).

The highest paid director received the following proportionate total emoluments during their time in office:

	2021 £’000	2020 £’000
Salaries and other short-term benefits	898	391
Employer's contribution to pension schemes	-	57
Termination benefits	-	623
	898	1,071

The highest paid director is (2020: is) a member of a long-term incentive scheme, did not (2020: did) receive payments in respect of defined benefit pension scheme and did not (2020: did) receive payment in respect of a defined contribution scheme.

The active underwriter (2020: five active underwriters) during the year received the following remuneration charged as a Syndicate expense for the period they were appointed:

	2021 £’000	2020 £’000
Salaries and other short-term benefits	898	1,461
Employer's contribution to pension schemes	-	100
Termination benefits	-	1,800
	898	3,361

8. Investment return

	2021 £m	2020 £m
Interest income on cash and cash equivalents	0.1	1.5
Interest income on overseas deposits	2.1	2.3
Income from financial assets at fair value through profit and loss	17.6	31.7
Investment Income	19.8	35.5
Net realised losses on financial assets measured at fair value through profit or loss	(38.6)	(4.0)
Net unrealised gains on financial assets measured at fair value through profit or loss	55.9	32.1
Investment expenses and charges	(1.1)	(0.1)
Total investment return	36.0	63.5

The above figures include investment return of £31.8 million (2020: £41.2 million) on cash, bonds, equity and property investments deposited by MS Amlin Corporate Member Limited into the Syndicate's Premium Trust Fund.

Calendar year investment yield	2021 £m	2020 £m
Average Syndicate funds available for investment during the year		
Pound sterling	133.2	186.0
Euro	125.9	150.6
US dollar	927.6	1,076.8
Canadian dollar	303.5	312.2
Australian dollar	12.3	12.0
New Zealand dollar	12.8	12.3
Japanese yen	31.2	37.2
Combined	1,546.5	1,787.1
Aggregate gross investment return on Syndicate investments for the year (excluding expenses and charges)	4.2	22.3
Gross calendar year investment yield:		
Pound sterling	3.3%	3.9%
Euro	(0.8%)	(0.4%)
US dollar	(0.1%)	0.8%
Canadian dollar	0.5%	1.8%
Australian dollar	(0.9%)	4.4%
New Zealand dollar	0.2%	2.2%
Japanese yen	(0.1%)	0.9%
Combined	0.3%	1.2%

The average amount of Syndicate funds available for investment has been calculated as the monthly average balance of investments and overseas deposits. The yield percentages exclude immaterial sources of income.

9. Foreign exchange risk

The Syndicate's functional and presentation currency is pound sterling. The Syndicate holds assets and liability balances in major base currencies of pound sterling, euro, US dollar and Canadian dollar, and additional currencies of New Zealand dollar, Japanese yen and Australian dollar. The Syndicate attempts to match the value of the assets held in these currencies with the equivalent liabilities to minimise foreign exchange exposure.

Foreign exchange exposure arises when business is written in non-functional currencies. These transactions are translated into the functional currency pound sterling at the prevailing spot rate once the premiums are received. Consequently, there is exposure to currency movements between the exposure being written and the premiums being received. Payments in non-base currencies are converted back into the underlying currency at the time a claim is to be settled; therefore, the Syndicate is exposed to exchange rate risk between the claim being made and its subsequent settlement.

9. Foreign exchange risk (Continued)

The closing rates of exchange used by the Syndicate are shown below

Currency	2021	2020
AUD	1.8618	1.7739
CAD	1.7117	1.7434
EUR	1.1890	1.1175
JPY	155.7500	141.0340
NZD	1.9781	1.9007
USD	1.3534	1.3664

The Syndicate will also occasionally transact currencies on a forward basis particularly when net monetary assets/liabilities exceed pre-agreed thresholds. All forward contracts are carried out with well-rated banks, so as to limit the counterparty risk. The investment managers also hold forward foreign exchange contracts in their portfolios at the year-end in order to hedge non-base currency investments. All forward contracts are marked to market in their valuations.

The table below presents the Syndicate's member's balance by major base currency before the effect of any hedging instruments. The amounts are stated in the pound sterling equivalent of the local currency using the exchange rates as disclosed in the table above. The financial investments are presented on a look through basis and include overseas deposits.

2021	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	JPY £m	Other £m	Total £m
Financial investments	734.2	893.0	78.5	294.0	10.0	27.1	78.9	2,115.7
Reinsurers' share of technical provisions	316.4	672.9	53.3	40.5	-	-	-	1,083.1
Insurance and reinsurance receivables	217.6	712.4	44.1	0.9	10.3	(1.5)	10.6	994.4
Cash at bank	4.9	2.7	1.2	-	78.8	0.7	1.3	89.6
Other assets	168.5	169.7	11.0	7.8	6.0	0.2	8.0	371.2
Technical provisions	(808.1)	(2,248.5)	(222.6)	(213.2)	(153.9)	(23.5)	(146.1)	(3,815.9)
Insurance and reinsurance payables	(105.2)	(125.2)	(19.4)	(14.5)	-	-	-	(264.3)
Other creditors	(9.2)	(11.7)	(1.1)	(0.1)	-	-	(0.1)	(22.2)
Net assets	519.1	65.3	(55.0)	115.4	(48.8)	3.0	(47.4)	551.6

2020	GBP £m	USD £m	EUR £m	CAD £m	AUD £m	JPY £m	Other £m	Total £m
Financial investments	884.3	953.9	144.9	299.2	10.3	37.8	13.1	2,343.5
Reinsurers' share of technical provisions	260.6	727.7	85.7	37.4	-	-	-	1,111.4
Insurance and reinsurance receivables	213.3	879.1	58.7	22.4	20.9	(0.5)	4.7	1,198.6
Cash at bank	5.9	6.8	8.5	-	84.6	0.1	0.7	106.6
Other assets	214.0	163.7	10.9	9.4	8.4	0.6	9.9	416.9
Technical provisions	(937.3)	(2,321.9)	(266.9)	(209.3)	(167.9)	(35.3)	(177.8)	(4,116.4)
Insurance and reinsurance payables	(105.0)	(363.8)	(31.6)	(17.7)	-	-	-	(518.1)
Other creditors	(52.0)	(15.3)	(3.0)	(0.6)	-	-	-	(70.9)
Net assets	483.8	30.2	7.2	140.8	(43.7)	2.7	(149.4)	471.6

If the foreign currencies were to strengthen/weaken by 10% against pound sterling, the movement in the monetary net assets and liabilities of the Syndicate would result in the following gains/(losses) in the statement of profit or loss at 31 December 2021:

	31 December 2021		31 December 2020	
Currency	10% strengthening of currency against GBP £m	10% weakening of currency against GBP £m	10% strengthening of currency against GBP £m	10% weakening of currency against GBP £m
US dollar	7.2	(5.9)	3.3	(2.7)
Canadian dollar	12.8	(10.5)	15.6	(12.8)
Euro	(6.1)	5.0	0.8	(0.7)
	13.9	(11.4)	19.7	(16.2)

10. Financial assets and liabilities

a) **Cash and cash equivalents**

	2021 £m	2020 £m
Cash and cash in hand	89.6	106.6

Cash and cash equivalents represent cash at bank and in hand, short-term bank deposits and other short-term highly liquid investments that are subject to insignificant risk of changes in fair value.

b) **Overseas deposits**

Overseas deposits represent balances held with overseas regulators to permit underwriting in certain territories. These assets are managed by Lloyd's on a pooled basis and are predominantly invested in debt and other fixed income securities.

c) **Net financial investments**

	At Valuation		At Cost	
	2021 £m	2020 £m	2021 £m	2020 £m
Financial assets at fair value through profit or loss				
Debt securities and other fixed income securities	802.5	888.3	811.2	937.9
Shares and other variable yield securities	26.6	27.5	26.6	30.7
Participation in investment pools	190.2	200.4	194.7	202.1
Holdings in collective investment schemes	938.5	1,080.6	762.7	969.4
Derivative financial instruments	(0.1)	6.4	-	-
Deposits with cedants	9.7	-	9.7	-
Other investments	0.7	0.9	0.7	-
Total financial assets at fair value through profit or loss	1,968.1	2,204.1	1,805.6	2,140.1
Financial liabilities at fair value through profit or loss				
Net financial investments	1,968.1	2,204.1	1,805.6	2,140.1
Listed investments included above:				
Debt securities and other fixed income securities	802.5	888.3	811.2	937.9
Shares and other variable yield securities	-	-	-	-

Underwriting liabilities are matched by bonds, investment pools, collective investment schemes and cash. Other more volatile assets, including equities, represent capital. Included above are funds of £653.5 million (2020: £699.3 million) deposited by MS Amlin Corporate Member Limited and held as capital assets (Funds in Syndicate (FIS)).

Shares and other variable yield securities comprise minority shareholdings held by the Syndicate in unlisted companies and loans made to the Lloyd's Central Fund. The classification of the loans is as per Lloyd's guidance.

