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Syndicate 2008

Annual Report and Financial Statements
For the year ended 31 December 2021

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Directors and Administration

Managing agent

Enstar Managing Agency Limited

Directors

The directors named below held office for the period 1 January 2021 to 31 December 2021.

C Forbes (Chairman and Non-Executive)

A Elliott (Non-Executive)

K Felisky (Non-Executive, appointed 28 May 2021)

M Goddard (Non-Executive)

B Dimmock

D Truman

M Batterbury

N Shah (appointed 28 May 2021)

S Hextall

Former directors who served during the year

B Merriman (resigned 31 October 2021)

Directors and Administration (continued)

Managing agent's secretary

F Brook

S Hextall

Managing agent's registered office

3 Guildford Business Park, Guildford
Surrey, GU2 8XG
United Kingdom

Managing agent's registered number

10595512

Syndicate

Run-off manager
M Batterbury

Banker
Citibank, Barclays, Royal Bank of Canada

Investment manager
Goldman Sachs

Registered auditor
KPMG LLP

Consulting actuary
Lane Clark & Peacock LLP

Report of the directors of the managing agent

The directors of the managing agent, Enstar Managing Agency Limited ("EMAL") present their managing agent's report for Syndicate 2008 ("the Syndicate") for the year ended 31 December 2021.

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 and applicable United Kingdom Accounting Standards (UK Generally Accepted Accounting Practice), including Financial Reporting Standard 102, "The Financial Reporting Standard applicable in the United Kingdom and Republic of Ireland" ('FRS102') and Financial Reporting Standard 103 "Insurance Contracts" ('FRS103'). The corporate member on the 2019 year of account ("YOA"), SGL No.1 Limited ("SGL1"), has exercised its right to waive the requirement to prepare separate accounts for this closed underwriting year of account. There is no 2020 YOA as the Syndicate did not execute any RITC transaction during that year.

The results for year ended 31 December 2021 are shown in the table below.

2021	2019 YOA £'000	2021 YOA £'000	All YOA's £'000
Net premiums earned	12,338	416,731	**429,069**
Total technical charges	1,756	(383,664)	**(381,908)**
Technical profit	**14,094**	**33,067**	**47,161**
Allocated investment return	4,264	3,921	**8,185**
Non-technical account - other income/(charges)	(5,332)	-	**(5,332)**
Net expenses	(11,709)	(4,114)	**(15,823)**
Profit/(Loss) on foreign exchange	363	(340)	**23**
Net profit	**1,680**	**32,534**	**34,214**

Principal activities

The principal activity of the business of Syndicate 2008 is to provide finality solutions for Lloyd's run-off business through either reinsurance to close, quota share agreements, adverse development cover or loss portfolio transfer.

Report of the directors of the managing agent (continued)

Business Review

Syndicate 2008 did not execute any RITC transactions during the year.

In June 2021, Syndicate 2008 completed a Loss Portfolio Transfer ("LPT") with Hiscox Ltd ("Hiscox"), pursuant to which the Syndicate has reinsured a diversified portfolio of legacy insurance business underwritten by Hiscox Syndicate 3624, including the majority of the Hiscox USA's surplus lines broker business. The LPT is effective from 1 January 2021and it is on a Funds Withheld basis. Through this transaction, Hiscox ceded net insurance reserves of £384.7m as at 31 December 2020 relating to 2019 and prior-year business. The reserves and the Funds Withheld balances as at 31 December 2021 are £325.4m and £333.0m respectively.

On 15 March 2021, the previous managing agent of the Syndicate, StarStone Underwriting Limited ("SUL") was sold to Inigo Limited. Subsequently, SUL changed its name to Inigo Managing Agent Limited ("IMAL") on 28 April 2021. On 1 June 2021, the management of Syndicate 2008 was novated from IMAL to EMAL following EMAL's approval by the PRA, FCA and Lloyd's. This meant that from the date of novation, EMAL became the managing agent of Syndicate 2008.

Principal Risks and Uncertainties

A description of the principal risks and uncertainties facing the Syndicate is set out in the notes to the financial statements.

Going Concern

The directors have performed an assessment of the Syndicate's ability to continue as a going concern, including impact of COVID-19 pandemic.

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, particularly in light of the risks associated with COVID-19. The Syndicate has recognised reserves arising from COVID-19 exposure.

The Syndicate's financial assets did reduce in value during the year and the Syndicate ended the year with an investment return of £8.2m. However, this fall in assets does not have an impact on the going concern of the Syndicate as the Syndicate aims to hold its investments to maturity which removes this risk associated with fluctuations in market value.

COVID-19

The Syndicate continues to monitor the COVID-19 outbreak and to assess the potential impact to all stakeholders. The Syndicate has a formal business continuity plan which continues to be reviewed in light of current developments and will be actively deployed as events require.

Following the removal of working from home restrictions in 2021, EMAL has adopted an agile working environment and has fully engaged with all staff during the transition and will continue to assess the working approach on a regular basis whilst considering government guidelines.

COVID-19 (continued)

Employee wellbeing continues to be a key focus for EMAL with support provided directly and through various employee assistance programs. The managing agent regularly and proactively interacts with staff covering all aspects of wellbeing from mental health awareness to maintaining good health through diet and exercise.

The Syndicate regularly assesses the impact on solvency capital in line with established risk metrics and in compliance with the Syndicate's risk appetite, including the impact of volatility in the financial markets.

The Directors have considered the Syndicate's forecast income and financial position and the potential impact of COVID-19:

- The Syndicate is forecasted to operate profitably and continue to meet solvency requirements for the foreseeable future.
- The Syndicate performs stress testing including severe but plausible downside scenarios on a regular basis as part of the ORSA. The Directors do not foresee any material impact to the forecasted profitability and Solvency of the Syndicate.
- Pre-Hiscox LPT, the Syndicate was holding zero reserves in relation to COVID-19 losses because the vast majority of its inwards insurance policies have expired. A study was undertaken on the Syndicate's live policies which concluded that they present a low chance of loss. However, reserves assumed following the Hiscox LPT included COVID-19 exposure. As at Q4 2021, the Hiscox reserves include £17.2m of COVID-19 reserves
- There has been no recorded financial loss due to the impact of COVID-19 in relation to the Syndicate's outwards reinsurance programmes. As at 31 December 2021, the funds withheld from the Syndicate's largest reinsurer, Cavello Bay Reinsurance Limited ("Cavello Bay"), totalled £407.4m. The Syndicate also held a letter of credit in its favour for £120.7m. The total reinsurance recoverable due from Cavello Bay as at 31 December 2021 was £376.9m. The ratio of collateral held to reinsurance recoverable was therefore 140.1%.
- The Syndicate follows an appropriately conservative investment strategy designed to emphasise the preservation of its invested assets and provided sufficient liquidity for the prompt payment of claims as they fall due. Its financial investments (including deposits with ceding undertakings) are valued at £1.2bn (2020: £1.0bn) and the investments are predominantly high grade corporate and government bonds. The Syndicate's investment return during the year was £8.2m (2020: £24.7m). The Syndicate's Board together with its asset managers are continually monitoring its investment portfolios against the guidelines in place and the Directors are confident that the Syndicate can continue to meet its liquidity requirements.
- Syndicate 2008's members' balances amount to £79.9m (2020: £115.0m) and cash at bank and in hand is £14.0m (2020: £12.5m).

Brexit

In an effort to provide continued access to Lloyd's for policy holders within the EEA following the United Kingdom's exit from the EU on 31 January 2020, Lloyd's established a subsidiary insurance and reinsurance company incorporated in Belgium, Lloyd's Insurance Company S.A. (Lloyd's Brussels). Lloyd's Brussels is authorised in Belgium by the National Bank of Belgium ("NBB") and regulated by the NBB and the Financial Services and Markets Authority of Belgium. It is capitalised according to the Solvency II standard formula and benefits from the same financial ratings as the Lloyd's market, which are provided by A.M. Best (A "excellent"); Standard & Poor's (A+ "strong"); and Fitch Ratings (AA- "very strong"). Lloyd's Brussels has 18 branches across the EEA and a branch in the UK.

