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AXIS Syndicate 2007
Syndicate Annual Report and Accounts
31 December 2020

CONTENTS

DIRECTORS AND ADMINISTRATION

MANAGING AGENT	AXIS Managing Agency Ltd	
DIRECTORS	Stephen Cane (Chairman)* Tadeusz Dziurman* Mark Gregory Tim Hennessy Geraldine Lawlor (resigned 29 Feb 2020)* Fintan Mullarkey Tom Rivers Alistair Robson Elanor Hardwick (appointed 2 July 2020) * James Mollett (appointed 25 Sep 2020)	*** Independent Non-Executive**
SECRETARY	Kelly Lawrence 52 Lime Street London EC3M 7AF United Kingdom	
MANAGING AGENT'S REGISTERED OFFICE	52 Lime Street London EC3M 7AF United Kingdom	
MANAGING AGENT'S REGISTERED NUMBER	08702952	
ACTIVE UNDERWRITER	Alistair Robson	
SOLICITORS	Willkie Farr & Gallagher (UK) LLP 27th Floor, Citypoint 1 Ropemaker Street London EC2Y 9AW United Kingdom	
AUDITORS	Deloitte LLP 1 New Street Square London EC4A 3HQ United Kingdom	
PRINCIPAL BANKERS	Citibank NA Citigroup Centre 33 Canada Square Canary Wharf London, E14 5LB United Kingdom Barclays Bank PLC 1 Churchill Place London, E14 5RB	RBC Dexia Investor Services 155 Wellington Street W Toronto, Ontario M5V 3K7 Canada

ACTIVE UNDERWRITER'S REPORT

AXIS Syndicate 2007 (the "Syndicate") is a Lloyd's Syndicate of AXIS Capital Holdings ("ACHL"), the Bermuda based holding company for the AXIS group of companies ("AXIS"). The Syndicate is managed by AXIS Managing Agency limited ("AMAL").

Following the acquisition of Novae Group plc by the AXIS in 2017, the Syndicate was placed into run-off effective January 2019. Until 31 December 2018 the Syndicate wrote (re)insurance business across Marine, Energy, Property and Specialty lines, with additional focus on Credit & Political risks as well as Cyber Insurance. From 1st January 2019 onwards business has been renewed though Syndicate 1686.

For the financial year ended December 2020, the Syndicate achieved gross premiums written of GBP 41.9m, representing a 78.5% reduction from 2019 (GBP 194.4m). This reduction was a result of the renewal of all ongoing business into AXIS Syndicate 1686 as AMAL streamlined its platform use at Lloyd's. The written premium arises from 2018 and prior underwriting years, and in particular from business written through delegated underwriting portfolios and additional business being declared on long tail classes such as Construction and Credit & Political Risks.

The Syndicate produced a loss for the year of GBP 5.6m (2019: profit of GBP 8.3m).

Alistair Robson
Active Underwriter
Date 3 March 2021

The directors of the Managing Agent, AMAL, present their annual report for the Syndicate for the year ended 31 December 2020.

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

RESULTS

The results of the Syndicate are set out on pages 13 and 14.

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS

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

Until 31st December 2018 the Syndicate wrote (re)insurance across marine, energy, property and specialty lines with a focus on credit and political as well as cyber insurance. The Syndicate also wrote business through its Service Company, AXIS Underwriting Limited (formerly Novae Underwriting Limited). From 1st January 2019 business was written through Syndicate 1686.

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

	2020	2019
	GBP '000	GBP '000
Property	10,097	80,748
Third Party Liability	1,124	53,152
Credit	19,921	20,225
Marine	5,122	16,819
Reinsurance	2,464	8,304
Transport	3,037	8,110
Energy	(975)	6,032
Accident & Health	(59)	1,294
Motor	1,159	(251)
	41,890	**194,433**

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

	2020	2019	Change
	GBP '000	GBP '000	%
Gross written premium	41,890	194,433	(78.5)
Net earned premium	66,154	357,119	(81.3)
Net technical profit/(loss) (excluding investment return transferred from non-technical account)	(6,333)	(1,007)	(528.9)
Combined ratio (excluding investment income & FX impact)	109.6 %	100.3 %	

PRINCIPAL ACTIVITY AND REVIEW OF THE BUSINESS (continued)

The return on capacity at 31 December 2020 for the 2018 year of account is as follows:

	2018 YOA Closed
Capacity (GBP '000)	800,000
Balance (GBP '000)	(130,451)
Return on capacity %	(16.3)%

COVID-19

As a result of COVID-19 the AXIS Group have successfully implemented business continuity plans to ensure that it will continue to operate effectively and fulfil its regulatory obligations, ensuring the safety and well-being of its employees, the continued support of and engagement with its clients and service providers. The robust nature of its remote working tools, and the positive engagement of all stakeholders has allowed AXIS to continue to trade effectively in all relevant markets. AXIS have robust governance structures and processes in place, which support the on-going monitoring of its solvency and liquidity position based on the latest available information.

Net reserves for losses and loss expenses related to the COVID-19 pandemic represents the Syndicate's best estimate of losses and loss expenses that have been incurred at 31 December 2020. The determination of net reserves is based on the Syndicate's ground-up assessment of coverage from individual contracts and treaties across all lines of business and includes a review of modelling analyses and market information, where appropriate. In addition, the Syndicate considers information received from clients, brokers and loss adjusters, together with outcomes of recent court judgments, including the UK Supreme Court ruling on 15 January 2021.

Part VII Transfer

On 30 December 2020, the Syndicate transferred its EEA non-life insurance policies written between 2016 and 2018 to Lloyd’s Insurance Company S.A. (‘Lloyd’s Brussels’) pursuant to Part VII of the Financial Services and Markets Act 2000. The value of the net liabilities transferred was $70.6m. The Syndicate transferred cash on 4 January 2021 of the same amount to Lloyd’s Brussels. Lloyd’s Brussels subsequently reinsured the same liabilities back to the Syndicate on the same day. The reinsurance premium received was of the same amount of $70.6m. There was no gain or loss arising on either transaction.

Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with Society of Lloyd’s guidance no movements were processed on these policies on 31 December 2020.

The transaction has no impact on equity.

Reinsurance to Close

In line with the run-off closure plan, Syndicate 2007 closed by way of a RITC into the 2019 year of account of Syndicate 1686 on execution of the RITC agreement. This will therefore be its last Annual Report.

FUTURE DEVELOPMENTS

Following the RITC of Syndicate 2007 into Syndicate 1686 the 2018 year of account loss will be collected from AXIS Corporate Capital UK II Limited ("ACCUKIIL") by Syndicate 1686 in 2021.

PRINCIPAL RISKS AND UNCERTAINTIES

The Syndicate's principal risks are insurance, credit, market, liquidity and operational risks that arise as a result of doing business.

Closure of Syndicate 2007 and reinsurance to close transaction
Due to the closure of Syndicate 2007 effective 1 January 2021, all Syndicate 2007 assets and liabilities will transfer into Syndicate 1686 as part of planned reinsurance to close transaction. This process has been managed through a Syndicate Closure Project throughout 2020 in order to ensure that all necessary preparations have been made across the business to facilitate a smooth transition, and manage any operational risks.

This transaction will have the effect that all of the principal risks outlined below will transfer to and be managed by Syndicate 1686 from 1 January 2021 onwards.

Insurance Risk
Insurance risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities transferred to the Syndicate through the underwriting process. Insurance risk is managed through rigorous protocols, including peer review and underwriting guidelines, which provide a framework for consistent pricing and risk analysis while ensuring alignment to the risk appetite.

The Syndicate also mitigates Insurance risk through the purchase of reinsurance.

Within Insurance Risk, the Syndicate recognises the following further sub categories of this risk:

1. Natural Peril Catastrophe Risk;
2. Man-made Catastrophe Risk;
3. Reserving Risk;
4. Claims Handling Risk

For further details on these risks refer to note 15.

Credit risk
The key aspect of credit risk is the risk of default by one or more of the Syndicate’s reinsurers or intermediaries. The AMAL Board’s policy is that the Syndicate will only reinsure with approved reinsurers, supported by collateralisation where required. The AXIS Reinsurance Security Committee monitors reinsurer ratings and is required to approve all new reinsurers before business is placed with them.