10. Financial assets and liabilities (Continued)

The reconciliation of opening and closing net financial investments is as follows:	2021 £m	2020 £m
At 1 January	2,204.1	2,311.5
Foreign exchange gains	2.3	1.5
Net disposals	(255.6)	(137.0)
Net realised losses on assets	(38.6)	(4.0)
Net unrealised gains on assets	55.9	32.1
At 31 December	1,968.1	2,204.1

d) Other debtors

	2021 £m	2020 £m
Receivable from Group companies	132.0	153.8
Other	43.7	52.8
	175.7	206.6

Included in amounts receivable from Group companies is a loan (2020: two loans) to MS Amlin Corporate Services Limited (MS ACS).

This loan of £5.5 million (2020: £5.5 million) is to fund change projects MS ACS is managing on behalf of MS AUL. The loan is on a recurring 1-year term, repayable after a 12-month notice period and charges interest at the Bank of England base rate plus 1%. On 21 February 2022, the loan was amended to make it non-interest bearing.

The loan of £14.4 million from the prior year was part of arrangements for an escrow account held by MS ACS for the Lloyd’s Superannuation Fund. On 2 February 2021, the Corporate Member acquired this loan for cost as part of restructuring of those arrangements.

All other debtor amounts owed are unsecured, have no fixed date of repayment, are payable on demand, are non-interest bearing and are recoverable within 12 months.

e) Other creditors

	2021 £m	2020 £m
Payable to Group companies	2.2	20.6
Accruals and deferred income	11.0	13.3
Other	9.0	37.0
	22.2	70.9

Amounts owed to Group undertakings are unsecured, have no fixed date of repayment, are payable on demand and are non-interest bearing.

Other creditors are all current, both in the current and prior years.

10. Financial assets and liabilities (Continued)

f) Fair value hierarchy

For financial instruments carried at fair value the Syndicate has categorised the measurement basis into a fair value hierarchy as follows:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities. An active market is one in which transactions for the assets occur with sufficient frequency and volume to provide readily and regularly available quoted prices.

Level 2: Inputs to a valuation model other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices).

Level 3: Inputs to a valuation model for the asset or liability that are not based on observable market data (unobservable inputs) and are significant to the overall fair value measurement. Unobservable inputs may have been used to measure fair value to the extent that observable inputs are not available, thereby allowing for situations in which there is little, if any, market activity for the asset or liability at the measurement date (or market information for the inputs to any valuation models). As such, unobservable inputs reflect the assumptions it is considered that market participants would use in pricing the asset.

Shares and other variable yield securities
Listed equities traded on a primary exchange in an active market are classified as Level 1. Minority shareholdings held by the Syndicate in unlisted companies are classified as Level 3.

Variable yield securities are represented by loans to the Lloyd's Central Fund, and are classified as Level 3 (2020: Level 1).

Debt and other fixed income securities
The fair value is based upon quotes from pricing services where available. These pricing services derive prices based on an average of quotes provided by brokers. Where multiple quotes are not available, the fair value is based upon evaluated pricing services, which typically use proprietary cash flow models and incorporate observable market inputs, such as credit spreads, benchmark quotes and other trade data. If such services do not provide coverage of the asset, then fair value is determined manually using indicative broker quotes, which are corroborated by recent market transactions in similar or identical assets. Where there is an active market for these assets and their fair value is the unadjusted quoted market price, these are classified as Level 1. This is typically the case for government bonds. Level 1 also includes bond funds, where fair value is based upon quoted prices. Where the market is inactive or the price is adjusted, but significant market observable inputs having been used by the pricing sources, then these are considered to be Level 2. This is typically the case for government agency debt, corporate debt, mortgage and asset-backed securities and catastrophe bonds. Certain assets, for which prices or other market inputs are unobservable, are classified as Level 3.

Participation in investment pools
These are units held in money market funds and the value is based upon unadjusted, quoted and executable prices provided by the fund manager and classified as Level 1.

Holdings in collective investment schemes
These represent investments in open-ended investment unit trusts. The fair value of the investment in unlisted open-ended investments is determined using an unadjusted net asset value, which results in a Level 2 valuation. The unadjusted net asset value is used as the units are redeemable at the reportable net asset value at the measurement date. Level 3 investments in collective investment schemes are valued using net asset statements provided by independent third parties.

Derivatives
Listed derivative contracts, such as futures, that are actively traded are valued using quoted prices from the relevant exchange and are classified as Level 1. Over the counter currency options are valued by the counterparty using quantitative models with multiple market inputs such as foreign exchange rate volatility. The market inputs are observable, and the valuation can be validated through external sources. These are classified as Level 2.

10. Financial assets and liabilities (Continued)

f) Fair value hierarchy (continued)

Net financial investments by fair value grouping:

	2021				2020			
	Level 1 £m	Level 2 £m	Level 3 £m	Total £m	Level 1 £m	Level 2 £m	Level 3 £m	Total £m
Assets								
Financial assets held for trading at fair value through profit or loss								
Debt and other fixed income securities	488.2	314.3	-	802.5	522.9	365.4	-	888.3
Shares and other variable yield securities	-	-	26.6	26.6	23.0	-	4.5	27.5
Participation in investment pools	190.2	-	-	190.2	200.4	-	-	200.4
Holdings in collective investment schemes	1.3	714.1	223.1	938.5	-	897.6	183.0	1,080.6
Deposits with Cedants	-	-	9.7	9.7	-	-	-	-
Derivative financial instruments	-	-	-	-	-	6.4	-	6.4
Other	0.7	-	-	0.7	0.9	-	-	0.9
Total financial assets	680.4	1,028.4	259.4	1,968.2	747.2	1,269.4	187.5	2,204.1
Liabilities								
Financial liabilities held for trading at fair value through profit or loss								
Derivative financial instruments	-	(0.1)	-	(0.1)	-	-	-	-
Total financial liabilities	-	(0.1)	-	(0.1)	-	-	-	-
Net financial investments	680.4	1,028.3	259.4	1,968.1	747.2	1,269.4	187.5	2,204.1

The table above excludes the Syndicate's holdings of cash and cash equivalents of £89.6 million (2020: £106.6 million). These are measured at fair value and are categorised as Level 1.

The majority of the Syndicate's investments are valued based on quoted market information or other observable market data. The Syndicate holds 13.2% (2020: 8.5%) of its net financial investments at a fair value based on estimates and recorded as Level 3 investments. Level 3 investments in collective investment schemes are valued using net asset statements provided by independent third parties, and therefore no sensitivity analysis has been prepared. Where estimates are used, these are based on a combination of independent third-party evidence and internally developed models, calibrated to market observable data where possible.

Transfers between levels of the fair value hierarchy
The managing agent's policy is to recognise transfers into and transfers out of fair value hierarchy levels at the start of the relevant reporting period during which the transfers are deemed to have occurred. There was one transfer during the year,

- a transfer from Level 1 to Level 3, in relation to loans made to the Lloyd's Brussels subsidiary as part of its establishment. Valuation methodology guidance is under consultation within the Lloyd's market participants but is expected to be determined using non-observable market data. The previous Level 1 classification was based on Lloyd's guidance, but the managing agent determined the Level 3 classification was more appropriate in the current period.

10. Financial assets and liabilities (Continued)

There were no other transfers between the levels (2020: no transfers). The table below analyses the movements in assets classified as Level 3 investments during 2020:

	Property funds £m	BlueBay fund[1] £m	Unlisted equities £m	Deposits with cedants £m	Lloyd's loans £m	Total £m
At 1 January 2021	**183.0**	**-**	**4.5**	**-**	**-**	**187.5**
Total net gains/(losses) recognised in investment return in profit or loss	18.9	-	(0.7)	-	-	18.2
Sales	(23.3)	-	(0.2)	-	-	(23.5)
Purchases	20.5	24.0	-	9.7	-	54.2
Transfers from Level 1	-	-	-	-	23.0	23.0
At 31 December 2021	**199.1**	**24.0**	**3.6**	**9.7**	**23.0**	**259.4**

Total net unrealised gain for the year recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting year			**12.9**			

	Property funds £m	BlueBay fund £m	Unlisted equities £m	Deposits with cedants £m	Lloyd's loans £m	Total £m
At 1 January 2020	**186.3**	**-**	**5.4**	**-**	**-**	**191.7**
Total net gains/(losses) recognised in investment return in profit or loss	5.9	-	(0.9)	-	-	5.0
Sales	(28.1)	-	-	-	-	(28.1)
Purchases	18.9	-	-	-	-	18.9
At 31 December 2020	183.0	-	4.5	**-**	**-**	**187.5**

Total net unrealised loss for the year recognised in investment return in profit or loss for assets and liabilities held at the end of the reporting year			**(0.4)**			

g) Financial risk management

The following section describes the Syndicate's investment risk management from a quantitative and qualitative perspective.

The Syndicate has two main categories of assets:

- Underwriting assets – premium received and held to meet future insurance claims.
- Capital assets – capital required by Lloyd's to support the underwriting business. These represent funds deposited by MS Amlin Corporate Member Limited as FIS plus working capital and surplus funds.

Investment governance

The managing agent manages the Syndicate's investments in accordance with the investment governance framework that is set by the Board of the managing agent. The framework is reviewed on a regular basis to ensure that the Board's fiduciary and regulatory responsibilities are being met. Oversight of investments is delegated to the Investment Governance Committee (IGC) and day-to-day management of the investments is delegated to the MS Amlin Business Services Investment Management (IM) team.