Report of the directors of the managing agent (continued)

Brexit (continued)

Lloyd's Brussels writes all classes of non-life insurance business and non-life reinsurance (facultative and non-proportional excess of loss treaty only) business from EEA countries. It does not underwrite proportional treaty reinsurance. The establishment of Lloyd's Brussels ensured that Lloyd's European intermediaries and policyholders still have access to the combined scale, expertise, capacity and claims service of the Lloyd's market through a single insurance company based at the heart of Europe.

When the transition period ended on 31 December 2020, it brought into effect changes in UK company law from 1 January 2021. Directors have reviewed the proposed changes and concluded that these do not have impact on the Syndicate.

Lloyd's Part VII Transfer

On 30 December 2020, the Members and former Members of the Syndicate, as comprised for each of the relevant years of account between 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.

Following the Part VII Transfer, the Syndicate transferred funds to Lloyd's Insurance Company S.A. ("Lloyd's Brussels") and these funds are to be utilised to settle all EEA claims. The transferred funds have been reported in the accounts as, "Deposits with ceding undertakings" and as at 31 December 2021, these amounted to £11.4m. In addition, current year results relating to the transferred risks have been be reported under the Inwards Reinsurance class of business, reflecting the new contractual arrangement with Lloyd's Brussels.

Climate Risk

The Syndicate specialises in run-off, and is not a live underwriter of new policies, Exposure to climate-related risks emanates from the acquired insurance liabilities and the assets that back those liabilities. In assuming future insurance run-off liabilities, as part of our disciplined due diligence approach, we insist upon informed excellence in risk selection, including considering climate related risk concentration.

Our Enterprise Risk Management (ERM) framework defines the roles and responsibilities for effective oversight and management of environmental, social and governance (ESG) and climate-related risks and opportunities at the Board and senior management levels.

The UK's PRA stipulated several requirements related to climate change. A dedicated Climate Change Oversight Group, chaired by the European CRO, was established to oversee the implementation of the UK's PRA requirements for managing the climate-related financial risks.

Report of the directors of the managing agent (continued)

Climate Risk (continued)

Climate change presents risks and opportunities to the sustainability of our business. The Syndicate's business strategy is exposed to the following risks over the short (<2030), medium (<2040) and longer (≥2040) term time horizons, across three major types of climate risk:

- **Physical risks (Short to Longer term):** These are the first order risks arising from weather-related events, such as floods and storms. Their impact may be felt directly through property damage, or indirectly through subsequent events such as disruption of global supply chains or resource scarcity. Our operations may be impacted by physical risks affecting key supporting infrastructure and/or our outsourced service providers. The impact and likelihood of this risk is considered low.

  Transition risks (Short to Medium Term): These include financial risks deriving from the transition to a carbon net zero economy, and for the Syndicate this includes potential swift, adverse repricing of carbon-intensive financial assets. Scenario analysis undertaken during 2021 to assess the impact of transition risk concluded a relatively modest impact to the investment portfolio.
- **Liability risks (Short to Medium Term):** These include third-party exposures such as claimants who have suffered climate-change related losses and damage seeking compensation. Liability risks also include the unknown and potentially high costs of dealing with losses or damage from physical or transition risk factors. Liability risks are particularly high for those directors and officers who do not properly manage and report climate-related risks and commit errors and omissions. Scenario analysis undertaken during 2021 to assess the impact of liability risk concluded a low impact to the liabilities.

Russia's Invasion of Ukraine

On 24 February, Russia launched an invasion of Ukraine. Following the invasion the United Kingdom, European Union, United States, Australia, Canada and Japan announced punitive sanctions and export controls including blocking sanctions on significant Russian financial institutions and members of Russia's government and elite and trading restrictions on Russia's sovereign debt. The sanctions do not only apply to direct payments to named individual or entities, they apply to any payments or financial services that would lead to a benefit to these parties. Payments of claims are covered by the sanctions. It is too early to estimate the possible impact of the invasion from either an underwriting risk or investment risk perspective but the Board remains confident that the Syndicate's future performance should not be materially impacted.

Future developments

The intention of the Board is to continue to pursue reinsurance to close opportunities and other Lloyd's closure solutions as they arise, and to manage the ongoing liabilities of the Syndicate as economically and efficiently as possible.

Directors

The current directors of the managing agent are set out on page 2.

None of the directors participate directly on the Syndicate.

Report of the directors of the managing agent (continued)

Disclosure of information to auditor

The directors of the managing agent who held office at the date of approval of this managing agent's report confirm that, as far as they are each aware, there is no relevant audit information of which the Syndicate's auditor is unaware; and each director has taken all the steps that they ought to have taken in their capacity as a director to make themselves aware of any relevant audit information and to establish that the Syndicate's auditor is aware of that information.

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.

Syndicate meeting

The managing agent confirms that it does not propose to hold an annual general meeting of the members of the Syndicate.

B Dimmock
Director
For and on behalf of the Board
3 March 2022

Statement of managing agent's directors' 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 (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 requires the directors of the managing agent to prepare their Syndicate's annual accounts for each financial year. Under that law they have elected to prepare the annual accounts 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 Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008 the directors of the managing agent must not approve the annual accounts 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 annual accounts, 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 annual accounts; 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 Syndicate annual accounts comply with the Insurance Accounts Directive (Lloyds's Syndicate and Aggregate Accounts) Regulations 2008. They are responsible for such internal control as they determine is necessary to enable the preparation of Syndicate annual accounts 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 Syndicate annual accounts may differ from legislation in other jurisdictions.

B Dimmock
Director
For and on behalf of the Board
3 March 2022

Independent auditor’s report to the members of Syndicate 2008

Opinion

We have audited the Syndicate annual accounts of Syndicate 2008 (“the Syndicate”) for the year ended 31 December 2021 which comprise the Income Statement: Technical account, Income Statement: Non-technical account, Statement of Financial Position – Assets, Statement of Financial Position– Liabilities, Statement of Changes in Members’ Balances, Statement of Cash Flows, and related notes, including the accounting policies in note 3.

In our opinion the Syndicate annual accounts:

- 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 FRC Ethical Standard. 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 annual accounts 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 annual accounts (“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 Syndicate annual accounts is appropriate.
- 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.

Independent auditor's report to the members of Syndicate 2008 (continued)

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 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 and audit committee minutes.
- Considering remuneration incentive schemes and performance targets for directors and management.
- Using analytical procedures to identify any unusual or unexpected relationships.

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 related to the valuation of insurance reserves. This is because of their direct impact on the Syndicate's profit and financial position. Valuation of these liabilities, especially in respect of the incurred but not reported (IBNR) component, is highly judgmental as it requires a number of assumptions to be made such as initial expected loss ratios and claim development patterns. In addition to application of methods such as netting down and earnings approach. This all carries high estimation uncertainty and are difficult to corroborate creating opportunity for management to commit fraud.

On this audit we do not believe there is a fraud risk related to revenue recognition because the Syndicate does not have complex earning patterns and apply standard earning patterns to its books of business. Lines of business which require more bespoke earning methodologies do not impose a significant risk. We also note that Syndicate has a consistent policy of aligning the estimated debtor to the ultimate and reported income after 36 months and does not have significant estimated debtors from earlier (than 2021) underwriting years.

In determining the audit procedures, we took into account the results of our evaluation and testing of the operating effectiveness of some of the fraud risk management controls. In order to address the risk of fraud specifically as it relates to the valuation of insurance reserves, we involved actuarial specialists to assist in our challenge of management. We challenged management in relation to the selection of assumptions and the consistency of those assumptions both year on year and across different aspects of the financial reporting process.

Independent auditor's report to the members of Syndicate 2008 (continued)

To address the pervasive risk as it relates to management override, we also performed the following 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 finance management or individuals who do not frequently post journals, those posted with descriptions containing key words or phrases, those posted to a seldom used account including those related to cash and post-closing journals meeting certain criteria.
- Assessing significant accounting estimates for inherent 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 Annual Return from our general commercial and sector experience, through discussion with the directors and other management (as required by auditing standards), from inspection of the 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 Annual Return varies considerably.