Market risk
Market risk exposure relates to fluctuations in interest rates or exchange rate. The Syndicate is exposed to foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. Through asset and liability management, the Syndicate aims to ensure that risks influence both the economic value of investments and underwriting liabilities in the same way, thus mitigating the effect of market fluctuations.

Liquidity risk
Liquidity risk is the risk that the Syndicate may not have sufficient financial resources to meet its obligations when they fall due, or would have to incur excessive costs to do so. The Syndicate aims to ensure it maintains adequate liquidity to meet its liquidity needs under both normal and stressed conditions. The Syndicate manages liquidity through risk limits which define the minimum percentage of the Syndicate’s cash and investments to mature within a defined time frame, in addition to undertaking stress testing to ensure that the Syndicate would be able to withstand extreme loss events and still remain liquid. The Syndicate also has a facility agreement in place with an AXIS affiliate for its working capital and stressed liquidity requirements.

Operational risk
Operational risk represents the risk of loss as a result of inadequate processes, system failures, human error or external events, including but not limited to direct or indirect financial loss, reputational damage, customer dissatisfaction and legal and regulatory penalties. Transaction type operational risks are managed through the application of process controls throughout the business which are reviewed on a regular basis. In testing these controls, the Syndicate supplements the work of our internal audit team with regular underwriting and claim peer audits. A risk register, capturing all known significant operational risks faced by the Syndicate and the associated risk assessments, is periodically reviewed by the Risk Committee of the Board.

PRINCIPAL RISKS AND UNCERTAINTIES (continued)

Operational risk (continued)
Within Operational Risk, the Syndicate also considers Regulatory Risk, defined as the risk of loss owing to a breach of regulatory requirements or failure to respond to regulatory change. The Managing Agency is required to comply with the requirements of the Financial Conduct Authority (FCA), Prudential Regulatory Authority (PRA) and Lloyd’s. Lloyd’s requirements include those imposed on the Lloyd’s market by overseas regulators, particularly in respect of US situs business.

The Managing Agency has a compliance officer who monitors business activity and regulatory developments and assesses any effects on the Managing Agency. The Syndicate has no appetite for failing to treat customers fairly. The Syndicate manages and monitors its conduct risk through a suite of risk indicators and reporting metrics as part of its documented conduct risk framework.

Brexit
The UK and the EU agreed a Brexit Withdrawal Agreement whereby the UK officially left the EU on 31 January 2020. The agreement provided a transition period that lasted until 31 December 2020. On 24 December 2020 the EU and UK agreed on the terms of the EU-UK Trade and Cooperation Agreement, which governs the new relationship between the UK and EU. The Agreement came into effect on 1 January 2021.

Following the UK's exit from the European Union, Lloyd's have remained committed to doing business with their European partners. From 1 January 2019 Lloyd’s have written EEA risks through Lloyd's Brussels, an EU subsidiary, to ensure continued access to EU business via this platform. The Syndicate completed its Part VII transfer on 30 December 2020 ensuring that all insurance and reinsurance policies can continue to be serviced by the Lloyd’s market.

For a more detailed analysis of the insurance and financial risks faced by the Syndicate and how these risks are managed refer to note 15.

CRITICAL ACCOUNTING JUDGEMENTS AND KEY SOURCES OF ESTIMATION UNCERTAINTY

The preparation of the financial statements requires management to make judgements, estimates and assumptions that affect the amounts reported for assets and liabilities as at the statement of financial position date and the amounts reported for revenues and expenses during the year. Management have not identified any critical accounting judgements. Key sources of estimation uncertainty are as follows.

Insurance contract technical provisions
Estimates need to be made both for the expected ultimate cost of claims reported at the reporting date and for the expected ultimate cost of claims incurred but not reported (IBNR), at the reporting date. A variety of actuarial methods are utilised in estimating the ultimate costs of claims and claims expenses, including the Expected Loss Ratio, Bornhuetter-Ferguson and Chain Ladder methods.

The provision for claims outstanding is assessed on an individual case basis and is based on the estimated ultimate cost of each claims notified but not settled by the statement of financial position date. The IBNR provision and related handling costs are considered for each class of business by using a range of standard actuarial techniques and include an implicit allowance for claims which are incurred but not reported as well as deteriorations of claims currently incurred. The methods used, and the estimates made, are reviewed regularly.

The two main critical assumptions with regards to claims provisions are 1) it is assumed unless there is information to the contrary past development is a reasonable predictor of future claims development and 2) the rating and other models used are fair reflections of the underlying business.The directors consider the provisions for gross claims and related reinsurance recoveries are fairly stated based in the information currently available to them. However, the ultimate liability will vary as a result of subsequent information and events and this may result in significant adjustments to the amounts provided.

Further information is provided in note 15 (c).

DIRECTORS
Details of the directors of the Managing Agent that served during the year and up to the date of signing of the Syndicate annual accounts are provided on page 2. Changes to the directors were as follows:

Geraldine Lawlor	Resigned	29 February 2020
Elanor Hardwick	Appointed	2 July 2020
James Mollett	Appointed	25 September 2020

GOING CONCERN
As described in Note 15: Provision of capital by members, the Syndicate's Economic Capital Assessment (ECA) is supported by Funds at Lloyd's (FAL) provided by ACCUKIIL. These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities. The Managing Agent is able to make a call on the members' FAL to meet liquidity requirements or to settle losses as required.

With effect from 1 January 2021, Syndicate 2007 ceased having been subject to a RITC contract and has been closed into Syndicate 1686 which is also managed by AMAL. Accordingly, the financial statements have been prepared on the basis other than that of a going concern. The execution of the RITC contract will conclude business of Syndicate 2007. Further details regarding the adoption of the going concern basis can be found in note 1.

DISCLOSURE OF INFORMATION TO THE AUDITOR
So far as each person who was a director of the Managing Agent at the date of approving the report is aware, there is no relevant audit information, being information needed by the Syndicate auditors in connection with the auditor's report, of which the auditors are unaware. Each director has taken all the steps that he or she ought to have taken as a director to become aware of any relevant audit information and to establish that the Syndicate's auditors are aware of that information.

EVENTS SINCE FINANCIAL YEAR END
There have been no significant events affecting the Syndicate since the financial year end other than those highlighted in the COVID-19 and future developments sections.

INDEPENDENT AUDITORS
Deloitte LLP acted as the Syndicate’s auditors from the appointment date of 21 June 2018. Due to the planned reinsurance to close of Syndicate 2007 there is no requirement to appoint an auditor for 2021.

SYNDICATE ANNUAL GENERAL MEETING
In accordance with the Syndicate Meetings (Amendment No 1) Byelaw (No 18 of 2000) the Managing Agent does not propose holding an annual meeting this year. Objections to this proposal can be made by Syndicate members within 21 days of the issue of these financial statements.

On behalf of the Board

Kelly Lawrence
Company Secretary
Date 3 March 2021

STATEMENT OF MANAGING AGENT'S RESPONSIBILITIES

The directors of the Managing Agent are responsible for preparing the Syndicate annual accounts in accordance with applicable law and regulations.

The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 require the Managing Agent to prepare syndicate annual accounts at 31 December each year in accordance with United Kingdom Generally Accepted Accounting Practice (United Kingdom Accounting Standards) including FRS 102, the Financial Reporting Standard applicable in the UK and Republic of Ireland and FRS 103 "Insurance Contracts", and applicable laws. The syndicate annual accounts are required by law to give a true and fair view of the state of affairs of the Syndicate as at that date and of its profit or loss for that year.

In preparing the syndicate annual accounts, the Managing Agent is required to:

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

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

The directors of the Managing Agent are responsible for the maintenance and integrity of the corporate and financial information included on the holding company's website. Legislation in the United Kingdom governing the preparation and dissemination of annual accounts may differ from legislation in other jurisdictions.