During the year, the IGC comprises comprised a non-executive director acting as Chairman, the Chief Finance Officer and Chief Risk Officer. From December 2021, this changed to the Chief Finance Officer taking over as Chairman, and the Chief Executive Officer joirning the committee as a member. The Chief Investment Officer, ABS Chief Investment Business Officer, ABS Head of Investment Risk & Compliance, ABS Head of Investor Relations and ABS Head of Investor Services (all MS Amlin Business Services roles) also attend. The IGC meets quarterly and supports the Board and Risk & Solvency Committee in carrying out investment related responsibilities. IM is responsible for asset allocation, within guidelines approved by the IGC, and the appointment of external investment managers and custodians. The IGC is kept updated on relevant issues.

[1] The Bluebay fund refers to an investment in the BlueBay Global Credit Alpha Long Short Fund, a fund with an objective to generate returns by exploiting dispersion, asymmetry and volatility in corporate and sovereign credit and interest rates.

10. Financial assets and liabilities (Continued)

g) Financial risk management (continued)

Risk tolerance

Investment risk tolerances are set by the Risk Committee with recommendation from the IGC. The investment process is driven from the risk tolerance which is determined by the independent Risk function with reference to factors such as the capital capacity and the capital management policy. Tolerances may be lower when capital capacity is constrained and vice versa. Investment risk is monitored by Investment Management using a market-recognised third-party risk model. Risk reporting is generated by Investment Management with independent oversight from IM Risk and the Risk function. Appropriate reports are then circulated to the IGC and the Risk Committee.

Asset allocation

A Value at Risk ('VaR') budget is provided by the Board to the IM team consistent with the company risk appetite that maintains the solvency levels in a 1-in-200 year event. The IM team have discretion to set the asset allocation that they judge will provide the appropriate risk/reward balance, whilst respecting the VaR, asset class, liquidity and counterparty limits in the investment guidelines set by the Board. The expected timescale for future cash flows in each currency is calculated by the Actuarial team for policyholder portfolios, the average of these forms the basis of our asset liability duration management. The IGC reviews/challenges the IM asset allocation and investment risk stance on a quarterly basis. The IGC also reviews the investment guidelines approved by the board.

Investment management

Investments are managed on a multi-asset, multi-manager basis. Exposure to the asset classes is achieved using physical holdings of the asset class or derivative instruments and may be managed by the Investment Management team or by outsourced managers, on a segregated, pooled or commingled basis. Manager selection is based on a range of criteria that leads to the expectation that they will add value to the funds over the medium to long-term. The managers have discretion to manage the investments on a day-to-day basis within investment guidelines and / or prospectuses applicable to their portfolios that ensure that they comply with the investment frameworks. The managers' performance, compliance and risk are monitored on an on-going basis.

The asset allocation of the Syndicate's investments is set out below.

	31 December 2021				31 December 2020			
	Underwriting assets £m	Capital assets £m	Total assets £m	Total %	Underwriting assets £m	Capital assets £m	Total assets £m	Total %
Government securities	488.1	-	488.1	24.8	507.7	-	507.7	23.0
Government agencies/ guaranteed bonds	8.7	-	8.7	0.5	29.5	-	29.5	1.3
Asset-backed securities	2.2	-	2.2	0.1	45.8	-	45.8	2.1
Mortgage-backed securities – Prime	53.1	-	53.1	2.7	19.4	-	19.4	0.9
Corporate bonds	250.4	-	250.4	12.7	285.9	-	285.9	13.0
Debt and other fixed income securities	802.5	-	802.5	40.7	888.3	-	888.3	40.3
Share and other variable yield securities	26.6	-	26.6	1.4	27.5	-	27.5	1.2
Pooled vehicles	248.3	437.6	685.9	34.8	366.5	475.2	841.7	38.3
Property funds	-	199.8	199.8	10.2	-	183.0	183.0	8.3
Other liquid investments & cash	237.0	15.6	252.6	12.8	221.6	41.1	262.7	11.9
Other	0.7	-	0.7	-	0.9	-	0.9	-
Total	1,315.1	653.0	1,968.1	100.0	1,504.8	699.3	2,204.1	100.0

10. Financial assets and liabilities (Continued)

h) Market risk

Market risk concerns the risks associated with valuation, interest rates, liquidity and counterparty credit. Foreign exchange risk is described in note 9.

Valuation risk
The Syndicate's earnings are directly affected by changes in the valuations of the investments held in the portfolios. These valuations vary according to the movements in the underlying markets. The Syndicate's assets are marked to market at bid price. Prices are supplied by the custodians, whose pricing processes are covered by their published annual audits. In accordance with their pricing policies, prices are sourced from market recognised pricing vendor sources. These pricing sources use closing trades, or where more appropriate in illiquid markets, pricing models. Property funds are based on the most recent price available, which in some instances may be a quarter in arrears. Where a property transaction has taken place the transaction price is used if it is the most recent price available.

The managing agent operates an established control framework with respect to fair value measurement which ensures the valuation of financial assets and financial liabilities meets the requirements of FRS 102. As part of this process, the managing agent reviews the valuation policies of its custodians along with the evidence provided by the custodians to support fair value measurement. The prices are also reconciled to the fund managers' records to check for reasonableness. Further details of the fair value measurement of financial assets and financial liabilities are included in note 10(e).

The valuation of investments is sensitive to equity risk. The impact on profit before tax of a 5% improvement/deterioration in the total market value of shares would be a £6.3 million gain/loss (2020: £6.1 million gain/loss) when applying a consistent methodology to the previous year.

Interest rate risk
Investors' expectations for interest rates will impact bond yields. The value of the Syndicate's bond holdings is therefore subject to fluctuation as bond yields rise and fall. If the yield falls the capital value will rise, and vice versa. The sensitivity of the price of a bond is indicated by its duration. The greater the duration of a security the greater its price volatility. Typically, the longer the maturity of a bond the greater its duration.

The maturity bands of the Syndicate's debt and fixed income securities holdings as at 31 December 2021 are shown below.

Underwriting assets	2021 £m	2020 £m
Less than 1 year	545.1	573.9
1-2 years	177.9	179.9
2-3 years	42.2	97.3
3-4 years	12.0	9.4
4-5 years	-	0.6
Over 5 years	25.3	27.2
	802.5	888.3

The liabilities are not currently discounted and therefore their value is not impacted by interest rate movements. Cash is raised, or the duration of the portfolio reduced, if it is believed that yields may rise and therefore capital values will fall. Included in the above is £1.4 million (2020: £2.1 million) of accrued interest.

The average durations of the bond and cash portfolios for the underwriting assets and associated insurance liabilities as at 31 December were as follows:

	2021		2020	
Underwriting assets/liabilities	Assets Years	Liabilities Years	Assets Years	Liabilities Years
Pound sterling	0.1	2.6	0.1	2.6
US dollar	0.6	3.2	0.7	3.2
Euro	0.2	2.9	0.2	2.9
Canadian dollar	0.4	3.9	0.5	3.9

10. Financial assets and liabilities (Continued)

i) Liquidity risk

It is important to ensure that claims are paid as they fall due. Levels of cash are therefore managed on a daily basis and buffers of liquid assets are also held in excess of the immediate requirements. This is to reduce the risk of being forced sellers of any of the Syndicate's assets, which may result in realising prices below fair value, especially in periods of below normal investment market activity. The policy of limiting the extent of duration divergence between the policyholders' assets and the liabilities helps to reduce the risk of a cash flow mismatch.

The following table indicates the contractual timing of cash flows arising from assets and liabilities for management of insurance contracts at 31 December 2021:

	Contractual cash flows (undiscounted)					
31 December 2021 Financial assets	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Debt and other fixed income securities	-	549.7	212.3	19.1	31.2	802.5
Shares and other variable yield securities	26.6	-	-	-	-	26.6
Participation in investment pools	190.2	-	-	-	-	190.2
Holdings in collective investment schemes	938.5	-	-	-	-	938.5
Derivative financial instruments	-	-	-	-	-	-
Other investments	0.7	-	-	-	-	0.7
Other debtors	-	1,152.1	-	-	-	1,152.1
Deposits with cedants	9.7	-	-	-	-	9.7
Cash	89.6	-	-	-	-	89.6
Total financial assets	1,255.3	1,701.8	212.3	19.1	31.2	3,209.9
Financial liabilities						
Derivative financial instruments	-	(0.1)	-	-	-	(0.1)
Total financial liabilities	-	(0.1)	-	-	-	(0.1)
Net financial assets	1,255.3	1,701.7	212.3	19.1	31.2	3,209.8

	Expected cash flows (undiscounted)					
Insurance liabilities	No stated maturity £m	0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	-	1,125.8	1,025.1	464.2	433.7	3,048.8
Less reinsurers' share of outstanding claims	-	(354.7)	(323.0)	(146.3)	(136.6)	(960.6)
Creditors	-	275.6	-	-	-	275.6
Total	-	1,046.7	702.1	317.9	297.1	2,363.8
Difference in contractual cash flows	1,255.3	655.0	(489.8)	(298.8)	(265.9)	846.0

10. Financial assets and liabilities (Continued)

i) Liquidity risk (continued)