Firstly, the Syndicate is subject to laws and regulations that directly affect the Annual Return 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 Annual Return 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 Annual Return, for instance through the imposition of fines, litigation, or loss of the Syndicate's capacity to operate. We identified the following areas as those most likely to have such an effect: anti-bribery and regulatory capital and solvency regulations recognizing 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 Annual Return, 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 Annual Return, 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.

Independent auditor's report to the members of Syndicate 2008 (continued)

Other information - 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 annual accounts 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 annual accounts audit work, the information therein is materially misstated or inconsistent with the Syndicate annual accounts or our audit knowledge. Based solely on that work:

- we have not identified material misstatements in the Report of the Directors of the Managing Agent;
- in our opinion the information given in the Report of the Directors of the Managing Agent is consistent with the Syndicate annual accounts; 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 annual accounts 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 10, the Directors of the Managing Agent are responsible for: the preparation of the Syndicate annual accounts 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 annual accounts 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 annual accounts 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 annual accounts.

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

Independent auditor's report to the members of Syndicate 2008 (continued)

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 Syndicate and the Syndicate's members, as a body, for our audit work, for this report, or for the opinions we have formed.

David Maddams (Senior Statutory Auditor)
For and on behalf of KPMG LLP, Statutory Auditor
Chartered Accountants
London
3 March 2022

Income statement: Technical account – General business

For the year ended 31 December 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Earned premiums, net of reinsurance					
Gross premiums written	*5*	**418,398**		3,180	
Outwards reinsurance premiums		**(568)**		424	
			417,830		3,604
Change in the provision for unearned premiums					
Gross amount		**25,152**		48,029	
Reinsurers' share		**(13,913)**		(29,108)	
			11,239		18,921
	17		**429,069**		22,525
Allocated investment return transferred from the non-technical account	*10*		**8,185**		24,703
Claims incurred, net of reinsurance	*17*				
Claims paid					
Gross amount		**(275,405)**		(308,756)	
Reinsurers' share		**130,900**		199,110	
			(144,505)		(109,646)
Change in the provision for claims	*17*				
Gross amount		**(108,544)**		309,035	
Reinsurers' share		**(128,859)**		(185,625)	
			(237,403)		123,410
Net operating expenses	*7*		**(15,823)**		(13,462)
Balance on the technical account – general business			**39,523**		47,530

All operations relate to continuing activities.

The notes on pages 22 to 55 form an integral part of these financial statements.

Income statement: Non-technical account – General business

For the year ended 31 December 2021

	Note	2021 £'000	2020 £'000
Balance on the technical account – general business		**39,523**	47,530
Non-technical account – other charges		**(5,332)**	(10,258)
Investment income	*10*	**10,874**	11,906
Unrealised (losses)/gains on investments	*10*	**(2,499)**	13,167
Investment expenses and charges	*10*	**(190)**	(370)
Allocated investment return transferred to technical account	*10*	**(8,185)**	(24,703)
Profit/(loss) on foreign exchange		**23**	(2,624)
Profit for the financial year		**34,214**	34,648

All operations relate to continuing activities.

There are no items of other comprehensive income in the accounting period, therefore no statement of other comprehensive income has been presented.

The notes on pages 22 to 55 form an integral part of these financial statements.

Statement of financial position – Assets

As at 31 December 2021

	Note	2021 £'000	2021 £'000	2020 £'000	2020 £'000
Investments					
Other financial investments	*11*	**847,989**		1,035,051	
Deposits with ceding undertakings		**336,849**		-	
			1,184,838		1,035,051
Reinsurers' share of technical provisions	*17*				
Provision for unearned premiums		**14,646**		29,246	
Claims outstanding		**647,356**		784,816	
			662,002		814,062
Debtors					
Debtors arising out of direct insurance operations	*12*	**7,458**		13,430	
Debtors arising out of reinsurance operations	*13*	**25,590**		54,581	
Other debtors	*14*	**58,195**		37,355	
Other assets	*15*	**12,671**		23,007	
Accrued interest		**3,695**		4,994	
			107,609		133,367
Other assets					
Cash at bank and in hand	*20*		**14,014**		12,475
Prepayments and accrued income					
Deferred acquisition costs			**5,638**		11,180
Total assets			**1,974,101**		2,006,135

The notes on pages 22 to 55 form an integral part of these financial statements.

Statement of financial position – Liabilities

As at 31 December 2021

	Note	2021		2020	
		£'000	**£'000**	£'000	£'000
Capital and reserves					
Members' balances			**79,877**		114,983
Technical provisions	*17*				
Provision for unearned premiums		**26,713**		53,161	
Claims outstanding		**1,399,082**		1,297,112	
			1,425,795		1,350,273
Deposits received from reinsurers			**428,286**		514,116
Creditors					
Creditors arising out of reinsurance operations	*18*	**5,723**		5,291	
Other creditors	*19*	**28,905**		16,352	
			34,628		21,643
Accruals and deferred income			**5,515**		5,120
Total liabilities and equity			**1,974,101**		2,006,135

The notes on pages 22 to 55 form an integral part of these financial statements.

The Syndicate financial statements on pages 16 to 55 were approved by the Board of Enstar Managing Agency Limited on 1 March 2022 and were signed on its behalf by:

B Dimmock
Director
3 March 2022

Statement of changes in members' balances

For the year ended 31 December 2021

	2021 £'000	2020 £'000
Members' balances brought forward at 1 January	**114,983**	80,335
Profit for the financial year	**34,214**	34,648
Payments of profit to members' personal reserve fund [1]	**(69,320)**	-
Members' balances carried forward at 31 December	**79,877**	114,983

The notes on pages 22 to 55 form an integral part of these financial statements.

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

[1] During the period the Syndicate distributed profits of £69.3m (2020: £Nil) to SGL No.1 Limited, the corporate member.

Statement of cash flows

For the year ended 31 December 2021

	2021		2020	
	£'000	**£'000**	£'000	£'000
Cash flows from operating activities				
Profit for the year	**34,214**		34,648	
Adjustments:				
Increase/(decrease) in technical provisions	**75,523**		(342,422)	
Decrease in reinsurers share of technical provisions	**152,060**		198,363	
Decrease in debtors	**24,459**		16,303	
Increase/(decrease) in creditors	**13,379**		(7,135)	
Investment return	**(8,185)**		(24,703)	
Movement in other assets/liabilities	**(415,838)**		(75,238)	
Foreign exchange gain/(loss)	**433**		(1,323)	
Net cash outflow from operating activities		**(123,955)**		(201,507)
Cash Flow from investing activities				
Acquisitions of financial instruments	**(95,053)**		(193,660)	
Proceeds from sales of financial instruments	**238,422**		365,271	
Investment income received	**10,684**		11,536	
Increase in deposit with credit institutions	**19,337**		6,966	
Increase in overseas deposits	**11,651**		19,683	
Foreign exchange gain/(loss)	**10,206**		(4,742)	
Net cash inflow from investing activities		**195,247**		205,054
Net cash flow from financing activities:				
Transfer to members in respect of underwriting participations	**(69,320)**		-	
Net cash outflow from financing activities		**(69,320)**		-
Net increase in cash and cash equivalents		**1,972**		3,547
Cash at bank and in hand at 1 January		**12,475**		7,605
Effect of exchange rate changes on cash and cash equivalents		**(433)**		1,323
Cash at bank and in hand at 31 December		**14,014**		12,475

The notes on pages 22 to 55 form an integral part of these financial statements.

Notes (forming part of the financial statements)

1. Basis of preparation

The financial statements have been prepared in accordance with the Insurance Accounts Directive (Lloyd's Syndicate and Aggregate Accounts) Regulations 2008 and applicable accounting standards in the United Kingdom and Republic of Ireland, including Financial Reporting Standard 102 *The Financial Reporting Standard* ("FRS 102"). FRS 102 requires the application of Financial Reporting Standard 103 *Insurance Contracts* ("FRS 103").

The financial statements have been prepared on the historical cost basis, except for financial assets at fair value through profit or loss that are measured at fair value.

The financial statements are presented in Pound Sterling ("GBP"), which is the Syndicate's functional currency. All amounts have been rounded to the nearest thousand, unless otherwise indicated.