Report on the audit of the syndicate annual financial statements

Opinion
In our opinion the syndicate annual financial statements of Syndicate 2007 (the 'syndicate'):
- give a true and fair view of the state of the syndicate's affairs as at 31 December 2020 and of its loss for the year then ended;
- have been properly prepared in accordance with United Kingdom Generally Accepted Accounting Practice, including Financial Reporting Standard 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland"; and
- have been prepared in accordance with the requirements of The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008.

We have audited the syndicte annual financial statements which comprise:
- the statement of comprehensive income;
- the statement of changes in members' balances;
- the statement of financial position;
- the statement of cash flows; and
- the related notes 1 to 23.

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

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

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

Emphasis of matter– Financial statements prepared other than on a going concern basis
We draw attention to Note 1 which states that with effect from 1 January 2021, Syndicate 2007 ceased having been subject to a Reinsurance to Close ("RITC") contract and has been closed into Syndicate 1686 which is also managed by AXIS Managing Agency Limited. Accordingly, the financial statements have been prepared on the basis other than that of a going concern.

Our opinion is not modified in respect of this matter.

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

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

We have nothing to report in this regard.

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

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

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

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

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

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

We obtained an understanding of the legal and regulatory framework that the syndicate operates in, and identified the key laws and regulations that:
- had a direct effect on the determination of material amounts and disclosures in the financial statements. These included the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and the Lloyd's Syndicate Accounting Byelaw (no. 8 of 2005); and
- do not have a direct effect on the financial statements but compliance with which may be fundamental to the syndicate's ability to operate or to avoid a material penalty. These included the requirements of Solvency II.

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

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

- Valuation of certain technical provisions classes, including long tail classes, incorporates assumptions and methodologies requiring significant management judgement and therefore there is potential for management bias. There is also a risk of overriding controls by making late adjustments to the technical provisions. In response to these risks we performed the following:
    - Engaged our actuarial specialists to:
        - Assess the appropriateness of the methodology and assumptions used by the syndicate's actuarial function;
        - Carry out an independent reserve estimations for selected classes of business; and
        - Perform benchmarking analysis for the development patterns for selected classes of business.
    - Tested relevant controls around the data, models and assumptions used to determine the syndicate's reserves.
    - Tested the integrity of the data used in the actuarial calculations by agreeing to them underlying syndicate records.

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

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

Report on other legal and regulatory requirements

Opinions on other matters prescribed by The Insurance Accounts Directive (Lloyd’s Syndicate and Aggregate Accounts) Regulations 2008
In our opinion, based on the work undertaken in the course of the audit:

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

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

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

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

We have nothing to report in respect of these matters.

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

Andrew Downes
For and on behalf of Deloitte LLP
Statutory Auditor
London, United Kingdom
3 March 2021

AXIS SYNDICATE 2007
STATEMENT OF COMPREHENSIVE INCOME: TECHNICAL ACCOUNT - GENERAL BUSINESS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	Financial Year ended 31 December 2020 GBP '000	Financial Year ended 31 December 2019 GBP '000
Gross written premiums	3	41,890	194,433
Outward reinsurance premiums		(13,914)	(95,015)
Net written premium		**27,976**	**99,418**
Change in the gross provision for unearned premiums	4	53,054	348,110
Change in the provision for unearned premiums – reinsurers' share	4	(14,876)	(90,409)
Change in the net provision for unearned premiums		**38,178**	**257,701**
Earned premiums, net of reinsurance		**66,154**	**357,119**
Allocated investment return transferred from the non-technical account		8,894	16,152
		75,048	**373,271**
Claims paid			
Gross amount		(290,504)	(511,327)
Reinsurers' share		125,856	253,941
Net claims paid		**(164,648)**	**(257,386)**
Change in provision for claims			
Gross amount	4	111,458	149,793
Reinsurers' share	4	6,079	(96,387)
Change in net provision for claims		**117,537**	**53,406**
Claims incurred, net of reinsurance		**(47,111)**	**(203,980)**
Net operating expenses	5	(25,376)	(154,147)
Balance on the technical account - general business		**2,561**	**15,144**

STATEMENT OF COMPREHENSIVE INCOME: NON - TECHNICAL ACCOUNT - GENERAL BUSINESS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	Financial Year ended 31 December 2020 GBP '000	Financial Year ended 31 December 2019 GBP '000
Balance transferred from the technical account - general business		2,561	15,144
Investment income	8	8,894	16,152
Allocated investment return transferred to the technical account		(8,894)	(16,152)
		2,561	**15,144**
Foreign exchange losses		(8,198)	(6,837)
(LOSS)/PROFIT FOR THE FINANCIAL YEAR		**(5,637)**	**8,307**
Other comprehensive income - Exchange differences on translation		4,007	10,162
TOTAL COMPREHENSIVE (EXPENSE)/INCOME FOR THE FINANCIAL YEAR		**(1,630)**	**18,469**

The accompanying notes form an integral part of the annual report.

STATEMENT OF CHANGES IN MEMBERS' BALANCES

	Financial Year ended 31 December 2020 GBP '000	Financial Year ended 31 December 2019 GBP '000
As at 1 January	(190,896)	(286,253)
(Loss)/Profit for the financial year	(5,637)	8,307
Other Comprehensive Income	4,007	10,162
Loss collection	61,495	76,523
Member expenses	580	365
As at 31 December	**(130,451)**	**(190,896)**

The distribution profit/loss collection represents the amount paid from, the corporate member, ACCUKIIL, in respect of the 2016 and 2017 years of account.

	Notes	2020 GBP '000	2019 GBP '000
ASSETS			
Investments			
Financial investments	9	187,812	280,751
		187,812	**280,751**
Reinsurers' share of technical provisions			
Provision for unearned premiums	4	15,013	29,907
Claims outstanding	4	324,224	323,856
		339,237	**353,763**
Debtors			
Debtors arising out of direct insurance operations	10	10,671	27,120
Debtors arising out of reinsurance operations	11	116,970	239,592
		127,641	**266,712**
Cash and other assets			
Cash at bank		10,553	6,897
		10,553	**6,897**
Prepayments and accrued income			
Deferred acquisition costs	4	9,725	23,116
Other prepayments and accrued income		877	5,015
		10,602	**28,131**
TOTAL ASSETS		**675,845**	**936,254**

	Notes	2020 GBP '000	2019 GBP '000
MEMBERS' BALANCE			
Capital and reserves			
Members' balance		(130,451)	(190,896)
LIABILITIES			
Technical provisions			
Provision for unearned premiums	4	52,881	104,838
Gross claims outstanding	4	667,385	781,830
		720,266	**886,668**
Creditors			
Creditors arising out of direct insurance operations		—	—
Creditors arising out of reinsurance operations	13	56,342	129,433
Other creditors	14	28,355	107,796
		84,697	**237,229**
Accruals and deferred income		1,333	3,253
TOTAL LIABILITIES AND MEMBERS' BALANCE		**675,845**	**936,254**

The annual report and accounts were approved by the Board of AXIS Managing Agency Limited on 25 February 2021 and signed on its behalf by:

James Mollett
Finance Director
Date 3 March 2021

STATEMENT OF CASH FLOWS
FOR THE FINANCIAL YEAR ENDED 31 DECEMBER 2020

	Notes	2020 GBP'000	2019 GBP'000
(Loss)/Profit for the financial year		**(5,637)**	**8,307**
Adjustments for:			
(Decrease) in net technical provisions		(151,876)	(329,330)
Decrease in debtors		156,600	144,517
(Decrease) in creditors		(96,183)	(8,998)
Movement in other assets/liabilities		—	—
Investment return		(8,894)	(16,152)
Foreign exchange on financial assets and liabilities		9,697	27,844
Net cash inflow used in operating activities		**(96,293)**	**(173,812)**
Cash flow from investing activities:			
Purchase of equity and debt instruments		(233,145)	(228,941)
Sale of equity and debt instruments		473,994	281,783
Investment income received		4,618	9,940
Net cash inflow from investing activities		**245,467**	**62,782**
Cash flow from financing activities:			
Transfer from members in respect of underwriting participations		60,915	76,159
Non-standard personal expenses		580	364
Loan payable to group companies		(58,268)	17,214
Net cash inflow from financing activities		**3,227**	**93,737**
Net increase/(decrease) in cash and cash equivalents		152,401	(17,292)
Opening cash and cash equivalents		12,265	30,380
Effect of exchange rates on cash and cash equivalents		(62)	(823)
Closing cash and cash equivalents	**12**	**164,604**	**12,265**

1. BASIS OF PREPARATION

Statement of Compliance
The annual report and accounts have been prepared on a non-going concern basis and in compliance with The Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and FRS 102 "The Financial Reporting Standard applicable in the UK and Republic of Ireland" (FRS 102) and FRS 103 "Insurance Contracts" (FRS 103), being applicable UK GAAP accounting standards, and in accordance with the provisions of Schedule 3 of the Large and Medium-sized Companies and Groups (Accounts and Reports) Regulations relating to insurance companies.