31 December 2020 Financial assets	No stated maturity £m	Contractual cash flows (undiscounted) 0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Debt and other fixed income securities	-	578.4	271.9	20.0	26.8	888.3
Shares and other variable yield securities	27.5	-	-	-	-	27.5
Participation in investment pools	200.4	-	-	-	-	200.4
Holdings in collective investment schemes	1,080.6	-	-	-	-	1,080.6
Derivative financial instruments	-	6.4	-	-	-	6.4
Other investments	0.9	-	-	-	-	0.9
Other debtors	-	1,365.1	-	-	-	1,365.1
Cash	106.6	-	-	-	-	106.6
Total financial assets	1,416.0	1,949.9	271.9	20.0	26.8	3,675.8
Financial liabilities						
Derivative financial instruments	-	-	-	-	-	-
Total financial liabilities	-	-	-	-	-	-
Net financial assets	1,416.0	1,949.9	271.9	20.0	26.8	3,675.8

Insurance liabilities	No stated maturity £m	Expected cash flows (undiscounted) 0-1 yr £m	1-3 yrs £m	3-5 yrs £m	>5 yrs £m	Carrying amount £m
Outstanding claims	-	1,270.5	1,132.4	493.5	443.8	3,340.2
Less reinsurers' share of outstanding claims	-	(375.5)	(334.7)	(145.9)	(131.2)	(987.3)
Creditors	-	575.7	-	-	-	575.7
Total	-	1,470.7	797.7	347.6	312.6	2,928.6
Difference in contractual cash flows	1,416.0	479.2	(525.8)	(327.6)	(285.8)	747.2

Liquidity in the event of a major disaster is tested regularly using internal cash flow forecasts and realistic disaster scenarios. In addition, the policyholders' funds investment guidelines require at least 25% of the funds to be held in government bonds and/or cash equivalents, which are highly liquid. If a major insurance event occurs the investment strategy is reviewed to ensure that sufficient liquidity is also available in the corporate funds.

The current and non-current portions of the other non-derivative financial liabilities are available in note 11(c)

j) Credit risk

Credit risk is the risk that the Syndicate becomes exposed to loss if a specific counterparty fails to perform its contractual obligations in a timely manner impacting the Syndicate's ability to meet its claims as they fall due. Credit risk can also arise from underlying causes that have an impact upon the creditworthiness of all counterparties of a particular description or geographical location. The Syndicate's credit risk is mitigated by the collateral received from counterparties, details of which are given in note 11(g). The Syndicate is exposed to credit risk in its investment portfolio and with its premium and reinsurance debtors. Collateral of £283.7 million (2020: £531.3 million) is held in third party trust funds to guarantee the Syndicate against certain reinsurance counterparties.

10. Financial assets and liabilities (Continued)

j) Credit risk (continued)

31 December 2021	Debt securities £m	%	Participation in investment pools £m	%	Insurance and reinsurance receivables £m	%	Reinsurers' share of outstanding claims £m	%
AAA	553.6	69.0	-	-	-	-	-	-
AA	54.6	6.8	-	-	-	-	139.9	14.6
A	168.1	20.9	-	-	32.4	3.3	550.3	57.3
BBB	26.2	3.3	-	-	-	-	-	-
Less than BBB	-	-	-	-	-	-	-	-
Not Rated	-	-	190.2	100.0	962.0	96.7	270.4	28.1
	802.5	100.0	190.2	100.0	994.4	100.0	960.7	100.0

31 December 2020	Debt securities £m	%	Participation in investment pools £m	%	Insurance and reinsurance receivables £m	%	Reinsurers' share of outstanding claims £m	%
AAA	590.7	66.5	-	-	-	-	-	-
AA	69.2	7.8	-	-	-	-	98.4	10.0
A	192.7	21.7	-	-	89.0	7.4	575.5	58.3
BBB	33.9	3.8	-	-	-	-	-	-
Less than BBB	1.8	0.2	-	-	-	-	-	-
Not Rated	-	-	200.4	100	1,109.6	92.6	313.4	31.7
	888.3	100	200.4	100	1,198.6	100	987.3	100

Insurance and reinsurance
The table above includes premium receivables, representing amounts due from policyholders. The quality of these receivables is not graded, but based on historical experience there is limited default risk relating to these amounts. Credit risk in respect of premium debt is overseen by the Syndicate's Broker Committee and managed through a number of controls that include broker approval, annual financial review and internal rating of brokers and regular monitoring of premium settlement performance.

Also included are reinsurance receivables, which represent the amounts due at 31 December 2021, as well as amounts, expected to be recovered on unpaid outstanding claims (including IBNR) in respect of earned risks. These are stated net of provisions for impairment. The credit risk in respect of reinsurance receivables, including reinsurers' share of outstanding claims, is primarily managed by review and approval of reinsurance security by the Reinsurance Security Committee prior to the purchase of the reinsurance contract. Guidelines are set, and monitored, that restrict the purchase of reinsurance security based on the internal ratings for each reinsurer and Standard & Poor's ratings.

The Syndicate holds collateral from certain reinsurers including those that are non-rated as security against potential default. The details of reinsurance collaterals held and placed with third party trust funds are provided in note 10(k). Provisions are made against the amounts due from certain reinsurers, depending on the age of the debt and the current rating assigned to the reinsurer. The impact on profit for the financial year of a 1% variation in the reinsurance assets would be £9.6 million (2020: £9.9 million). The details of overdue reinsurance assets and insurance receivables are provided in notes 11(a) and 11(e).

Investments
As well as actual failure of a counterparty to perform its contractual obligations, the price of corporate bond holdings will be affected by investors' perception of a borrower's credit worthiness. Credit risk within the investment funds is managed through the credit research carried out by the investment managers. The investment guidelines are designed to mitigate credit risk by ensuring diversification of the holdings. For each portfolio there are limits to the exposure to single issuers and to the total amount that can be held in each credit quality rating category, as determined by reference to credit rating agencies. At 31 December 2021, directly held bonds accounted for 39.0% of the portfolio (2020: 38.5%), the residual of the portfolio was held mostly in collective investment schemes. The credit ratings on debt securities are BNP Paribas composite ratings based on Standard & Poor's, Moody's and Fitch.

10. Financial assets and liabilities (Continued)

k) Offsetting financial assets and financial liabilities

The Syndicate's derivative transactions with respect to over-the-counter options and currency forwards are subject to International Swaps and Derivatives Association (ISDA) master netting agreements. Transactions under such agreements meet the criteria for offsetting in the Syndicate's statement of financial position. The Syndicate also receives and pledges collateral in the form of cash in respect of the derivative transactions. The fair value of the Syndicate's options and currency forwards are not offset by such collaterals as they create a right of set-off that is enforceable only following an event of default, insolvency or bankruptcy of the Syndicate or the counterparties.

The Syndicate listed futures are transacted under Global Principal Clearing agreements and are not subject to offsetting in the statement of financial position.

The disclosure provided in the tables below include derivatives that are set off in the Syndicate's statement of financial position at 31 December 2021, there is no designated hedge accounting relationship (2020: no).

Financial assets subject to offsetting, enforceable master netting arrangements and similar agreements

				Related amounts not set off in the statement of financial position		
31 December 2021 £m	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial (liabilities)/ assets set off in the statement of financial position	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral movements	Net Amount
Derivative instruments held for trading asset	358.0	(362.8)	(4.8)	0.1	(4.9)	(9.7)
Derivative instruments held for trading liability	(196.7)	201.3	4.7	(3.0)	17.3	22.0
Net	161.3	(161.5)	(0.1)	(2.9)	12.4	12.3

				Related amounts not set off in the statement of financial position		
31 December 2020 £m	Gross amounts of recognised financial assets/ (liabilities)	Gross amounts of recognised financial (liabilities)/assets set off in the statement of financial position	Net amounts presented in the statement of financial position	Financial instruments	Cash collateral movements	Net Amount
Derivative instruments held for trading asset	578.9	(563.3)	15.6	0.3	(20.7)	(4.8)
Derivative instruments held for trading liability	(140.3)	149.5	9.2	4.4	27.2	40.8
Net	438.6	(413.8)	24.8	4.7	6.5	36.0

l) Restricted funds held by the Syndicate

At 31 December 2021, the Syndicate holds restricted funds in the form of trust fund investments, letter of credit (LOC) collaterals, initial margin calls on derivative financial instruments and collateral received from reinsurance counterparties.

Trust funds
The Syndicate holds gross assets of £4,654.0 million (2020: £5,177.0 million), offset by gross liabilities of £4,102.4 million (2020: £4,705.4 million), which are held within individual trust funds. The assets cannot be obtained or used until such time as each Syndicate underwriting year is closed and profits are distributed, or an advance profit release is made. The Funds in Syndicate, as set out on page 16 in the Statement of changes in member's balance as funds deposited by MS Amlin Corporate Member Limited, represent the restricted capital for regulatory purposes.

Letter of Credit (LOC) collateral
The Syndicate holds AU$146.7 million (£78.8 million) (2020: AU$150 million) in a National Australia Bank Limited account as cash collateral for Letters of Credit issued by National Australia Bank Limited to the Lloyd's Australian Trust Fund. This is to enable the Syndicate to transact business in Australia.

10. Financial assets and liabilities (Continued)

l) Restricted funds held by the Syndicate (continued)

Derivative margins and collateral
Derivative instruments traded give rise to collateral being placed with, or received from, external counterparties. At 31 December 2021, included in other receivables and other payables are £13.1 million (2020: £10.3 million) margins and collaterals pledged, and £nil (2020: £nil) margins and collaterals held in relation to listed futures margins and other derivatives respectively.