The managing agent has prepared the financial statements on the expectation that continued capital support will be in place such that the Syndicate will continue to write new RITC business in future underwriting years of account.

Going concern

The Directors have performed an assessment of the Syndicate's ability to continue as a going concern, including the impact of the COVID-19 pandemic.

The Directors have considered the uncertainty brought by COVID-19 as laid out in the Report of the directors of the managing agent on pages 5 and 6. Having assessed the Syndicate's financial position at 31 December 2021, performance for the year then ended and to the date of signing of the financial statements, we have not found any evidence to suggest that the Syndicate will have difficulty in meeting future obligations. The Directors are satisfied that the Syndicate's operating model is sufficiently flexible to support the continuing delivery of key services for the foreseeable future.

2. Use of judgements and estimates

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

Actual results may differ from these estimates. Estimates and underlying assumptions are reviewed on an ongoing basis. Revisions to estimates are recognised prospectively.

The measurement of the provision for claims outstanding involves judgments and assumptions about the future that have the most significant effect on the amounts recognised in the financial statements.

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

The amount included in respect of IBNR is based on statistical techniques of estimation applied by the Syndicate Managing agent's in-house actuaries and is reviewed by external consulting actuaries. These techniques generally involve projecting from past experience the development of claims over time in view of the likely ultimate claims to be experienced. The provision for claims also includes amounts in respect of internal and external claims handling costs.

Notes (continued)

2. Use of judgements and estimates (continued)

In arriving at the level of claims provisions no margin is applied over and above the actuarial best estimate.

Further information about the risk that the provision for claims outstanding could be materially different from the ultimate cost of claims settlement is included in note 4.

3. Significant accounting policies

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

Premiums written

Premiums written comprise the reinsurance to close and loss portfolio transfer premiums on contracts incepted during the financial year as well as adjustments made in the year to premiums written in prior accounting periods by the reinsured Syndicates. Premiums exclude taxes and duties levied on them.

Unearned premiums

Written premiums are recognised as earned according to the risk profile of the policy. Unearned premiums represent the proportion of premiums written that relate to unexpired terms of policies in force at the statement of financial position date, calculated on the basis of established earnings patterns or time apportionment as appropriate.

Acquisition costs

Costs incurred in acquiring general insurance contracts are deferred. Acquisition costs include direct costs such as brokerage and commission, and indirect costs such as administrative expenses connected with the processing of proposals and the issuing of policies. The deferred acquisition cost asset represents the proportion of acquisition costs which corresponds to the proportion of gross premiums written that is unearned at the balance sheet date.

Claims provisions and related recoveries

Claims incurred comprise claims and claims handling expenses (both internal and external) paid in the year and the movement in provision for outstanding claims and settlement expenses.

Outstanding claims include an allowance for the cost of claims incurred by the balance sheet date but not reported until after the year end (IBNR). The calculation of IBNR involves projecting the development of claims from past experience to form a view of the likely ultimate claims to be incurred. The key sensitivities in this calculation are the choices of development patterns and loss ratios. The most critical assumption in regard to claims provisions is that the past is a reasonable predictor of the likely level of claims development in the future.

Outstanding claims also includes a provision for expenses that would be utilised in the event of the Syndicate being placed into run-off. The provision is estimated using forecast expenses and claims development patterns.

Anticipated salvage and subrogation and other recoveries are recognised as other assets.

The reinsurers' share of provisions for claims is based on calculated amounts of outstanding claims and projections for IBNR, net of estimated irrecoverable amounts, having regard to the reinsurance programme in place for the class of business, the claims experience for the year and the current security rating of the reinsurance companies involved. A number of statistical techniques are used to assist in making these estimates.

Notes (continued)

3. Significant accounting policies (continued)

Claims provisions and related recoveries (continued)

Reinsurance assets are assessed for impairment at each balance sheet date. A reinsurance asset is deemed impaired if there is objective evidence, as a result of an event that occurred after its initial recognition, that the Syndicate may not recover all amounts due, and that event has a reliably measurable impact on the amount that the Syndicate will receive from the reinsurer. Impairment losses are recognised in profit or loss in the period in which the impairment loss is recognised.

Foreign currencies

The Syndicate has adopted Pounds Sterling as both its presentational and functional currency. As such, no differences arise on conversion between the two. This achieves consistency with prior year reporting.

Transactions in foreign currencies are translated to the functional currency using the average rates of exchange for the period. The Syndicate's monetary assets and liabilities denominated in foreign currencies are translated into the functional currency at the rates of exchange at the statement of financial position date. For the purposes of foreign currency translation, unearned premiums and deferred acquisition costs are treated as if they are monetary items.

Differences arising on translation of foreign currency amounts relating to the insurance operations of the Syndicate are included in the non-technical account.

Financial assets and liabilities

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

Classification

The accounting classification of financial assets and liabilities determines the way in which they are measured and changes in those values are presented in the income statement. Financial assets and liabilities are classified on their initial recognition. Subsequent reclassifications are permitted only in restricted circumstances.

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

Deposits with credit institutions, debtors, and accrued interest are classified as loans and receivables.

Recognition

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

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

Notes (continued)

3. Significant accounting policies (continued)

Measurement

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

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

Loans and receivables and non-derivative financial liabilities are measured at amortised cost using the effective interest method.

Identification and measurement of impairment

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

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

An impairment loss in respect of a financial asset measured at amortised cost is calculated as the difference between its carrying amount, and the present value of the estimated future cash flows discounted at the asset's original effective interest rate.

Individually significant financial assets are tested for impairment on an individual basis. The remaining financial assets are assessed collectively in groups that share similar credit risk characteristics.

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

Off-setting

Financial assets and financial liabilities are set off and the net amount presented in the statement of financial position when, and only when, the Syndicate currently has a legal right to set off the amounts and intends either to settle on a net basis or to realise the asset and settle the liability simultaneously.

Investment return

Investment income comprises interest income, dividends receivable and realised investment gains. Investment return comprises investment income and movements in unrealised gains and losses on financial instruments at fair value through profit or loss, less investment management expenses, interest payable, realised losses and impairment losses.

Notes (continued)

3. Significant accounting policies (continued)

Investment return (continued)

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

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

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

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

Deposits with ceding undertakings

Deposits with ceding undertakings are funds retained by ceding (re)insurers and those held by Lloyd's Brussels on behalf of the Syndicate to settle Part VII claims. These funds are held at amortised cost in the balance sheet.

Cash and cash equivalents

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

Cash and cash equivalents are carried at amortised cost in the statement of financial position.

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%) deducted from Syndicate investment income is recoverable by managing agents and consequently the distribution made to members or their members' agents is gross of tax. Capital appreciation falls within trading income and is also distributed gross of tax.

No provision has been made for any United States Federal Income Tax payable on underwriting results or investment earnings. Any payments on account made by the Syndicate during the year have been included in the statement of financial position under the heading 'other debtors'.

No provision has been made for any other overseas tax payable by members on underwriting results.

Notes (continued)

3. Significant accounting policies (continued)

Pension costs

Enstar (EU) Limited, which employs the staff utilised by EMAL, operates a defined contribution pension scheme. Pension costs relating to staff performing Syndicate duties are charged to the Syndicate and included within "net operating expenses".

4. Risk and capital management

Introduction and overview

This note presents information about the nature and extent of insurance and financial risks to which the Syndicate is exposed, the Managing agent's objectives, policies and processes for measuring and managing insurance and financial risks, and for managing the Syndicate's capital.

Risk management framework

The Board of EMAL sets the risk appetite annually as part of the Syndicate's business planning and Individual Capital Assessment process. The Board of the managing agent has established procedures to review and update the risk register regularly and to monitor performance against the risk appetite using a series of key risk indicators. The principal risks and uncertainties facing the Syndicate are as follows:

Insurance risk

Insurance risk includes the risks that a policy will be written for too low a premium or provide inappropriate cover (underwriting risk), that the frequency or severity of insured events will be higher than expected (claims risk), or that estimates of claims subsequently prove to be insufficient (reserving risk). Given that the business of the Syndicate is reinsuring Syndicates in run-off, the remaining insurance risk is primarily claims and reserving risk. Reserve adequacy is monitored through quarterly review.