The annual report and accounts are prepared under the historical cost convention except for certain financial instruments which are measured at fair value. The annual report and accounts are prepared in Great British Pounds (GBP) which is the presentational currency of the Syndicate. The functional currency is US Dollars (USD). The annual report and accounts are presented in thousands of GBP (GBP '000) unless otherwise stated.

Going concern
With effect from 1 January 2021, Syndicate 2007 ceased having been subject to a RITC contract and has been closed into Syndicate 1686 which is also managed by AXIS Managing Agency Limited. Accordingly, the financial statements have been prepared on the basis other than that of a going concern. This has had no impact on any of the amounts reported in the financial statements when considered against the circumstance in which the financial statements were to be prepared on a going concern basis, the assets and liabilities of the Syndicate have been valued in line with the RITC contract.

PVII transfer
On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 1993 and April 2019 (or October 2020 in the case of German reinsurance), transferred all relevant policies (and related liabilities) underwritten by them for those years of account to Lloyd's Insurance Company S.A. ('Lloyd's Brussels'), in accordance with Part VII of the Financial Services and Markets Act 2000. On the same date, the Members of the Syndicate entered into a 100% Quota Share Reinsurance Agreement whereby Lloyd's Brussels reinsured all risks on the same policies back to the relevant open years of account of the Syndicate which wrote the transferring policies and/or inherited liabilities on transferring policies through Reinsurance to Close of earlier years of account. The value of the net liabilities transferred was USD 70.6m.

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. 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. Current year underwriting results for the transferred policies have been reported in the same classes of business as in prior years, as the effective date of the transfer was 30 December 2020, and in line with 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.

2. SUMMARY OF ACCOUNTING POLICIES

Technical result
The technical result is determined on an annual basis whereby the incurred cost of claims, commission and related expenses are charged against the earned proportion of premiums, net of reinsurance and related investment income as follows:

Premiums and acquisition costs
Premiums written are recorded in accordance with the terms of the underlying policies. Premiums are earned over the period during which the Syndicate is exposed to the underlying risk which is generally one to two years with the exception of multi- year contracts. Unearned premiums represent the portion of premiums written which is applicable to the unexpired risks under contracts in force.

Acquisition costs vary with and are directly related to the acquisition of insurance contracts and consist primarily of fees and commissions paid to brokers. Deferred acquisition costs represent the proportion of acquisition costs which will be expensed in subsequent accounting periods; the deferral is calculated in the same manner as the unearned premiums provision. Certain reinsurance commissions and profit participations are also included within expenses for the acquisition of insurance contracts and are deferred in line with unearned premium.

2. SUMMARY OF ACCOUNTING POLICIES (continued)

Premiums and acquisition costs (continued)
Under FRS 103, unearned premiums and deferred acquisition costs are monetary assets. These are therefore valued at the closing exchange rate at the reporting period and any foreign currency gains or losses are recognised in the Statement of Comprehensive Income: Non-technical account.

Reinsurance
In the normal course of business, the Syndicate purchases reinsurance protection to limit its ultimate losses from catastrophic events and to reduce its loss aggregation risk. Reinsurance premiums ceded are expensed over the reinsurance coverage period. Unearned reinsurance premiums represent the portion of premiums ceded applicable to the unexpired term of the contracts in force. The Syndicate also participates in a number of Group-purchased global reinsurance treaties for certain risks. The premiums paid to our reinsurers (i.e. outward reinsurance premiums) are expensed over the coverage period. The reinsurers' share of provision for unearned premiums represents the portion of premiums ceded applicable to the unexpired term of the contract in force.

Outstanding reinsurance commitments relating to subsequent instalments are disclosed in note 22.

Reinsurance recoverables are presented net of a reserve for uncollectible reinsurance. The method for determining the reinsurance recoverable on unpaid losses and loss expenses involves actuarial estimates and assumptions. Unpaid losses and loss expenses include an amount determined from individual case estimates and loss reports, and an amount based on past experience, for losses incurred but not reported. Based on reinsurance coverage, the Syndicate determines the amount of recoverables for unpaid losses and loss expenses.

Reinsurance commission
Reinsurance commission income is earned over the period in which the related premiums are expensed.

Claims incurred
Reserves for losses and loss expenses represent an estimate of the unpaid portion of the ultimate liability for losses and loss expenses for insured events that have occurred at or before the balance sheet date. The balance reflects both claims that have been reported (“case reserves”) and claims that have been incurred but not yet reported (“IBNR”). These amounts are reduced for estimated amounts of salvage and subrogation recoveries.

Reserves for losses and loss expenses are reviewed on a quarterly basis. Case reserves are primarily established based on amounts reported from insureds, reassured and/or brokers. Management estimates IBNR after reviewing detailed actuarial analyses and applying informed judgement regarding qualitative factors that may not be fully captured in the actuarial estimates. A variety of actuarial methods are utilised in this process, including the Expected Loss Ratio, Bornhuetter-Ferguson and Chain Ladder methods. The Syndicate estimate is highly dependent on management's critical judgement as to which method(s) are most appropriate for a particular accident year and class of business. The Syndicate's historical claims data is often supplemented with industry benchmarks when applying these methodologies.

At each reporting date, liability adequacy tests are performed at a year of account level and reviewed to ensure the adequacy of the liabilities from insurance and reinsurance contracts net of deferred acquisition costs. In performing these tests, current best estimates are used of future contractual cash flows, claims handling and administrative expenses as well as investment income from the assets backing such liabilities. A provision is established for any deficiency for losses arising from liability adequacy tests (unexpired risk provision).

Any adjustments to previous reserves for losses and loss expenses estimates are recognised in the period they are determined. While management believes that reserves for losses and loss expenses are adequate, this estimate requires a significant judgement and new information, events or circumstances may result in ultimate losses that are materially greater or less than provided for in the balance sheet.

Financial instruments
Financial instruments are measured in accordance with FRS 102 section 11 and section 12.

Financial assets are measured at fair value with fair value changes recognised immediately in the profit and loss account. For this purpose listed investments are stated at bid-market value and deposits with credit institutions and overseas deposits are stated at market value. Unlisted investments for which a market exists are stated at the average price at which they were traded on the balance sheet date or the last trading day before that date.

2. SUMMARY OF ACCOUNTING POLICIES (continued

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

- Level 1: the quoted (unadjusted) prices in active markets for identical assets or liabilities that the Syndicate can access at the measurement date

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

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

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

Realised and unrealised gains and losses arising from changes in the fair value of investments are presented in the Statement of Profit and Loss in the period in which they arise. Investment income includes interest income on fixed income securities and dividend income on equity securities. Dividend and interest income is recognised when earned. The net change in fair value also includes investment management and other related expenses. These expenses are recognised when incurred.

There were no changes to the valuation techniques during the year.

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

Taxation
Under Schedule 19 of the Finance Act 1993 Managing Agents are not required to deduct basic rate income tax from trading income. In addition, all UK basic rate income tax (currently at 19%, 2019: 19%) deducted from Syndicate investment income is recoverable by Managing Agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

Foreign exchange
The Syndicate's functional currency is US Dollars (USD) and presentational currency is Great British Pounds (GBP).