Reinsurance collateral received
Collateral of £666.7 million (2020: £942.4 million) is held in third party trust funds to guarantee the Syndicate against reinsurance counterparties.

Insurance collateral placed
The Syndicate holds £899.8 million (2020: £880.8 million) of collateral in a US trust fund to meet US regulatory requirements, of which £676.7 million (2020: £773.1 million) is recognised as an asset to the Syndicate.

m) Borrowings

Revolving Credit Facility
On 9 October 2020 the Syndicate, through the managing agent, entered into an unsecured £160.0 million multi-currency revolving credit facility with a syndicate of banks led by National Westminster Bank plc. This is a two-year facility. An accordion clause is included, where the facility could be increased to £250.0 million, if required.

On 15 October 2021, the Syndicate, through the managing agent, entered into an amendment and restatement agreement to amend the facility to change the interest rate basis from the departing LIBOR rate regime to that as appropriate for each drawdown currency and loan type. No changes were made to the other terms of the facility.

As at 31 December 2021, no amounts have been drawn on this facility (2020: £nil).

Letter of Credit Facility
The Syndicate, through the managing agent, has access to two Letter of Credit (LOC) facilities detailed below.

1. National Australia Bank Limited – AU$150.0 million

On 12 April 2019, this facility was entered into to provide letters of credit that can be issued as collateral for the Lloyd's Australian Trust Fund ('LAUTF'). This is a one-year facility, with two one-year extension options at the end of the original term. An accordion clause is included, where the facility could be increased to AU$175.0 million, if required. During the year, the second option to extend the facility by one more year was utilised.

As at 31 December 2021, AU$146.7 million (2020: AU$150.0 million) of LOCs have been lodged with the trustees of the LAUTF.

2. ING Bank N.V. – $550.0 million

On 20 October 2020, a $150.0 million facility was entered into to provide letters of credit that can be issued as collateral for the US Credit for Reinsurance Trust Fund (Situs fund). This is a two-year facility, with two one-year extension options at the end of the original term. An accordion clause was included, where the facility could be increased to $300.0 million, if required.

On 28 April 2021, the accordion clause was exercised in full, and a second bank joined the facility. On the same date, the full increase was lodged with the trustees of the Situs fund. No other changes were made to the facility during the year.

As at 31 December 2021, $300.0 million (2020: $150.0 million) of LOCs have been lodged with the trustees of the Situs fund.

On 10 February 2022, the Syndicate, through the managing agent, entered into an amendment and restatement agreement to amend the facility to increase the total commitments to $550.0 million and a new accordion clause of $150.0 million, with two additional banks joining the facility. On the same date, $100.0 million of additional LOCs were utilised, bringing the total lodged to $400.0 million.

11. Insurance liabilities and reinsurance assets

a) **Net outstanding claims**

	2021			2020		
	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
At 1 January	3,340.2	(987.3)	2,352.9	3,345.9	(1,007.1)	2,338.8
Claims incurred during the current year	974.9	(365.6)	609.3	1,377.6	(391.2)	986.4
Movements arising from prior year claims	(67.7)	29.1	(38.6)	(11.5)	(3.9)	(15.4)
	907.2	(336.5)	570.7	1,366.1	(395.1)	971.0
Claims paid during the year	(1,199.5)	362.6	(836.9)	(1,333.2)	399.2	(934.0)
Change in provision for claims	(292.3)	26.1	(266.2)	32.9	4.1	37.0
Foreign exchange (gains)/losses	0.9	0.6	1.5	(38.6)	15.7	(22.9)
At 31 December	3,048.8	(960.6)	2,088.2	3,340.2	(987.3)	2,352.9

Further information on the calculation of outstanding claims and the risks associated with them is provided in note 11(i). Outstanding claims are further analysed between notified outstanding claims and claims incurred but not reported below:

	2021			2020		
	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m	Insurance liabilities £m	Reinsurer's share £m	Net liabilities £m
Notified outstanding claims	1,500.2	(321.4)	1,178.8	1,625.8	(334.5)	1,291.3
Claims incurred but not reported	1,548.6	(639.2)	909.4	1,714.4	(652.8)	1,061.6
	3,048.8	(960.6)	2,088.2	3,340.2	(987.3)	2,352.9

The total reinsurers' share of outstanding claims is set out in the table below:

	2021 £m	2020 £m
Reinsurers' share of outstanding claims	960.7	988.4
Less provision for impairment of receivables from reinsurers	(0.1)	(1.1)
	960.6	987.3

The managing agent assesses the Syndicate's reinsurers' share of outstanding claims for impairment on a quarterly basis by reviewing counterparty payment history and credit grades provided by rating agencies. The credit ratings of the Syndicate's reinsurers' share of outstanding claims are shown in note 10(j).

At 31 December 2021 and 2020 the reinsurers' share of outstanding claims was not overdue. The Syndicate holds collateral of £666.7 million (2020: £942.4 million) in relation to £283.7 million (2020: £301.2 million) of reinsurers' share of outstanding claims.

Part VII transfer
On 30 December 2020, the Corporate Member, for each of the relevant years of account between 1993 and April 2020, transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Corporate Member 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 the Members and former Members of the Syndicate transferred the impacted EEA policies and related liabilities to Lloyd's Brussels. On the same date, under the Reinsurance Agreement, Lloyd's Brussels reinsured the same risks back. Cash payments of $225.0 million (c. £165.4 million), for both transactions, were exchanged on 4 January 2021. 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 balance sheet.

11. Insurance liabilities and reinsurance assets (continued)

a) **Net outstanding claims** (continued)

Prior 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 Society of 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.

b) **Claims development**

The tables below illustrate the development of the estimates of cumulative claims for the Syndicate on an underwriting year basis, illustrating how amounts booked have developed from one reporting period to the next. All tables are prepared on an undiscounted basis. Non-pound sterling balances have been converted using 2021 year end exchange rates to aid comparability.

Estimate of cumulative claims	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
At end of first year	493.9	446.1	500.1	430.6	546.7	1,268.6	945.1	554.9	528.1	466.9	-
One year later	806.4	842.1	874.2	917.0	1,228.0	2,143.5	1,671.8	1,217.4	815.7	-	-
Two years later	818.9	834.8	943.4	974.8	1,352.7	2,229.0	1,799.7	1,323.8	-	-	-
Three years later	798.1	897.4	986.7	1,033.1	1,342.1	2,232.8	1,896.0	-	-	-	-
Four years later	801.2	871.8	948.8	974.3	1,314.5	2,167.3	-	-	-	-	-
Five years later	812.8	887.0	935.0	983.1	1,333.9	-	-	-	-	-	-
Six years later	814.1	877.7	928.7	983.3	-	-	-	-	-	-	-
Seven years later	808.1	863.7	929.7	-	-	-	-	-	-	-	-
Eight years later	805.3	861.1	-	-	-	-	-	-	-	-	-
Nine years later	811.5	-	-	-	-	-	-	-	-	-	-
Cumulative payments	782.3	835.9	869.6	862.2	1,093.1	1,703.8	1,269.4	758.3	371.7	111.0	-
Estimated balance to pay	29.2	25.1	60.1	121.1	240.9	463.5	626.6	565.5	444.0	355.9	2,931.9
Gross claim reserve 2011 & prior											116.9
Gross claim reserve											3,048.8

Estimate of cumulative claims	2012 £m	2013 £m	2014 £m	2015 £m	2016 £m	2017 £m	2018 £m	2019 £m	2020 £m	2021 £m	Total £m
At end of first year	359.4	332.6	374.4	331.5	420.5	644.9	561.8	410.8	353.8	269.4	-
One year later	600.4	616.4	656.3	708.4	913.0	1,199.6	1,133.8	895.7	571.0	-	-
Two years later	611.3	619.8	711.9	692.7	966.9	1,287.6	1,216.3	928.3	-	-	-
Three years later	590.9	677.3	801.5	773.6	983.7	1,290.5	1,294.7	-	-	-	-
Four years later	623.3	645.2	760.2	721.2	964.6	1,253.7	-	-	-	-	-
Five years later	635.2	668.0	752.5	735.4	994.2	-	-	-	-	-	-
Six years later	630.8	657.6	742.5	738.2	-	-	-	-	-	-	-
Seven years later	626.1	648.0	744.1	-	-	-	-	-	-	-	-
Eight years later	627.1	643.3	-	-	-	-	-	-	-	-	-
Nine years later	623.6	-	-	-	-	-	-	-	-	-	-
Cumulative payments	604.6	622.2	692.5	631.9	780.9	885.6	891.0	604.5	266.4	61.4	-
Estimated balance to pay	19.0	21.1	51.6	106.2	213.2	368.1	403.7	323.9	304.6	208.0	2,019.4
Net claim reserve 2011 & prior											68.8
Net claim reserve											2,088.2

11. Insurance liabilities and reinsurance assets (Continued)

c) **Net unearned premium**

	2021			2020		
Unearned premium	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
At 1 January	776.2	(124.1)	652.1	1,139.5	(190.8)	948.7
Change in provision for unearned premium	(9.4)	(0.6)	(10.0)	(363.0)	66.9	(296.1)
Foreign exchange (gains)/losses	0.3	2.1	2.4	(0.3)	(0.2)	(0.5)
At 31 December	767.1	(122.6)	644.5	776.2	(124.1)	652.1