Notes (continued)

4. Risk and capital management (continued)

Concentration of insurance risk

The Syndicate's exposure to insurance risk is well diversified. The following table provides an analysis of the geographical breakdown of its gross and net claims reserves by class of business.

2021 **Gross**	**Accident and Health** **£'000**	**Marine, aviation and transport** **£'000**	**Fire and other damage to property** **£'000**	**Third party liability** **£'000**	**Other** **£'000**	**Reinsurance** **£'000**	**Total** **£'000**
United States	**1,057**	**10,198**	**14,928**	**103,754**	**15,510**	**458,658**	**604,105**
United Kingdom	**556**	**8,077**	**3,920**	**146,481**	**4,445**	**108,239**	**271,718**
Other EEA	**923**	**3,861**	**261**	**39,585**	**3,333**	**181,194**	**229,157**
Other Non-EEA	**272**	**268**	**325**	**29,070**	**14,297**	**91,675**	**135,907**
Australia & New Zealand	**104**	**39**	**3,638**	**71,322**	**2,293**	**10,105**	**87,501**
Canada	**2**	**180**	**1,474**	**55,141**	**2,424**	**11,473**	**70,694**
Total	**2,914**	**22,623**	**24,546**	**445,353**	**42,302**	**861,344**	**1,399,082**

2020 Gross	Accident and Health £'000	Marine, aviation and transport £'000	Fire and other damage to property £'000	Third party liability £'000	Other £'000	Reinsurance £'000	Total £'000
United States	3,878	16,484	21,042	114,888	32,165	170,821	359,278
United Kingdom	796	9,209	3,228	160,906	3,368	100,492	277,999
Other EEA	398	3,808	386	69,753	3,089	242,044	319,478
Other Non-EEA	1,079	248	775	24,956	11,049	113,238	151,345
Australia & New Zealand	104	603	4,907	94,505	30	11,925	112,074
Canada	3	249	2,091	65,243	1,862	7,490	76,938
Total	6,258	30,601	32,429	530,251	51,563	646,010	1,297,112

Notes (continued)

4. Risk and capital management (continued)

Concentration of insurance risk (continued)

2021 Net	Accident and Health £'000	Marine, aviation and transport £'000	Fire and other damage to property £'000	Third party liability £'000	Other £'000	Reinsurance £'000	Total £'000
United States	**350**	**3,713**	**4,177**	**38,182**	**3,411**	**363,979**	**413,812**
United Kingdom	**140**	**2,134**	**1,937**	**57,843**	**1,051**	**58,821**	**121,926**
Other EEA	**478**	**651**	**111**	**1,404**	**(1,321)**	**96,339**	**97,662**
Other Non-EEA	**145**	**101**	**(211)**	**9,840**	**3,483**	**41,795**	**55,153**
Australia & New Zealand	**55**	**13**	**1,106**	**25,149**	**393**	**5,109**	**31,825**
Canada	**1**	**100**	**754**	**21,119**	**922**	**8,452**	**31,348**
Total	**1,169**	**6,712**	**7,874**	**153,537**	**7,939**	**574,495**	**751,726**

2020 Net	Accident and Health £'000	Marine, aviation and transport £'000	Fire and other damage to property £'000	Third party liability £'000	Other £'000	Reinsurance £'000	Total £'000
United States	1,904	5,456	6,654	43,346	6,175	57,421	120,956
United Kingdom	257	2,912	1,558	58,832	(138)	48,297	111,718
Other EEA	169	357	57	10,552	(2,001)	126,336	135,470
Other Non-EEA	542	140	411	10,849	5,866	54,990	72,798
Australia & New Zealand	55	318	2,725	30,617	16	5,923	39,654
Canada	2	180	1,033	25,927	651	3,907	31,700
Total	2,929	9,363	12,438	180,123	10,569	296,874	512,296

4. Risk and capital management (continued)

Sensitivity to insurance risk

The liabilities established could be significantly lower or higher than the ultimate cost of settling the claims arising. This level of uncertainty varies between the classes of business and the nature of the risk being underwritten and can arise from developments in case reserving for large losses and catastrophes, or from changes in estimates of claims incurred but not reported (IBNR). A five per cent increase or decrease in the ultimate cost of settling claims arising is considered to be reasonably possible at the reporting date.

A five percent increase or decrease in total net claims liabilities would have the following effect on profit or loss and equity:

	2021		2020	
	5 per cent increase	**5 per cent decrease**	5 per cent increase	5 per cent decrease
	£'000	**£'000**	£'000	£'000
Accident and health	**(58)**	**58**	(146)	146
Marine, aviation and transport	**(336)**	**336**	(468)	468
Fire and other damage to property	**(394)**	**394**	(622)	622
Third party liability	**(7,677)**	**7,677**	(9,006)	9,006
Other	**(397)**	**397**	(528)	528
Reinsurance	**(28,725)**	**28,725**	(14,844)	14,844
Total	**(37,587)**	**37,587**	(25,614)	25,614

Financial risk

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

Credit risk

Credit risk is the risk of financial loss to the Syndicate if a counterparty fails to discharge a contractual obligation. The Syndicate is exposed to credit risk in respect of the following:

- debt securities;
- deposits with ceding undertakings
- reinsurers' share of insurance liabilities;
- amounts due from intermediaries;
- amounts due from reinsurers in respect of settled claims;
- cash and cash equivalents; and
- other debtors and accrued interest.

The nature of the Syndicate's exposures to credit risk and its objectives, policies and processes for managing credit risk have not changed significantly from the prior year.

Notes (continued)

4. Risk and capital management (continued)

Management of credit risk

The Syndicate's credit risk in respect of debt securities is managed by placing limits on its exposure to a single counterparty, by reference to the credit rating of the counterparty. Financial assets are graded according to current credit ratings issued by rating agencies such as Standard and Poor's.

The Syndicate limits the amount of cash and cash equivalents that can be deposited with a single counterparty and maintains an authorised list of acceptable cash counterparties.

Exposure to credit risk

The Syndicate's exposure to intermediaries and reinsurance counterparties is monitored by the individual business units as part of their credit control processes. The impact of reinsurer default is regularly assessed and managed accordingly.

All intermediaries must meet minimum requirements established by the Syndicate. The credit ratings and payment histories of intermediaries are monitored on a regular basis.

The Syndicate assesses the creditworthiness of all reinsurers by reviewing public rating information and by internal investigations.

The carrying amount of financial assets and reinsurance assets represents the maximum credit risk exposure. The Syndicate does not hold any collateral as security or purchase any credit enhancements (such as guarantees, credit derivatives and netting arrangements that do not qualify for offset).

The Syndicate has inherited the reinsurance programs of the reinsured Syndicates, so the risk is largely the exposure to reinsurers on past reinsurance rather than new purchases of reinsurance. Intra-group reinsurance arrangements are in place in relation to Syndicates 588/861 and are collateralised 100% on a funds withheld basis. The Syndicate also has an intra-group reinsurance arrangement with Cavello Bay Reinsurance Ltd for 50% of the net results on the 2018 and 2019 underwriting years. It is collateralised at 120% through a combination of funds withheld and a letter of credit.

The Syndicate holds deposits with ceding undertakings arising from the LPT with Hiscox and cash transferred to Lloyd's Europe following Lloyd's Part VII transfer.

Any new purchase of reinsurance may only be carried out with the Board's prior approval of the related security.

The following table analyses the credit rating by investment grade of financial investments, reinsurers' share of technical provisions, debtors arising out of direct insurance and reinsurance operations, cash at bank and in hand, and other debtors and accrued interest that are neither past due, nor impaired.