Monetary assets and liabilities denominated in foreign currencies are converted into the functional currency at the prevailing rate of exchange ruling at the balance sheet date and revenues and costs are converted at the rate prevailing at the date of transaction. Non-monetary assets and liabilities denominated in foreign currencies have been recorded at historical rates. Profits and losses arising from foreign currency transactions and on settlement of accounts receivable and payable in foreign currencies are dealt with through the Statement of Profit and Loss: Non-technical account.

Pension
The staff utilised by the Syndicate are employed by affiliate entities which operate a defined contribution scheme. Pension costs relating to staff performing duties are charged to the Syndicate and included within net operating expenses.

Syndicate operating expenses
Costs incurred by the Managing Agent exclusively for the Syndicate are charged to the Syndicate on an accrual basis. Expenses which are incurred jointly for the Managing Agent and the Syndicate are apportioned between the Managing Agent and the Syndicate depending on the amount of work performed, resources used and volume of business transacted.

Critical accounting estimates and judgments
The Syndicate makes estimates and assumptions that affect the reported amounts of assets and liabilities at the end of the reporting period. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from those estimates. Estimates and judgments are reviewed on an ongoing basis. Revisions to accounting estimates are recognised in the period in which the estimate is revised if the revision affects only that period, or in the period of the revision and future periods if the revision affects both current and future periods. Further information can be found in the Managing Agent's report.

3. SEGMENTAL ANALYSIS

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

	Gross Premiums written 2020 GBP'000	Gross Premiums earned 2020 GBP'000	Gross Claims incurred 2020 GBP'000	Net Operating expenses 2020 GBP'000	Reinsurance balance 2020 GBP'000	Total 2020 GBP'000
Direct insurance:						
Accident and health	(975)	(107)	(2,183)	315	(36)	(2,011)
Marine, aviation and transport	7,585	11,789	(14,844)	(5,171)	(6,623)	(14,849)
Fire and other damage	11,256	29,961	(102,799)	(10,592)	91,733	8,303
Third party liability	1,125	12,043	(7,663)	(2,830)	2,613	4,163
Motor (other classes)	(59)	132	(303)	(64)	599	364
Credit and suretyship	19,921	37,337	(16,712)	(6,528)	(7,181)	6,916
Total direct insurance	**38,853**	**91,155**	**(144,504)**	**(24,870)**	**81,105**	**2,886**
Reinsurance	3,037	3,790	(34,541)	(506)	22,039	(9,218)
Total	**41,890**	**94,945**	**(179,045)**	**(25,376)**	**103,144**	**(6,332)**

	Gross Premiums written 2019 GBP'000	Gross Premiums earned 2019 GBP'000	Gross Claims incurred 2019 GBP'000	Net Operating expenses 2019 GBP'000	Reinsurance balance 2019 GBP'000	Total 2019 GBP'000
Direct insurance:						
Accident and health	6,032	13,065	(7,778)	(5,008)	(35)	244
Marine, aviation and transport	25,123	69,906	(62,038)	(19,530)	11,901	239
Fire and other damage	80,497	262,819	(164,393)	(83,498)	(25,688)	(10,760)
Third party liability	53,152	109,798	(37,572)	(30,815)	(29,732)	11,679
Motor (other classes)	1,294	3,940	(2,405)	(1,114)	(782)	(361)
Credit and suretyship	20,225	58,428	(30,161)	(12,705)	(737)	14,825
Total direct insurance	**186,323**	**517,956**	**(304,347)**	**(152,670)**	**(45,073)**	**15,866**
Reinsurance	8,110	24,587	(57,186)	(1,477)	17,203	(16,873)
Total	**194,433**	**542,543**	**(361,533)**	**(154,147)**	**(27,870)**	**(1,007)**

The Lloyd's insurance market has been treated as one geographical segment. All business is signed and concluded in the United Kingdom.

4. INSURANCE ASSETS AND LIABILITIES

Technical provisions

	Gross provisions GBP'000	Reinsurance assets GBP'000	Net GBP'000
Provision for unearned premiums			
As at 1 January 2020	104,838	(29,907)	74,931
Movement in provision	(53,054)	14,876	(38,178)
Foreign exchange	1,097	18	1,115
As at 31 December 2020	**52,881**	**(15,013)**	**37,868**
As at 1 January 2019	461,353	(123,064)	338,289
Movement in provision	(348,110)	90,409	(257,701)
Foreign exchange	(8,405)	2,748	(5,657)
As at 31 December 2019	**104,838**	**(29,907)**	**74,931**

	Gross provisions GBP'000	Reinsurance assets GBP'000	Net GBP'000
Provision for claims outstanding			
As at 1 January 2020	781,830	(323,856)	457,974
Movement in provision	(111,458)	(6,079)	(117,537)
Foreign exchange	(2,987)	5,711	2,724
As at 31 December 2020	**667,385**	**(324,224)**	**343,161**
As at 1 January 2019	965,311	(441,365)	523,946
Movement in provision	(149,793)	96,387	(53,406)
Foreign exchange	(33,688)	21,122	(12,566)
As at 31 December 2019	**781,830**	**(323,856)**	**457,974**

	Gross provisions GBP'000	Reinsurance assets GBP'000	Net GBP'000
Provision for claims outstanding			
Claims notified	316,581	(119,263)	197,318
Claims incurred but not reported	350,804	(204,961)	145,843
As at 31 December 2020	**667,385**	**(324,224)**	**343,161**
Claims notified	422,530	(164,055)	258,475
Claims incurred but not reported	359,300	(159,801)	199,499
As at 31 December 2019	**781,830**	**(323,856)**	**457,974**

4. INSURANCE ASSETS AND LIABILITIES (continued)

Technical provisions (continued)

	Gross assets GBP'000	Reinsurance liabilities GBP'000	Net GBP'000
Deferred acquisition costs			
As at 1 January 2020	23,116	(2,694)	20,422
Change in deferred acquisition costs	(13,695)	1,386	(12,309)
Foreign exchange	304	(25)	279
As at 31 December 2020	**9,725**	**(1,333)**	**8,392**
As at 1 January 2019	125,970	(11,433)	114,537
Change in deferred acquisition costs	(100,896)	8,508	(92,388)
Foreign exchange	(1,958)	231	(1,727)
As at 31 December 2019	**23,116**	**(2,694)**	**20,422**

5. NET OPERATING EXPENSES

	2020 GBP'000	2019 GBP'000
Acquisition costs	(11,386)	(59,402)
Change in deferred acquisitions costs	(13,695)	(100,896)
Administration expenses	(5,200)	(15,999)
Operating expenses	**(30,281)**	**(176,297)**
Reinsurance commissions	4,905	22,150
Net operating expenses	**(25,376)**	**(154,147)**

Members' standard personal expenses amounting to GBP 1.9m (2019: GBP 6.7m) are included in administrative expenses. Members' standard personal expenses include Lloyd's subscriptions, Central Fund contributions and Managing Agent's fees.

6. AUDITOR'S REMUNERATION

	2020 GBP'000	2019 GBP'000
Audit of the Syndicate annual accounts	78	147
Other services pursuant to Regulations and Lloyd's Byelaws	130	130
	208	**277**

7. INFORMATION REGARDING DIRECTORS

The directors of the Managing Agency are executives of the related Group Companies. The directors received total remuneration of GBP 4.4m (2019: GBP 4.3m) from related Group Companies during the year. It is not practicable to allocate this between their services as executives of Group Companies and their services as directors of AMAL.

The active underwriter received remuneration of GBP 0.1m (2019: GBP 0.1m) during the year based on the allocation of his service as active underwriter as a proportion of his service to other AXIS Group entities.