The current and non-current portions for unearned premium are expected to be as follows:

	2021			2020		
Unearned premium	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m	Insurance liabilities £m	Reinsurers' share £m	Net liabilities £m
Current portion	685.4	(108.6)	576.9	683.1	(105.5)	577.6
Non-current portion	81.7	(13.9)	67.7	93.1	(18.6)	74.5
At 31 December	767.1	(122.5)	644.6	776.2	(124.1)	652.1

d) **Deferred acquisition costs**

The reconciliation of opening and closing deferred acquisition costs is as follows:

	Note	2021 £m	2020 £m
At 1 January		183.3	274.5
Change in deferred acquisition costs	5	(10.4)	(91.7)
Foreign exchange		0.7	0.5
At 31 December		173.6	183.3

The current and non-current portions are expected to be as follows:

	2021 £m	2020 £m
Current portion	152.5	159.5
Non-current portion	21.1	23.8
	173.6	183.3

11. Insurance liabilities and reinsurance assets (Continued)

e) **Insurance and reinsurance receivables and payable**

Insurance and reinsurance receivables

	2021 £m	2020 £m
Due from intermediaries	1,006.4	1,219.8
Less provision for impairment of receivables	(12.0)	(21.2)
Insurance and reinsurance receivables	994.4	1,198.6

Insurance and reinsurance receivables are all considered to be current liabilities, both in the current and prior years.

Receivables arising from reinsurance contracts are comprised principally of amounts recoverable from reinsurers in respect of paid claims and premium receivables on inward reinsurance business, including reinstatement premium.

The managing agent assesses the Syndicate's insurance and reinsurance receivables for impairment on a quarterly basis by reviewing counterparty payment history and for circumstances which may give rise to a dispute or default. At 31 December 2021, insurance and reinsurance receivables at a nominal value of £45.6 million (2020: £46.0 million) were greater than three months overdue and provided for on the basis of credit rating to the value of £12.0 million (2020: £21.2 million).

The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date.

The ageing analysis of insurance and reinsurance receivables overdue, before impairment provision, is as follows:

	2021 £m	2020 £m
Not overdue or less than 3 months	960.8	1,173.8
3 to 6 months	16.3	7.9
6 months to 1 year	5.4	11.0
Greater than 1 year	23.9	27.1
	1,006.4	1,219.8

Movements on the Syndicate's provision for impairment of receivables from contract holders and agents are as follows:

	2021 £m	2020 £m
At 1 January	21.2	18.9
Increase in the provision	(9.2)	2.3
At 31 December	12.0	21.2

Insurance and reinsurance payables

	2021 £m	2020 £m
Creditors arising out of direct insurance operations	116.0	157.0
Creditors arising out of reinsurance operations	148.3	361.1
Insurance and reinsurance payables	264.3	518.1

Insurance and reinsurance payables are all current, both in the current and prior years, However, the nature of claims negotiations and broker relationships may mean some of these payables result in non-current settlement. The carrying amounts disclosed above are reasonably approximate to the fair value at the reporting date. Insurance payables are comprised principally of premium payable for reinsurance, including reinstatement premium.

11. Insurance liabilities and reinsurance assets (Continued)

f) **Underwriting risk**
The Syndicate accepts underwriting risk in a range of classes of business through two underwriting divisions and manages the discontinued lines portfolio separately. The portfolio includes both short tail property risk and longer-tail liability coverage.

In underwriting insurance or reinsurance policies the underwriters use their skill and knowledge to assess each risk. Exposure information and data on past claims experience is used to evaluate the likely claims cost and therefore the premiums that should be sufficient (across a portfolio of risks) to cover claims costs, expenses and produce an acceptable profit. However, due to the nature of insurance risk there is no guarantee that the premiums charged will be sufficient to cover claims costs. This shortfall may originate either from insufficient premiums being calculated and charged or result from an unexpected, or unprecedented, high level of claims.

A number of controls are deployed to target the amount of insurance exposure underwritten to be in line with management appetite. Each year a business plan is prepared and agreed which is used to monitor the amount of premium income, and exposure, to be written in total and for each class of business. Progress against this plan is monitored during the year. These premiums and exposures can be exceeded in exceptional circumstances but only with the approval of senior management. Apart from the UK, and some of the international, comprehensive motor liability portfolio, which has unlimited liability, all policies have a per loss limit which caps the size of any individual claims. For larger sum insured risks, reinsurance coverage may be purchased. The managing agent uses line guides that determine the maximum liability per policy that can be written for each class (on a gross or net of facultative reinsurance basis) by each underwriter. The Syndicate is also exposed to catastrophe losses which may impact many risks in a single event. Reinsurance is purchased to limit the impact of loss aggregation from such events. These reinsurance arrangements are described below.

Insurance liabilities are written through individual risk acceptances, reinsurance treaties or through facilities whereby the Syndicate is bound by other underwriting entities. Facility arrangements delegate underwriting authority to other underwriters, or to agents acting as coverholders, that use their judgement to write risks on the Syndicate’s behalf under clear authority levels.

The insurance liabilities underwritten by the Syndicate are reviewed on an individual risk, or contract, basis and through review of portfolio performance. All claims arising are reserved upon notification. Each quarter the entire portfolio of business is subject to a reserving process whereby levels of paid and outstanding (advised but not paid) claims are reviewed. Potential future claims are assessed with a provision for incurred but not reported (IBNR) claims being made. Whilst a detailed and disciplined exercise is carried out to provide for claims notified, it is possible that known claims could develop and exceed the reserves carried.

Furthermore, there is increased uncertainty in establishing an accurate provision for IBNR claims and there is a possibility that claims may arise which, in aggregate, exceed the reserve provision established. This is partly mitigated by the margin policy adopted by the Syndicate which is to carry reserves in excess of the mean actuarial best estimate.

The review of claims arising may result in underwriters adjusting pricing levels to cater for an unexpectedly higher trend of claims advices or payments. However, this may not be possible in a competitive market and underwriters may respond either by accepting business with lower expected profit margins or declining to renew policies and thus reducing income. Also, there is a portfolio of risk already underwritten which cannot be re-priced until renewal at the end of the policy period.

The Syndicate is exposed to the impact of large catastrophe events such as windstorms, earthquakes or terrorist incidents. Exposure to such events is controlled and measured through loss modelling. It is possible that a catastrophe event could exceed the maximum expected event loss. This is particularly the case for the direct property proportion of the loss exposure, where models are used to calculate a damage factor representing the amount of damage expected to exposed aggregate insured values from a particular scenario. Errors, or incorrect assumptions in the damage factor calculation, can result in incurred catastrophe event claims higher, or lower, than predicted due to unforeseen circumstances, inadequacies in data, or shortcomings in the models used.

In addition to catastrophe risk the syndicate is exposed to systemic risks. This includes, but is not limited to, the potential for excess inflation to impact a range of risks or legislative changes to result in claims from a previously unforeseen source.

11. Insurance liabilities and reinsurance assets (Continued)

g) Reinsurance and other risk mitigation arrangements
The Syndicate purchases proportional reinsurance to supplement line size and to reduce exposure on individual risks. A part of the premiums ceded under such facilities is placed with MS Amlin AG under variable quota share agreements. The Syndicate also purchases a number of excess of loss reinsurances to protect itself from severe frequency or size of losses. The structure of the programme and type of protection bought will vary from year to year depending on the availability and price of cover.

Additionally, a 17.5% whole account quota share arrangement of the net book of the Syndicate, excluding the P&C UK Business, is written by MS Amlin AG (Bermuda branch) each year, commuting after three years in line with the Lloyd's year of account reporting cycle.

h) Realistic Disaster Scenario (RDS) analysis
The Syndicate has a defined event risk tolerance, which determines the maximum net loss that the Syndicate intends to limit its exposure to major catastrophe event scenarios. At 31 December 2021 the maximum net loss was £141.0 million (2020: £119.6 million). The aforementioned numbers are based on the reporting period's closing FX rates.

These maximum losses are expected only to be incurred in extreme events – with an estimated occurrence probability for the elemental losses of approximately 1 in 50 years for each relevant natural peril region. The Syndicate also adopts risk tolerance maximum net limits for a number of other non-elemental scenarios including aviation collision, North Sea rig loss, terrorism, cyber and casualty events.

The risk tolerance policy recognises that there may be circumstances in which the net event limit could be exceeded. Such circumstances include changes in rates of exchange, reduced order amount or delay in renewal of reinsurance protection, reinsurance security failure, or regulatory and legal requirements.

Detailed deterministic and probabilistic analyses of catastrophe exposures are carried out every quarter and measured against the event risk tolerances, the business plan, and regulatory guidelines e.g. Lloyd's Franchise Guidelines. The following assumptions and procedures are used in the process:

- The data used reflects the information supplied to the Syndicate by insureds and ceding companies. The data is checked for any limitations e.g. data completeness, data quality, and exposures that could develop during the period e.g. binders. Adjustments are made in accordance with the underwriters that are subsequently reviewed and ratified by the Catastrophe Risk Management Committee (CRMC).
- Exposures are modelled using a mixture of stochastic models and underwriter input to arrive at damage factors – these factors are then applied to the assumed aggregate exposure to produce gross loss estimates. The damage factors are reviewed on a continual basis to ensure assumptions remain appropriate.
- Once Gross numbers are gathered, the in force reinsurance programme is then applied – a provision for reinsurer counterparty failure is analysed to ensure we capture any risks from this perspective.
- Reinstatement premiums both payable and receivable are included in our loss estimates.