Notes (continued)

4. Risk and capital management (continued)

Year 2021	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Financial investments							
Shares and other variable yield securities and units in unit trusts	**12,782**	**18,963**	**56,004**	**77,802**	**39,950**	**134,232**	**339,733**
Debt securities and other fixed income securities	**31,435**	**102,394**	**162,237**	**85,317**	**12,782**	**3,213**	**397,378**
Deposits with credit institutions	**-**	**-**	**3,836**	**-**	**-**	**-**	**3,836**
Overseas deposits	**41,080**	**8,858**	**8,114**	**7,216**	**3,315**	**38,459**	**107,042**
Deposits with ceding undertakings	**-**	**-**	**336,849**	**-**	**-**	**-**	**336,849**
Reinsurers' share of claims outstanding	**-**	**71,272**	**180,351**	**16,519**	**49**	**379,165**	**647,356**
Cash at bank and in hand	**-**	**-**	**14,014**	**-**	**-**	**-**	**14,014**
Total	**85,297**	**201,487**	**761,405**	**186,854**	**56,096**	**555,069**	**1,846,208**

Year 2020	AAA £'000	AA £'000	A £'000	BBB £'000	<BBB £'000	Not rated £'000	Total £'000
Financial investments							
Shares and other variable yield securities and units in unit trusts	45,541	23,028	55,811	68,213	35,205	142,974	370,772
Debt securities and other fixed income securities	74,312	134,460	193,535	115,173	15,852	5,479	538,811
Deposits with credit institutions	-	-	4,195	-	-	-	4,195
Overseas deposits	51,605	9,638	8,339	6,459	4,227	41,005	121,273
Reinsurers' share of claims outstanding	-	81,920	215,075	21,799	64	465,958	784,816
Cash at bank and in hand	-	-	12,475	-	-	-	12,475
Total	171,458	249,046	489,430	211,644	55,348	655,416	1,832,342

Notes (continued)

4. Risk and capital management (continued)

Financial assets that are past due or impaired

The Syndicate has debtors arising from direct insurance and reinsurance operations that are past due but not impaired at the reporting date. The Syndicate does not consider these debtors to be impaired on the basis of stage of collection of amounts owed to the Syndicate.

These debtors have been individually assessed for impairment by considering information such as the occurrence of significant changes in the counterparty's financial position, patterns of historical payment information and disputes with counterparties. An analysis of the carrying amounts of past due or impaired debtors is presented in the table below.

Year 2021	Debtors arising from direct insurance operations £'000	Debtors arising from reinsurance operations £'000
Past due but not impaired financial assets:		
Past due by:		
Up to 3 months	-	**23,166**
Three to Six Months	-	**5,811**
Six Months to one year	-	**(1,693)**
Greater than one year	-	**(2,439)**
Past due but not impaired financial assets	-	**24,845**
Impaired financial assets	-	-
Gross value of past due and impaired financial assets	-	**24,845**
Less: individually assessed impairment allowances	-	-
Net carrying value of past due and impaired financial assets	-	**24,845**
Neither past due nor impaired financial assets	**7,458**	-
Net carrying value	**7,458**	**24,845**

Notes (continued)

4. Risk and capital management (continued)

Financial assets that are past due or impaired (continued)

Year 2020	Debtors arising from direct insurance operations £'000	Debtors arising from reinsurance operations £'000
Past due but not impaired financial assets:		
Past due by:		
Up to 3 months	-	47,930
Three to Six Months	-	2,313
Six Months to one year	-	2,875
Greater than one year	-	239
Past due but not impaired financial assets	-	53,357
Impaired financial assets	-	-
Gross value of past due and impaired financial assets	-	53,357
Less: individually assessed impairment allowances	-	-
Net carrying value of past due and impaired financial assets	-	53,357
Neither past due nor impaired financial assets	13,430	-
Net carrying value	13,430	53,357

Liquidity risk

Liquidity risk is the risk that the Syndicate will encounter difficulty in meeting obligations arising from its insurance contracts and financial liabilities. The Syndicate is exposed to daily calls on its available cash resources mainly from claims arising from insurance contracts.

The nature of the Syndicate's exposures to liquidity risk and its objectives, policies and processes for managing liquidity risk have not changed significantly from the prior year.

Management of liquidity risk

The Syndicate's approach to managing liquidity risk is to ensure, as far as possible, that it will always have sufficient liquidity to meet its liabilities when they fall due, under both normal and stressed conditions, without incurring unacceptable losses or risking damage to the Syndicate's reputation. Cashflow forecasts are regularly prepared and reviewed. The only source of additional funds currently available to the Syndicate is a cash call though other options may be investigated in due course.

Notes (continued)

4. Risk and capital management (continued)

Management of liquidity risk (continued)

The maturity analysis presented in the table below shows the remaining contractual maturities for the Syndicate's insurance contracts and financial instruments. For insurance contracts, the contractual maturity is the estimated date when the gross undiscounted contractually required cash flows will occur. For financial assets and liabilities, it is the earliest date on which the gross undiscounted cash flows (including contractual interest payments) could be paid assuming conditions are consistent with those at the reporting date.

			Undiscounted net cash flows			
Year 2021	**Carrying amount**	**Total cash flows**	**Less than 1 year**	**1-2 years**	**2-5 years**	**More than 5 years**
	£'000	**£'000**	**£'000**	**£'000**	**£'000**	**£'000**
Financial investments						
Shares and other variable yield securities and units in unit trusts	**339,733**	**339,733**	**339,733**	**-**	**-**	**-**
Debt securities	**397,378**	**397,378**	**44,886**	**60,690**	**166,667**	**125,135**
Deposits with credit institutions	**3,836**	**3,836**	**3,836**			
Overseas deposits	**107,042**	**107,042**	**107,042**	**-**	**-**	**-**
Deposits with ceding undertakings	**336,849**	**336,849**	**187,077**	**46,724**	**58,601**	**44,447**
Reinsurers share of claims outstanding	**647,356**	**647,356**	**180,536**	**166,585**	**153,007**	**147,228**
Debtors and accrued interest	**94,938**	**94,938**	**94,938**	**-**	**-**	**-**
Cash at bank and in hand	**14,014**	**14,014**	**14,014**	**-**	**-**	**-**
Total assets	**1,941,146**	**1,941,146**	**972,062**	**273,999**	**378,275**	**316,810**
Technical provisions	**1,399,082**	**1,399,082**	**390,179**	**360,028**	**330,683**	**318,192**
Creditors	**34,628**	**34,628**	**34,628**	**-**	**-**	**-**
Total liabilities	**1,433,710**	**1,433,710**	**424,807**	**360,028**	**330,683**	**318,192**

Notes (continued)

4. Risk and capital management (continued)

Management of liquidity risk (continued)

Year 2020	Carrying amount	Total cash flows	Undiscounted net cash flows Less than 1 year	1-2 years	2-5 years	More than 5 years
	£'000	£'000	£'000	£'000	£'000	£'000
Financial investments						
Shares and other variable yield securities and units in unit trusts	370,772	370,772	370,772	-	-	-
Debt securities	538,811	538,811	32,931	90,913	195,932	219,035
Deposits with credit institutions	4,195	4,195	4,195	-	-	-
Overseas deposits	121,273	121,273	121,273	-	-	-
Reinsurers share of claims outstanding	784,816	784,816	224,106	261,365	161,489	137,856
Debtors and accrued interest	110,360	110,360	110,360	-	-	-
Cash at bank and in hand	12,475	12,475	12,475	-	-	-
Total assets	1,942,702	1,942,702	876,112	352,278	357,421	356,891
Technical provisions	1,297,112	1,297,112	370,394	431,973	266,903	227,842
Creditors	21,643	21,643	21,643	-	-	-
Total liabilities	1,318,755	1,318,755	392,037	431,973	266,903	227,842

In the above tables, equity investments, which have no contractually required cash flows, but which are actively traded, are included in the 'less than one year' column. In practice cash could be realised through the sale of these equity investments, and through the sale the Syndicate's investments in debt securities, the majority of which are actively traded. The disclosure does not take account of premiums received from new business written which can be used to pay claims arising.

Market risk

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

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

Notes (continued)

4. Risk and capital management (continued)

Management of market risks

The agency's Finance and Investment Committee meets quarterly to review the performance of the investments held and the return achieved on the Syndicate's cash deposits. Goldman Sachs Asset Management Limited ("GSAM") were appointed in August 2017 and is an investment manager acting on behalf of the Syndicate. The other key aspect of market risk is that the Syndicate could incur losses on foreign exchange movements as a result of mismatches between the currencies in which assets and liabilities are denominated. This has been mitigated by the currency matching of assets and liabilities as far as can be achieved allowing for regulatory funding restrictions.