8. INVESTMENT RETURN

	2020 GBP'000	2019 GBP'000
Net gains on realisation of investments		
- Fair value through profit or loss designated upon initial recognition	8,894	16,152
Total investment income	**8,894**	**16,152**

9. FINANCIAL INVESTMENTS

	2020	
	Carrying value GBP'000	Purchase price GBP'000
- Shares and other variable yield securities & units in unit trusts	140,028	140,028
- Debt securities & other fixed income securities	6,234	6,234
- Participation in investment pools	8,452	8,452
- Overseas deposits	33,098	33,098
	187,812	**187,812**

	2019	
	Carrying value GBP'000	Purchase price GBP'000
- Shares and other variable yield securities & units in unit trusts	2,811	2,811
- Debt securities & other fixed income securities	227,272	225,014
- Participation in investment pools	2,454	2,454
- Overseas deposits	48,214	48,214
	280,751	**278,493**

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

	Level 1 GBP'000	Level 2 GBP'000	Level 3 GBP'000	Total GBP'000
As at 31 December 2020				
- Shares and other variable yield securities & units in unit trusts	140,028	—	—	140,028
- Debt securities & other fixed income securities	6,234	—	—	6,234
- Participation in investment pools	8,452	—	—	8,452
- Overseas deposits	12,544	20,554	—	33,098
Total	**167,258**	**20,554**	**—**	**187,812**

	Level 1 GBP'000	Level 2 GBP'000	Level 3 GBP'000	Total GBP'000
As at 31 December 2019				
- Shares and other variable yield securities & units in unit trusts	—	2,811	—	2,811
- Debt securities & other fixed income securities	96	227,176	—	227,272
- Participation in investment pools	2,454	—	—	2,454
- Overseas deposits	14,600	33,614	—	48,214
Total	17,150	263,601	—	280,751

9. FINANCIAL INVESTMENTS (continued)

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

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

Level 3 financial instruments have a fair value derived from inputs that are not based on observable market data. The Syndicate does not currently hold any level 3 financial instruments.

10. DEBTORS ARISING OUT OF DIRECT INSURANCE OPERATIONS

	2020	2019
	GBP'000	GBP'000
Due within one year	10,668	26,961
Due after one year	—	159
	10,671	**27,120**

11. DEBTORS ARISING OUT OF REINSURANCE OPERATIONS

	2020	2019
	GBP'000	GBP'000
Due within one year	116,970	166,386
Due after one year	—	73,206
	116,970	**239,592**

12. CASH AND CASH EQUIVALENTS

	2020	2019
	GBP'000	GBP'000
Cash at bank and in hand	10,553	6,897
Deposits with credit institutions	154,051	5,367
Total Cash and cash equivalents	**164,604**	**12,264**

Only deposits with credit institutions with maturities of three months or less that are used by the Syndicate in the management of its short-term commitments are included in cash and cash equivalents.

13. CREDITORS ARISING OUT OF REINSURANCE OPERATIONS

	2020	2019
	GBP'000	GBP'000
Due within one year	56,342	94,165
Due after one year	—	35,268
	56,342	**129,433**

14. OTHER CREDITORS

	2020	2019
	GBP'000	**GBP'000**
Amounts payable to group companies	1,256	22,429
Loans payable to group companies	27,099	85,367
	28,355	**107,796**

At 31 December 2020, the Syndicate had a GBP 168.5m (2019: GBP 173.4m) flexible facility agreement with AXIS Specialty Finance Plc for its working capital requirements. The total value of the outstanding loan as at 31 December 2020 is GBP 27.1m (2019: GBP 85.4m).

All loans drawn and outstanding under the facility are repayable on demand. Interest accrues daily and is payable annually in arrears, interest payable as at 31 December 2020 was GBP 1.9m (2019: GBP 2.4m).

15. RISK MANAGEMENT

a) **Governance framework**
The risk and financial management framework aims to balance the risk to members' capital from events that might otherwise prevent the Syndicate from meeting its policyholder obligations, with the returns to its members. The Directors recognise the critical importance of having efficient and effective risk management systems in place.

The Managing Agent maintains a risk management function for the Syndicate with clear terms of reference from the AMAL Board, its committees and sub committees. AMAL supplements this with a clear organisational structure with documented delegated authorities and responsibilities from the main Managing Agency board to the Syndicate who perform the underwriting activities. Lastly, the policy framework sets its standards, risk management and control and business conduct.

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

b) **Capital management objectives, policies and approach**

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

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

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

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

A Syndicate may be comprised of one or more underwriting members of Lloyd's. Each member is liable for its own share of underwriting liabilities on the Syndicate on which it is participating but not other members' shares. Accordingly, the capital requirement that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the members' share of the Syndicate SCR 'to ultimate'.

15. RISK MANAGEMENT (continued)

b) **Capital management objectives, policies and approach (continued)**

Capital framework at Lloyd's (continued)

Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects he capital requirement to cover a 1 in 200 year loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the members' capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2020 is 35% (2019: 35%) of the member's SCR 'to ultimate'.

Provision of capital by members

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

c) **Insurance risk management**

Insurance risk is the inherent uncertainty as to the occurrence, amount and timing of insurance liabilities transferred to us through the underwriting process.The insurance risk category encompasses underwriting risks in all lines of business. The following sections set the key sub categories of Insurance Risk recognised by the Syndicate and how they are managed:

Natural catastrophe risk

Natural catastrophes such as earthquakes, storms and floods represent a challenge for risk management due to their accumulation potential and volatility. In managing natural catastrophe risk, the internal risk tolerance framework for the Syndicate aims to limit the impact to its Regulatory SCR coverage ratio from an aggregation of natural peril catastrophe events. The Board-approved Risk Limit for natural catastrophes sets out the maximum acceptable losses for the Syndicate calibrated to a 1 in 200 year and a 1 in 30 year event. There have been no breaches of the Syndicate’s natural catastrophe risk limit during the year.

The Syndicate is potentially exposed to physical risks from climate change, primarily through our underwriting of property (re)insurance covering weather-related perils. Climate change may expose the Syndicate to an increased frequency and / or severity of weather losses. There is a risk that the Syndicate pricing of these perils or the management of the associated aggregations does not appropriately allow for changes in climate. Over the longer term, climate change may have an impact on the economic viability of these lines of business if suitable adjustment in price and coverage cannot be achieved. The Syndicate may also be exposed to losses stemming from climate-related litigation in liability lines, should the insured face such litigation. AXIS Group has initiated a Climate Change Working Group, which includes AMAL representation, to ensure that the potential risks from climate change are identified and then managed in line with the Syndicate's standard risk management framework. AMAL has additionally developed a plan to ensure that its exposures are systematically assessed and then monitored as appropriate.

Man-made catastrophe risk

Similar to the management of natural peril catastrophe exposures an analytical approach is taken for the management of manmade catastrophes. Man-made catastrophes include such risks as train collisions, airplane crashes, cyber risks or terrorism. For these risks vendor models (where available) are used with bespoke modelling, scenario analysis, underwriting judgment and expertise. Limits are set and monitored in respect of key accumulations from man-made perils.

As an example of this approach, an assessment of terrorism risk is based on a mixture of qualitative and quantitative data (e.g. for estimating property damage, business interruption, mortality and morbidity subsequent to an attack of a predefined magnitude), which is used to control, limit and manage aggregate terrorism exposure. Commercially available vendor modelling and bespoke modelling tools are used to measure accumulations around potential terrorism accumulation zones on a deterministic and probabilistic basis. The results of modelling are supplemented with underwriting judgment.

Claims handling risk

In accepting risk, the Syndicate is committing to the payment of claims and therefore these risks must be understood and controlled. The claim teams include a diverse group of experienced professionals, including claims adjusters and legal professionals. The Syndicate also use approved external service providers, such as independent adjusters and appraisers, surveyors, accountants, investigators and specialist legal firms, as appropriate. The Syndicate maintain claims handling guidelines and claims reporting control and escalation procedures in the claims departments. Large claims matters are reviewed during claims meetings.

15. RISK MANAGEMENT (continued)

c) Insurance risk management (continued)

Reserving risk
The estimation of reserves is subject to uncertainty due to the fact that the settlement of claims that have arisen before the balance sheet date is dependent on future events and developments. Unforeseen loss trends resulting from court rulings, changes in the law, differences in loss adjustment practice, medical and long-term care, and economic factors such as inflation can have a considerable impact on run-off results.

The reserves for losses and claims settlement costs are calculated in accordance with actuarial practice based on substantiated assumptions, methods and assessments. The assumptions are regularly reviewed and updated. Application of Group-wide reserving policy and standards of practice ensures a substantially reliable and consistent procedure.