Due to the severe nature of these events, there is no guarantee that the assumptions and techniques deployed in calculating the impact of these events are 100% accurate. We review our assumptions when new information comes to light, e.g. post event analysis, scientific or academic research.

Notwithstanding, there could be a situation where the Syndicate experiences a loss from a severe event that exceeds the loss estimate or tolerance. The likelihood of a very severe catastrophe is considered to be remote e.g. beyond the 1 in 100, however these scenarios are modelled simulated events that have considerable uncertainty associated with them but are captured within the probabilistic modelling numbers.

i) Claims reserving and IBNR
The Syndicate adopts a rigorous process in the calculation of an adequate provision for insurance claim liabilities. The overriding aim is to establish reserves at a best estimate and that there is consistency from year to year. The overall reserves are set at a level above the mean actuarial 'best estimate' position in accordance with the margin policy. However, there is a risk that, due to unforeseen circumstances, the reserves carried are not sufficient to meet insurance claim liabilities reported in future years on policy periods which have expired.

11. Insurance liabilities and reinsurance assets (Continued)

i) Claims reserving and IBNR (continued)

Process and methodology
The reserving process commences with the proper recording and reporting of claims information which consists of paid and notified or outstanding claims. For the Lloyd's market most claims notifications are received through the Lloyd's market bureau (operated by DxC Technology Company on behalf of Lloyd's), with others received directly. Claims records are maintained for each policy and class. For notified or outstanding claims, a case reserve is established based on the views of underwriting management and claims managers, using external legal or expert advice where appropriate. This reserve is expected to be sufficient to meet the claim payment when it is finally determined. For some classes of business, particularly liability business, settlement may be several years after the initial notification of the claim, as it may be subject to complexities or court action. For claims received from the Lloyd's market bureau, the market reserve is generally set by the lead underwriter, but there are circumstances with larger claims where the Syndicate will post higher reserves than those notified.

To assist with the process of determining the reserves, triangulation statistics for each class are produced which show the historical development of premium, as well as paid and incurred losses, for each underwriting year. In all cases, the different potential development of each class of business is fully recognised. The development period varies by class, by method of acceptance and is also determined by the deductible of each policy written. For casualty business, the policy form will determine whether claims can be made on a claims made (as advised) or on a loss occurring (determined by date of loss) basis. This has a significant impact on the reporting period in which claims can be notified.

Management obtained a Statement of Actuarial Opinion from an external provider which also assists in the challenge of best estimate reserves.

IBNR
To establish a provision for IBNR claims, the actuarial team uses their experience and knowledge of the classes of business to estimate the potential future development of the incurred claims for each class for each underwriting year. This is known as the 'best estimate'. In setting the IBNR provision, estimates are made for the ultimate premium and ultimate gross claims value for each underwriting year. Allowance is then made for anticipated reinsurance recoveries to reach a net claim position. Reinsurance recoveries are calculated for outstanding and IBNR claims, sometimes through the use of historical recovery rates or statistical projections, and provisions are made as appropriate for bad debt or possible disputes. The component of ultimate IBNR provision estimates and reinsurance recoveries that relates to future events occurring to the existing portfolio is removed in order to reflect generally accepted accounting practice. Meetings are initially held for each business unit in which underwriters, claims professionals and actuaries discuss the initial proposed estimates and revise them if it is felt necessary. At the next round of meetings, management discuss reserving issues with the actuaries and underwriters and challenge the proposed estimates. At this meeting, management propose the 'margin' for risk to be added to the best estimate, assisted by diagnostics produced from the internal model. The reserves are finally challenged at the audit committee meeting which will recommend approval by the Board.

Areas of uncertainty
The reserves established can be more or less than adequate to meet eventual claims arising. The level of uncertainty varies significantly from class to class but can arise from inadequate case reserves for known large losses and catastrophes or from inadequate provision for IBNR claims. The impact on profit of a 1% improvement/deterioration in the total net claims reserves would be £20.9 million gain/loss (2020: £23.5 million).

Property catastrophe claims, such as earthquake or hurricane losses can take several years to develop as adjusters visit damaged property and agree claim valuations. Until all the claims are settled it requires an analysis of the area damaged, contracts exposed and the use of models to simulate the loss against the portfolio of exposure in order to arrive at an estimate of ultimate loss to the Syndicate. There is uncertainty over the adequacy of information and modelling of major losses for a period that can range from several months to a number of years after a catastrophe loss. Account should also be taken of factors which may influence the size of claims such as increased repair cost inflation or a change in law.

The long tail liability classes represent the most difficult classes to project because often claims are notified and settled several years after the expiry of the policy concerned. This is particularly the case for liability business written on a loss occurring basis. The use of historical development data is fundamental to reserving these classes. It is used in conjunction with the advice of lawyers and third party claims adjusters on material single claims. Known changes to wordings or the claims environment are also considered.

Any trends that are not captured in the historical loss development are considered and adjustments applied if necessary. At 31 December 2021 the risk of claims inflation has been considered in detail as a particular risk to the adequacy of reserves given the current economic and legislative environment.

11. Insurance liabilities and reinsurance assets (Continued)

i) Claims reserving and IBNR (continued)

The allocation of IBNR to the reinsurance programme is an uncertain exercise as there is limited knowledge of the size or number of future claims advices. The assumption over future reinsurance recoveries may be incorrect and unforeseen disputes could arise which would reduce recoveries made.

The estimated premium income in respect of facility contracts, for example, binding authorities and line slips, are deemed to be written in full at the inception of the contract but actual premium may exceed or fail to meet initial estimates. The magnitude of claims arising from such facilities may differ from estimates as a result of differences between estimated and actual premium.

COVID-19
As an unprecedented source of claims there is particular uncertainty in the case of the COVID loss estimates with a number of specific uncertainties around the best estimate that forms part of the result and reserves within the balance sheet. The gross best estimate loss recorded for this event is £299.6 million (2020: £229.0 million). After reinsurance recoveries of £162.4 million (2020: 93.0 million), the net loss recorded is £137.2 million (2020: £136.0 million). The best estimate reserves held at year end are £175.8 million gross (2020: £209 million) and £13.4 million net (2020: £121.0 million).

Following the FCA test case and appeal, the syndicate began to receive quantified claims notifications, particularly for the UK business interruption claims, and began significant settlement activity. At 31 December 2021, we had settled 3,435 claims of 4,343 notified. The reserves set at 31 December 2020 were based upon assumptions around average claim size that have proved to be underestimated based upon actual experience.

Using expert judgement from personnel in Claims, Underwriting and other functions together with external expert advice where appropriate, we believe that we have identified all likely impacted policies and appropriately reserved any notified claims and potential future notifications. We have based our assumptions for future claims on our experience of settlements to date where appropriate. However, it is possible that claims will arise or develop in ways that we have not anticipated. This may manifest itself in the following ways:

- There are ongoing legislative uncertainties as well as uncertainties arising in connection with legal proceedings brought by policyholders against insurers associated with certain types of claims. As at 31 December 2021 there were two such cases in which policyholders have issued proceedings against the Syndicate.
- For our inwards reinsurance business, where we are reliant on the insured for information, it will take some time before it is clear if losses will reach the level of attachment.
- In addition there is uncertainty over how reinsurers will respond to claims under our outwards reinsurance. We remain confident, based on the legal advice we have received, that our Cat XL Program will respond and are proceeding accordingly. We presented our first collection note to reinsurers at the end of November 2021 and discussions with reinsurers continue.

Our estimate of the claims to be settled reflects our judgment of how policy wordings should respond, taking into account legal opinion, including the findings of the FCA Test Case and subsequent appeal. It is possible that some policyholders will seek to challenge those judgments and interpretations further and therefore uncertainty remains in respect of these estimates.

The Board believes that the COVID loss included within these financial statements represents a reasonable best estimate based upon the information available at this time. Were any of the estimates to prove inaccurate in relation to the above uncertainties, the gross and net COVID loss estimate would decrease or increase, possibly materially.

12. Capital

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

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

Although, as described below, 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 2001 is not disclosed in these financial statements.

12. Capital (Continued)

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

A syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the syndicate(s) on which it participates but no other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operate on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the syndicate to ultimate SCR. 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 a SCR which reflects the capital requirement to cover a to ultimate 1 in 200 year net loss for that member. Over and above this, Lloyd's applies 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 2021 was 35% (2020: 35%) of the member's to ultimate SCR.

Provision of capital by members
Each member may provide capital to meet its ECA either by assets held in trust by Lloyd's specifically for that member (Funds at Lloyd's, 'FAL'), held within and managed within a syndicate (Funds in Syndicate, 'FIS') or as the member's share of the members' balances on each syndicate on which it participates.

Accordingly, all of the assets less liabilities of the Syndicate, as represented in the member's balance reported on the statement of financial position on page 14, represent resources available to meet the member's and Lloyd's capital requirements. The Syndicate has only one member, MS Amlin Corporate Member Limited, and all of its capital for the 2021 and prior years of account is provided as both FIS and FAL.