In line with group policy, as at 31 December 2021, the Syndicate had no currency forward contracts.

Interest rate risk

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

Interest rate risk arises primarily from the Syndicate's financial investments, cash and overseas deposits. The risk of changes in the fair value of these assets is managed by primarily investing in short-duration financial investments and cash and cash equivalents. The Finance & Investment Committee monitors the duration of these assets on a regular basis.

Currency risk

The Syndicate writes business primarily in Sterling, Euros, US dollars, Canadian dollars and Australian dollars and is therefore exposed to currency risk arising from fluctuations in the exchange rates of Sterling against these currencies.

The foreign exchange policy is to maintain assets in the currency in which the cash flows from liabilities are to be settled.

The table below summarises the carrying value of the Syndicate's assets and liabilities, at the reporting date:

Notes (continued)

4. Risk and capital management (continued)

Currency risk (continued)

Year 2021	GBP £'000	USD £'000	EUR £'000	CAD £'000	Other £'000	Total £'000
Financial investments	**203,546**	**369,393**	**161,230**	**61,652**	**52,168**	**847,989**
Deposits with ceding undertakings	10,396	303,476	18,665	4,310	2	336,849
Reinsurers' share of technical provisions	179,742	261,303	136,683	38,544	45,730	662,002
Insurance and reinsurance receivables	10,397	6,052	10,669	2,969	2,961	33,048
Cash and cash equivalents	4,929	1,250	2,394	231	5,210	14,014
Other assets	41,863	20,651	9,886	1,748	6,051	80,199
Total assets	**450,873**	**962,125**	**339,527**	**109,454**	**112,122**	**1,974,101**
Technical provisions	324,866	717,982	239,695	70,281	72,971	1,425,795
Insurance and reinsurance payables	1,481	3,309	229	(13)	717	5,723
Other creditors	131,490	181,544	97,324	19,314	33,034	462,706
Total liabilities	**457,837**	**902,835**	**337,248**	**89,582**	**106,722**	**1,894,224**
Net assets/(liabilities)	**(6,964)**	**59,290**	**2,279**	**19,872**	**5,400**	**79,877**

Notes (continued)

4. Risk and capital management (continued)

Currency risk (continued)

Year 2020	GBP £'000	USD £'000	EUR £'000	CAD £'000	Other £'000	Total £'000
Financial investments	265,754	417,835	209,013	79,431	63,018	1,035,051
Reinsurers' share of technical provisions	230,918	296,499	184,334	43,344	58,967	814,062
Insurance and reinsurance receivables	16,614	28,645	14,216	5,156	3,380	68,011
Cash and cash equivalents	1,220	3,351	3,228	189	4,487	12,475
Other assets	41,113	16,269	13,603	2,963	2,588	76,536
Total assets	555,619	762,599	424,394	131,083	132,440	2,006,135
Technical provisions	391,580	474,656	318,832	72,934	92,271	1,350,273
Insurance and reinsurance payables	590	4,509	95	(14)	111	5,291
Other creditors	159,682	215,879	99,139	21,878	39,010	535,588
Total liabilities	551,852	695,044	418,066	94,798	131,392	1,891,152
Net assets/(liabilities)	3,767	67,555	6,328	36,285	1,048	114,983

Sensitivity analysis to market risks

An analysis of the Syndicate's sensitivity to interest rate, currency and other price risk is presented in the table below. The table shows the effect on profit or loss of reasonably possible changes in the relevant risk variable, assuming that all other variables remain constant, if that change had occurred at the end of the reporting period and had been applied to the risk exposures at that date.

Notes (continued)

4. Risk and capital management (continued)

Sensitivity analysis to market risks (continued)

	2021 **Profit or loss for the year** **£'000**	2020 Profit or loss for the year £'000
Interest rate risk		
+ 50 basis points shift in yield curves	**(13,713)**	(16,534)
- 50 basis points shift in yield curves	**13,713**	16,534
Currency risk		
10 percent increase in GBP/euro exchange rate	**(228)**	(633)
10 percent decrease in GBP/euro exchange rate	**228**	633
10 percent increase in GBP/US dollar exchange rate	**(5,929)**	(6,756)
10 percent decrease in GBP/US dollar exchange rate	**5,929**	6,756
Equity price risk		
5 percent increase in equity prices	**2,077**	2,885
5 percent decrease in equity prices	**(2,077)**	(2,885)

The impact of the reasonably possible changes in the risk variables on Members' balances would be the same, since the Syndicate recognises all changes in recognised assets and liabilities in the income statement.

A 10% increase/decrease in exchange rates, 5% increase/decrease in equity prices and a 50 basis point increase/decrease in yield curves have been selected on the basis that these are considered to be reasonably possible changes in these risk variables over the following year.

The sensitivity analysis demonstrates the effect of a change in a key variable while other assumptions remain unchanged. However, the occurrence of a change in a single market factor may lead to changes in other market factors as a result of correlations.

The sensitivity analyses do not take into consideration that the Syndicate's financial investments are actively managed. Additionally, the sensitivity analysis is based on the Syndicate's financial position at the reporting date and may vary at the time that any actual market movement occurs. As investment markets move past pre-determined trigger points, action would be taken which would alter the Syndicate's position.

Operational risk

This is the risk that errors caused by people, processes or systems lead to losses to the Syndicate. The agency seeks to manage this risk through the use of detailed procedure manuals and a structured programme of compliance testing of processes and systems, including those of sub-contractors used.

Notes (continued)

4. Risk and capital management (continued)

Group risk

This is the risk that changes in group strategy or the fortunes of other group companies will lead to losses to the Syndicate. This risk is reviewed quarterly as part of the regular review processes.

Regulatory risk

The managing agent is required to comply with the requirements of the Prudential Regulation Authority, the Financial Conduct Authority and Lloyd's. Lloyd's requirements include adherence to oversight principles and those imposed on the Lloyd's market by overseas regulators, particularly in respect of US situs business. Regulatory risk is the risk of loss owing to a breach of regulatory requirements or failure to respond to a regulatory change. The agency monitors regulatory developments and assesses their impact on agency policy and procedures. In addition, the agency carries out a compliance monitoring programme.

Capital management

Capital framework at Lloyd's

The Society of Lloyd's (Lloyd's) is a regulated undertaking and subject to supervision by the Prudential Regulatory Authority (PRA) under the Financial Services and Markets Act 2000, and in accordance with the Solvency II Framework.

Within this supervisory framework, Lloyd's applies capital requirements at member level and centrally to ensure that Lloyd's would comply with the Solvency II requirements, 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 2008 is not disclosed in these financial statements.

Lloyd's capital setting process

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

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 Syndicates on which it is participating but not other members' shares. Accordingly, the capital requirements that Lloyd's sets for each member operates on a similar basis. Each member's SCR shall thus be determined by the sum of the member's share of the Syndicate SCR 'to ultimate'. Where a member participates on more than one Syndicate, a credit for diversification is provided to reflect the spread of risk, but consistent with determining an SCR which reflects the capital requirement to cover a 1 in 200 loss 'to ultimate' for that member. Over and above this, Lloyd's applies a capital uplift to the member's capital requirement, known as the Economic Capital Assessment (ECA). The purpose of this uplift, which is a Lloyd's not a Solvency II requirement, is to meet Lloyd's financial strength, licence and ratings objectives. The capital uplift applied for 2021 was 35% of the member's SCR 'to ultimate'.

Notes (continued)

4. Risk and capital management (continued)

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), assets held and managed within a Syndicate (funds in Syndicate), or as the member's share of the members' balances on each Syndicate on which it participates. Accordingly, all of the assets less liabilities of the Syndicate, as represented in the members' balances reported on the statement of financial position on pages 18 and 19, represent resources available to meet members' and Lloyd's capital requirements.