AMAL engage a Signing Actuary to provide an annual Statement of Actuarial Opinion ('SAO') on the Syndicate's worldwide technical provisions, both gross and net of reinsurance and for each open year of account.

Sensitivity analysis of the reserves for unpaid losses and loss expenses
Expected loss ratios are a key assumption in the estimate of ultimate losses for business at an early stage of development. All else remaining equal, a higher expected loss ratio would result in a higher ultimate loss estimate. Assumed loss development patterns are another significant assumption in estimating the loss reserves.

The following analysis is performed for reasonably possible movements in key assumptions with all other assumptions held constant, showing the impact on gross and net claims outstanding, profit and members' balances.

	2020	**2019**
	GBP'000	**GBP'000**
Gross outstanding claims		
Five percent increase	33,369	39,092
Five percent decrease	(33,369)	(39,092)
Net outstanding claims		
Five percent increase	17,158	22,899
Five percent decrease	(17,158)	(22,899)

Claims development table

The tables below show the Syndicate's cumulative incurred claims development, including both claims notified and incurred but not reported for each underwriting year, together with the cumulative payments to date on a gross and net of reinsurance basis at the balance sheet date.

Underwriting Year	**2016**	**2017**	**2018**
	GBP'000	**GBP'000**	**GBP'000**
Estimate of cumulative gross claims incurred:			
At end of underwriting year	236,856	398,083	338,597
One year later	621,089	686,940	659,404
Two years later	659,788	716,594	804,551
Three years later	632,826	737,208	
Four years later	641,400		
Less cumulative gross paid	(504,616)	(546,115)	(465,043)
Liability for gross outstanding claims	136,784	191,093	339,508
Total gross outstanding claims all years			**667,385**

15. RISK MANAGEMENT (continued)

c) Insurance risk management (continued)

Underwriting Year	2016	2017	2018
	GBP'000	GBP'000	GBP'000
Estimate of cumulative net claims incurred:			
At end of underwriting year	179,361	182,784	168,791
One year later	386,685	388,370	360,832
Two years later	462,949	396,013	399,224
Three years later	464,612	400,844	
Four years later	469,260		
Less cumulative net paid	(367,802)	(298,569)	(259,796)
Liability for net outstanding claims	101,458	102,275	139,428
Total net outstanding claims all years			**343,161**

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

The Syndicate has translated estimated outstanding claims at a consistent rate of exchange as determined at the balance sheet date.

The Syndicate monitors and manages the financial risks relating to the operations of the Syndicate encompassing credit risk, liquidity risk, market risk, currency risk and interest risk.

Credit risk represents the risk of incurring financial loss due to the diminished creditworthiness (eroding credit rating and, ultimately, default) of our third party counterparties. The key areas of exposure to credit risk for the Syndicate are from its reinsurance program and amounts due from policyholders and intermediaries.

It should be noted that credit risk in relation to the Syndicate's investment portfolio is addressed under the market risk framework, along with the other risks relating to the investment portfolio. The Syndicate's investment policy prevents material investment in other counterparties (e.g. reinsurers) to avoid concentrations of risk

Risk from the underwriting of credit (re)insurance products is addressed through the underwriting risk framework described above checks are in place to limit any concentrations of risk between (re)insurance, investments and other counterparty exposures

The following sections discuss specific components of credit risk.

d) Financial risk

i) Credit risk

Reinsurance recoverable assets
Within the reinsurance purchasing activities the Syndicate is exposed to the credit risk of a reinsurer failing to meet its obligations under the reinsurance contracts. To help mitigate this, all reinsurance purchasing is subject to financial security requirements specified by the Reinsurance Security Committee. The Reinsurance Security Committee maintains a list of approved reinsurers, performs credit risk assessments for potential new reinsurers, regularly monitors approved reinsurers with consideration for events which may have a material impact on their creditworthiness, recommends counterparty tolerance levels for different types of ceded business and monitors concentrations of credit risk. This assessment considers a wide range of individual attributes, including a review of the counterparty's financial strength, industry position and other qualitative factors.

15. RISK MANAGEMENT (continued)

d) Financial risk (continued)

i) Credit risk

Premium receivables

The largest credit risk exposure to receivables is from brokers and other intermediaries; the risk arises where they collect premiums from customers or pay claims to customers on behalf of the Syndicate. There are policies and standards in place to manage and monitor credit risk from intermediaries with a focus on day-to-day monitoring of the largest positions.

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

2020	GBP'000			
	Neither past due or Impaired	Past due	Impaired	Total
Shares and other variable yield securities	140,028	—	—	140,028
Debt securities	6,234	—	—	6,234
Participation in investment pools	8,452	—	—	8,452
Overseas deposits	33,098	—	—	33,098
Reinsurers share of claims outstanding	324,224	—	—	324,224
Debtors arising out of direct insurance operations	10,671	—	—	10,671
Debtors arising out of reinsurance operations	115,940	1,030	—	116,970
Other debtors	25,615	—	—	25,615
Cash at bank and in hand	10,553	—	—	10,553
Total	**674,815**	**1,030**	**—**	**675,845**

2019	GBP'000			
	Neither past due or Impaired	Past due	Impaired	Total
Shares and other variable yield securities	2,811	—	—	2,811
Debt securities	227,272	—	—	227,272
Participation in investment pools	2,454	—	—	2,454
Overseas deposits	48,214	—	—	48,214
Reinsurers share of claims outstanding	323,856	—	—	323,856
Debtors arising out of direct insurance operations	27,120	—	—	27,120
Debtors arising out of reinsurance operations	233,244	6,348	—	239,592
Other debtors	58,038	—	—	58,038
Cash at bank and in hand	6,897	—	—	6,897
Total	**929,906**	**6,348**	**—**	**936,254**

15. RISK MANAGEMENT (continued)

d) Financial risk (continued)

i) Credit risk (continued)

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

2020				**GBP'000**			
	AAA	**AA**	**A**	**BBB**	**Less than BBB**	**Not rated**	**Total**
Shares and other variable yield securities	—		140,028	—	—	—	140,028
Debt securities	—	—	—	(4)	—	6,238	6,234
Participation in investment pools	—	1	129	—	—	8,322	8,452
Overseas deposits as investments	16,587	2,524	3,481	1,509	290	8,707	33,098
Reinsurers' share of claims outstanding	—	99,877	187,432	—	—	36,915	324,224
Reinsurance debtors	—	5,458	98,758	—	—	3,667	107,883
Cash at bank and in hand	—	—	10,553	—	—	—	10,553
Total	**16,587**	**107,860**	**440,381**	**1,505**	**290**	**63,849**	**630,472**

2019				**GBP'000**			
	AAA	**AA**	**A**	**BBB**	**Less than BBB**	**Not rated**	**Total**
Shares and other variable yield securities	—	—	2,736	—	—	75	2,811
Debt securities	24,550	135,872	56,534	4,704	—	5,612	227,272
Participation in investment pools	—	30	2,392	—	—	32	2,454
Overseas deposits as investments	24,740	5,271	4,909	2,389	1,571	9,334	48,214
Reinsurers' share of claims outstanding	—	77,250	225,307	—	—	21,299	323,856
Reinsurance debtors	—	12,975	203,067	—	—	3,907	219,949
Cash at bank and in hand	—	—	6,897	—	—	—	6,897
Total	**49,290**	**231,398**	**501,842**	**7,093**	**1,571**	**40,259**	**831,453**

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

During the year, no credit exposure limits were exceeded.

ii) Liquidity risk

Liquidity risk is the risk that there would not be sufficient liquid financial resources to meet obligations when they fall due, or the Syndicate would have to incur excessive costs to do so. As an insurer, the core business generates liquidity primarily through premium and investment income. Exposure to liquidity risk stems mainly from the need to cover potential extreme loss events. To manage this risk, a range of liquidity policies and measures are in place including maintaining cash and cash equivalents and high quality, liquid investment portfolios to meet expected outflows, as well as those that could result from a range of potential stress events. The Managing Agency undertakes stress testing to ensure that the Syndicate would be able to withstand extreme loss events and still remain liquid. In addition, AXIS Specialty Finance Plc provides a credit facility to the Syndicate to ensure that it can continue to meet liquidity requirements even in the most extreme circumstances.