13. Other risk disclosures

a) **Regulatory risk**
Regulatory risk is the risk that the Syndicate fails to meet the regulatory requirements of the Financial Conduct Authority, Prudential Regulation Authority and Lloyd's. Lloyd's requirements include those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. The managing agent has a Compliance Officer who monitors regulatory developments and assesses the impact on agency policy.

b) **Operational risk**
Operational risk is the risk that failure of people, systems or processes leads to losses to the Syndicate. These risks are managed through the use of detailed procedure manuals and monitoring of compliance. In addition, the MSI Group has both a Risk and Internal Audit function which assist the managing agent to meet the strategic and operational objectives for the Syndicate through the provision of independent appraisal of the adequacy and effectiveness of internal controls in operation and to provide reasonable assurance as to the adequacy of systems and procedures to enable compliance with all relevant regulatory and legal requirements.

14. Related parties

Ultimate parent company
The smallest group of undertakings of which the managing agent is a member and for which group financial statements are prepared is Mitsui Sumitomo Insurance Company, Limited, a company incorporated in Japan. The ultimate parent company and controlling party is MS & AD Insurance Group Holdings, Inc., a company incorporated in Japan and is the largest group of undertakings in which the managing agent is a member and for which group financial statements are prepared.

Consolidated financial statements for the smallest and largest group undertakings are available to the public and may be obtained from the Company Secretary at The Leadenhall Building, 122 Leadenhall Street, London, EC3V 4AG.

The ultimate parent company address is Tokyo Sumitomo Twin Building (West Tower), 27-2, Shinkawa 2 Chome, Chuo-ku, Tokyo, Japan. The address of Mitsui Sumitomo Insurance Company, Limited is 9, Kanda-Surugadai 3 Chome, Chiyoda-ku, Tokyo, Japan.

14. Related parties (continued)

Mitsui Sumitomo Insurance Company, Limited
Mitsui Sumitomo Insurance Company, Limited ('MSI') provides capital in support of the Syndicate through FAL. The amount provided as at 31 December 2021 was £524.9 million (2020: £716.5 million). The current total is made up of Japanese corporate & municipal bonds (2020: £551.5 million). The change in the year was related to foreign exchange and market value movements.

The remaining FAL from the prior year, £165.0 million in sterling letters of credit issued by a number of Japanese banks, was returned to MSI during the year.

MS Amlin Corporate Member Limited
MS Amlin Corporate Member Limited (the 'Corporate Member') is the sole corporate member to the Syndicate. As per note 12, it provides capital to the Syndicate as FAL and FIS.

The amount provided as FIS as at 31 December 2021 was £670.1 million (2020: £719.1 million), including accrued income. The net decrease is due to movements occurring through Coming into Line processes offset by cash call releases to settle losses in open years of account. The amount provided as FAL as at 31 December 2021 was £346.8 million (2020: £238.8). This is provided through letters of credit to the value of $469.7 million (2020: $326.5 million), sourced from a syndicated £550.0 million letter of credit facility led by Barclays Bank plc.

MS Amlin Underwriting Limited
Managing agent's fees of £16.8 million (2020: £20.8 million) were charged to the Syndicate during the year, of which £nil (2020: £nil) was outstanding as at 31 December 2021.

There have been no transactions entered into or carried out during the year by the managing agent on behalf of the Syndicate in which it or any of its executives had directly or indirectly a material interest.

MS Amlin Corporate Services Limited
MS Amlin Corporate Services Limited ('MS ACS') was paid £120.7 million during the year (2020: £141.3 million) for expenses incurred directly and indirectly on behalf of the Syndicate. This included a management charge of £31.2 million (2020: £78.7 million) for central costs of the MSI Group that are attributable to the Syndicate. These expenses are shown in administrative expenses net of the allocation to claims handling costs. There is no profit element in the amounts paid to MS ACS. At 31 December 2021 the amount receivable from MS ACS was £1.0 million (2020: £1.0 million payable). These amounts do not include the loans receivable from MS ACS as disclosed in note 10(d).

MS Amlin AG (Bermuda branch)
The Syndicate placed a 17.5% whole account quota share reinsurance contract (WAQS) with MS Amlin AG (Bermuda branch) (AB) for the 2021 year of account excluding P&C UK Business. (2020: 17.5%).

All reinsurance contracts are agreed on an arm's length basis with terms that are consistent with those negotiated with third parties. The total premiums (less commissions retained) payable to AB in respect of 2021 were £132.0 million (2020: £117.2 million), of which £36.1 million (2020: £43.9 million) were outstanding as at 31 December 2021. The share of claims incurred receivable from AB in respect of 2021 was £87.0 million (2020: £123.6 million), of which £57.7 million (2020: £81.6 million) were outstanding as at 31 December 2021.

MS Amlin AG (Zurich branch)
During 2020, P&C UK renewed a quota share arrangement of 100% of its Employee's Liability and General Liability books with MS Amlin AG Zurich. The total premiums for the year were £0.4 million (2020: £1.1 million) with £nil million (2020: £nil) outstanding as at 31 December 2021.

The share of claims incurred receivable in respect of 2021 was £4.8 million (2020: £2.9 million), of which £7.9 million (2020: £4.2 million) were outstanding as at 31 December 2021.

Leadenhall Capital Partners LLP
The Syndicate wrote £111.3 million (2020: £67.1 million) of gross premium and received £5.0 million (2020: £3.0 million) of commissions through this arrangement during 2021. As at 31 December 2021, the Syndicate had £67.2 million (2020: £229.3 million) receivable, all of which is collateralised, and £86.1 million payable to LCP (2020: £277.1 million).

Eagle Underwriting Limited
On 30 September 2021, the Syndicate disposed of its interest in Eagle Underwriting Limited ('Eagle') to a third party.

During the year, Eagle wrote £1.9 million premiums (2020: £5.2 million) (net of original brokerage) on behalf of the Syndicate, of which £nil remains receivable at 31 December 2021 (2020: £nil).

14. Related parties (continued)

The Syndicate recognised claims from Eagle of £4.5 million (2020: £1.3 million), of which £1.6 million (2020: £0.2 million) remains payable at 31 December 2021.

Service companies and brokers

Service companies and brokers and the income received, and expenses incurred by the Syndicate are summarised below.

Service company	2021 Gross written premium £m	2020 Gross written premium £m	2021 Claims incurred £m	2020 Claims incurred £m	2021 Net balance receivable £m	2020 Net balance receivable £m
Amlin UK Limited	0.1	(3.8)	0.1	0.4	1.5	1.4
AUA Insolvency Risk Services Limited	-	9.2	-	1.7	-	0.9
MS Amlin (MENA) Limited	2.9	5.5	1.4	3.7	0.4	0.4
MS Amlin Asia Pacific Pte Limited	34.9	35.0	15.3	29.4	141.7	127.7
MS Amlin Labuan Limited	2.7	4.7	2.6	0.3	8.2	7.1
MS Amlin Marine N.V.	8.4	36.7	4.3	7.5	3.1	2.5
MS Amlin Reinsurance Managers Inc.	5.6	(8.9)	47.5	64.4	4.9	3.5
MS Amlin Underwriting Services Limited	33.3	0.9	19.2	22.9	1.8	1.8

On 1 October 2020, AUA Insolvency Risk Services Limited was acquired by Specialist Risk Group. As such, transactions with this company during 2021 have not been shown. The entire share capital of the remaining companies is held by MSI Group and its subsidiaries.

No fees are paid by these companies to any of the directors of the managing agent.

Toro Prism Trust
During the year, the Syndicate invested in the Toro Prism Trust (the 'Trust') which is an open-ended investment unit trust authorised by the Central Bank of Ireland as a UCITS (Undertakings for Collective Investment in Transferable Securities) regulated by the European Union. The Trust is controlled by the MSI Group. The market value of the investments in the Trust at December 2021 is £713.5 million (2020: £897.6 million), and accrued distribution receivable from the Trust amounts to £5.2 million (2020: £6.7 million).

15. Events after the reporting period

Legacy reserves
Following the decision to cease underwriting certain lines of business in 2019 and 2020, the Syndicate has been considering options to manage those lines of business appropriately. Having focussed initially on the former UK Property and Casualty business, the managing agent, on behalf of the Syndicate, sought permission from Lloyd's and the PRA to enter into a "Split" Reinsurance to close (RITC) contract on its 2019 and prior years of account reserves for that business. The contract covers business not transacted through the Xchanging bureaux system. This contract was executed on 18 February 2022 but, as with all such contracts, takes effect from 1 January 2022.

On the same date, the Syndicate entered into a 100% quota share contract for the 2020 year of account reserves in the same lines of business, in preparation for a similar split RITC transaction in 2023.

The value of liabilities reinsured, net of related debtor balances transferred, under the RITC as at 31 December 2021 was £187.3 million (c. 12% of net assets).

Russia – Ukraine conflict
In February 2022, a military conflict arose in Ukraine. The Syndicate does have some limited insurance exposure primarily through its crisis management, contract frustration, political risks and war lines of business. Management are actively monitoring the situation and assisting policyholders where possible. The Syndicate's investment portfolios have insignificant exposure to Ukrainian and Russian assets.