15. RISK MANAGEMENT (continued)

d) Financial risk (continued)

ii) Liquidity risk (continued)

The table below summarises the maturity profile of the Syndicate's financial and insurance liabilities based on remaining undiscounted contractual obligations or expected future undiscounted cashflows, including interest payable. Repayments which are subject to notice are treated as if notice were to be given immediately.

2020	**GBP'000**				
	0-1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Claims outstanding	252,464	216,256	94,170	104,495	667,385
Creditors	84,697	—	—	—	84,697
Total	**337,161**	**216,256**	**94,170**	**104,495**	**752,082**

2019	**GBP'000**				
	0-1 year	**1-3 years**	**3-5 years**	**More than 5 years**	**Total**
Claims outstanding	311,977	264,484	102,083	103,286	781,830
Creditors	201,961	35,268	—	—	237,229
Total	**513,938**	**299,752**	**102,083**	**103,286**	**1,019,059**

iii) Market risk

Market risk is the risk that financial instruments may be negatively impacted by movements in financial market prices or rates such as equity prices, interest rates, credit spreads and foreign exchange rates. Fluctuations in market rates primarily affect the investment portfolio. Credit risk associated with investments is also managed in the market risk framework.

Through asset and liability management, the Syndicate aims to ensure that risks influence both the economic value of investments and underwriting liabilities in the same way, thus mitigating the effect of market fluctuations. For example, important features of liabilities are reflected, such as maturity patterns and currency structures, on the asset side of the balance sheet by acquiring investments with similar characteristics.

Asset-liability management is supplemented with various internal policies and limits. As part of the strategic asset allocation process, different asset strategies are simulated and stressed in order to assess an appropriate portfolio (given return objectives and risk constraints). The management of asset classes is centralised to control aggregation of risk, and provide a consistent approach to constructing portfolios as well as the selection process of external asset managers. Limits are set on the concentration of investments by single issuers and certain asset classes and on the level of illiquid investments. Further, the Syndicate's investment guidelines do not permit the use of leverage in any of the fixed maturity portfolios.

Investment portfolios are stress tested using historical and hypothetical scenarios to analyse the impact of unusual market conditions and to ensure potential investment losses remain within risk appetite.

15. RISK MANAGEMENT (continued)

d) Financial risk (continued)

iv) Currency risk

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

2020	GBP'000							
	GBP	USD	EUR	CAD	AUD	JPY	OTH	Total
Total Assets	125,946	492,299	17,898	26,874	12,828	—	—	675,845
Total Liabilities	(227,514)	(486,928)	(52,950)	(17,641)	(21,263)	—	—	(806,296)
Net Assets	**(101,568)**	**5,371**	**(35,052)**	**9,233**	**(8,435)**	**—**	**—**	**(130,451)**

2019	GBP'000							
	GBP	USD	EUR	CAD	AUD	JPY	OTH	Total
Total Assets	66,732	778,254	22,806	39,016	29,446	—	—	936,254
Total Liabilities	(200,117)	(860,756)	(13,521)	(44,333)	(8,423)	—	—	(1,127,150)
Net Assets	**(133,385)**	**(82,502)**	**9,285**	**(5,317)**	**21,023**	**—**	**—**	**(190,896)**

The Syndicate matches its currency position so it holds net assets across a number of currencies. The Syndicate takes into consideration the underlying currency of the Syndicate's obligations and invests its assets proportionately across these currencies so as to protect the solvency of the Syndicate, against variation in foreign exchange rates.

At present, the Syndicate does not have sufficient assets to cover its liabilities as it has been loss making. The Syndicate's underwriting capacity is supported by FAL held by ACCUKIIL – which includes the funding of underwriting deficits. When each year of account closes, the Syndicate calls on members to fund losses.

Sensitivity to changes in foreign exchange rates
The table below gives an indication of the impact on profit of a percentage change in the relative strength of the Sterling against the value of the US Dollar, Canadian Dollar and Euro simultaneously. The analysis is based on the information at the financial year end.

Impact on profit and members' balance	**2020**	**2019**
	GBP'000	**GBP'000**
GBP Weakens		
10% against other currencies	(399)	(5,751)
20% against other currencies	(798)	(11,502)
GBP Strengthens		
10% against other currencies	399	5,751
20% against other currencies	798	11,502

e) Interest rate risk

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

	2020	**2019**
	GBP'000	**GBP'000**
Interest rate risk		
Impact of 50 basis point increase on result	(167)	(2,401)
Impact of 50 basis point decrease on result	167	2,401
Impact of 50 basis point increase on net assets	(167)	(2,401)
Impact of 50 basis point decrease on net assets	167	2,401

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

16. REINSURANCE ASSETS

The Syndicate purchases reinsurance to reduce the risk of exposure to loss. Three types of reinsurance cover are purchased: facultative, excess of loss and quota share. Facultative covers are typically individual risk purchases. Excess of loss covers provide a contractually set amount of cover after an excess point has been reached. This excess point can be based on the size of an industry loss or a fixed monetary amount. Generally, these covers are purchased on a package policy basis, and they may provide cover for a number of lines of business within one contract. Quota share covers provide a proportional amount of coverage from the first dollar of loss.

All of these reinsurance covers provide for recovery of a portion of losses and loss reserves from reinsurers. Under its reinsurance security policy, the Syndicate predominantly cedes business with reinsurers rated A- or better by Standard & Poors and/or AM Best. The Syndicate remains liable to the extent that reinsurers do not meet their obligations under these agreements either due to solvency issues, contractual disputes or some other reason. Included within reinsurance loss recoverable as at 31 December 2020 were amounts of GBP 13.9m (2019: GBP 33.8m) recoverable from a group company. Included within the provision for unearned premiums ceded as at 31 December 2020 is an amount of GBP nil (2019: GBP 1.2m) ceded to a group company.

17. RELATED PARTIES

In 2018 a management fee of GBP 5.5m based on 0.75% of the Syndicate capacity was charged by the Managing Agent, AMAL. As the Syndicate did not write any business in 2020 no further charges were made by the Managing Agent for 2020.

Syndicate 6129 was established for the 2016 underwriting year as a Special Purpose Arrangement (SPA). Its principal activity was to underwrite quota share reinsurance of AXIS Syndicate 2007’s US Property Facilities Class of Business. This arrangement was renewed for the 2017 and 2018 underwriting years of account but discontinued for 2019. Included within creditors arising out of reinsurance operations there is a balance of £90.2m (2019: £91.3m) from Syndicate 6129. Included within the reinsurer’ share of technical provisions there is a balance of £17.6m (2019: £55.7m). All of these balances fall due under the terms of the quota share reinsurance contract in place with Syndicate 6129.

18. DISCLOSURE OF INTERESTS

Managing Agent's interest
During 2020, AMAL was the Managing Agent for AXIS Syndicate 2007. The Financial Statements of the Managing Agent can be obtained by application to the Registered Office (see page 2).

19. FUNDS AT LLOYD'S

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

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

20. REINSURANCE TO CLOSE

Due to the closure of Syndicate 2007 effective 1 January, all Syndicate 2007 assets and liabilities will transfer into Syndicate 1686 as part of planned reinsurance to close transaction. The table below sets out the details of the reinsurance to close premium.

	Reported GBP'000	IBNR GBP'000	Total GBP'000
Gross reinsurance to close premium payable	316,581	395,294	**711,875**
Reinsurance recoveries anticipated	(119,263)	(219,974)	**(339,237)**
Reinsurance to close premium payable, net of reinsurance	197,318	175,320	**372,638**

21. OFF BALANCE SHEET ITEMS

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

22. COMMITMENTS AND CONTINGENCIES

Reinsurance purchase commitments
During 2018, the Syndicate participated in a number of group-purchased global reinsurance policies on the Aviation, Marine, Terrorism and Property lines of business. There are no outstanding commitments at 31 December 2020.

23. APPROVAL OF ANNUAL REPORT AND ACCOUNTS

The annual report and accounts were approved by the Board of Directors on 25 February 2021.