5. Analysis of underwriting result

An analysis of the underwriting result before investment return is presented in the table below:

Year 2021	**Gross premiums written £'000**	**Gross premiums earned £'000**	**Gross claims incurred £'000**	**Gross operating expenses £'000**	**Reinsurance balance £'000**	**Net Technical Result £'000**
Accident and health	**550**	**1,781**	**(5)**	**(189)**	**(367)**	**1,220**
Marine, aviation and transport	**20**	**21**	**(18)**	**(751)**	**144**	**(604)**
Fire and other damage to property	**456**	**6,076**	**(20)**	**(838)**	**(3,034)**	**2,184**
Third party liability	**(55)**	**1,693**	**(187)**	**(7,660)**	**218**	**(5,936)**
Other	**685**	**17,237**	**(22)**	**(924)**	**(9,643)**	**6,648**
Total direct	**1,656**	**26,808**	**(252)**	**(10,362)**	**(12,682)**	**3,512**
Reinsurance*	**416,742**	**416,742**	**(383,697)**	**(5,461)**	**242**	**27,826**
Total	**418,398**	**443,550**	**(383,949)**	**(15,823)**	**(12,440)**	**31,338**

Year 2020	Gross premiums written £'000	Gross premiums earned £'000	Gross claims incurred £'000	Gross operating expenses £'000	Reinsurance balance £'000	Net Technical Result £'000
Accident and health	65	2,400	387	(317)	(1,206)	1,264
Marine, aviation and transport	312	339	(467)	(1,198)	1,536	210
Fire and other damage to property	268	18,523	158	(1,441)	(8,947)	8,293
Third party liability	(974)	1,862	1,030	(7,085)	5,142	949
Other	2,873	27,444	(529)	(2,431)	(13,725)	10,759
Total direct	2,544	50,568	579	(12,472)	(17,200)	21,475
Reinsurance	636	641	(300)	(990)	2,001	1,352
Total	3,180	51,209	279	(13,462)	(15,199)	22,827

*The reinsurance gross written premium and net earned premium amounts are mainly as a result of premium received on the LPT with Hiscox.

Notes (continued)

6. Claims

Negative movements on claims incurred net of reinsurance arose in respect of the following classes of business:

	2021 £'000	2020 £'000
Accident and health	**818**	410
Marine, aviation and transport	**132**	758
Fire and other damage to property	**1,781**	1,045
Third party liability	**1,476**	9,323
Other	**4,389**	872
Reinsurance	**(383,455)**	1,356
Change in prior year provisions	**(374,859)**	13,764
Current year movement	**(7,049)**	-
Claims incurred, net of reinsurance	**(381,908)**	13,764

7. Net operating expenses

	2021 £'000	2020 £'000
Acquisition costs:		
Brokerage and commissions	**9,302**	10,097
Administrative expenses	**15,138**	9,339
Paid ULAE transferred to gross incurred claims	**(8,617)**	(5,974)
Net operating expenses	**15,823**	13,462

Notes (continued)

7. Net operating expenses (continued)

Administrative expenses include:

	2021 £'000	2020 £'000
Auditors' remuneration:		
- fees payable to the Syndicate's auditor for the audit of these financial statements	**476**	259
- fees payable to the Syndicate's auditor for the audit of regulatory returns	**130**	94
- fees payable to the Syndicate's auditor and its associates in respect of other services pursuant to legislation	**85**	114
Fee Paid to managing agent	**1,000**	1,374
Management fee	**23,233**	24,845
Reinsurers' share of expenses	**(13,274)**	(21,021)
Other	**3,488**	3,674
	15,138	9,339

In 2021, a fixed fee of £1.0m was charged to the Syndicate by the Managing Agent. The fee was based on 0.5% of the Syndicate's economic capital assessment ("ECA"). This amount is included within "net operating expenses".

In 2021, the Syndicate transferred £8.6m of its expenses to the technical account. These expenses are related to the unallocated loss adjustment expenses ("ULAE") paid during the year.

8. Key management personnel compensation

The directors of Enstar Managing Agency Limited received the following aggregate remuneration charged to the Syndicate and included within net operating expenses:

	2021 £'000	2020 £'000
Directors' emoluments	**1,691**	1,320
Contribution to pension schemes	**84**	35
	1,775	1,355

Notes (continued)

8. Key management personnel compensation (continued)

The amounts charged to the Syndicate by its managing agent in respect of emoluments paid to the Syndicate's run-off manager in the financial year were:

	2021	2020
	£'000	£'000
Emoluments	**396**	347
Contribution to pension schemes	**37**	37
	433	384

9. Staff numbers and costs

During 2021, all staff continued to be employed on behalf of EMAL by Enstar EU Limited ("EEUL"). EEUL charges EMAL a management fee that covered all salary, pension, accommodation, computer and other costs as a single amount. The total amount of EEUL management fees recharged to EMAL and the Syndicate for the year amounts to £23.2m (2020: £24.8m).

	2021	2020
Administration and finance	**44**	41
Underwriting	**1**	1
Claims	**50**	64
	95	106

10. Investment return

The investment return transferred to the technical account from the non-technical account comprises the following:

	2021	2020
	£'000	£'000
Investment income:		
Interest and dividend income	**11,949**	11,130
Realised (losses)/gains	**(1,075)**	776
Unrealised (losses)/gains on investments	**(2,499)**	13,167
Investment management expenses, including interest	**(190)**	(370)
Investment return transferred to the technical account from the non-technical account	**8,185**	24,703

Notes (continued)

10. Investment return (continued)

As at 31 December 2021 and 31 December 2020 all financial assets were measured at fair value through profit and loss.

The table below presents the average amounts of funds in the year per currency and analyses by major currency the average investment yields in the year.

	2021	2020
	£'000	£'000
Average amount of Syndicate funds available for investment during the year		
Sterling	**227,893**	289,876
Euro	**171,833**	253,966
US Dollar	**398,763**	440,609
Canadian Dollar	**69,937**	92,790
Australian Dollar	**62,032**	71,979
Japanese Yen	**930,459**	91
Total funds available for investment, in Sterling	**1,860,917**	1,149,311
Total investment return	**8,185**	24,703
Annual investment yield		
Sterling	**-0.42%**	3.72%
Euro	**1.94%**	2.81%
US Dollar	**1.51%**	4.75%
Canadian Dollar	**-0.48%**	5.17%
Australian Dollar	**0.25%**	2.44%
Japanese Yen	**0.00%**	0.00%
Total annual investment yield, in Sterling	**0.44%**	2.15%

Notes (continued)

11. Financial investments

	Carrying value		Cost	
	2021	2020	**2021**	2020
	£'000	£'000	**£'000**	£'000
Shares and other variable yield securities and units in unit trusts	**339,733**	370,772	**297,037**	345,812
Debt securities and other fixed income securities	**397,378**	538,811	**397,588**	522,420
Overseas deposits	**107,042**	121,273	**107,041**	121,273
Loans and deposits with credit institutions	**3,836**	4,195	**3,836**	4,195
Total financial investments	**847,989**	1,035,051	**805,502**	993,700

The Syndicate classifies its financial instruments held at fair value in its balance sheet using a fair value hierarchy based on the inputs used in the valuation techniques as follows:

- Level 1 – 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 group, pricing service or regulatory agency and those prices represent actual and regularly occurring market transactions on an arm's length basis.
- Level 2 – 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 assets measured using a valuation technique (model) based on assumptions that are neither supported by prices from observable current market transactions in the same instrument nor are they based on available market data.

Therefore, unobservable inputs reflect the Syndicate's own assumptions about the assumptions that market participants would use in pricing the asset or liability (including assumptions about risk). These inputs are developed based on the best information available, which might include the Syndicate's own data.

Notes (continued)

11. Financial investments (continued)

The table below analyses financial instruments held at fair value in the Syndicate's balance sheet at the reporting date by its level in the fair value hierarchy.

2021	**Level 1 £'000**	**Level 2 £'000**	**Level 3 £'000**	**Total £'000**
Shares and other variable yield securities and units in unit trusts	**31,479**	**248,455**	**59,799**	**339,733**
Debt securities and other fixed income securities	**77,549**	**319,829**	**-**	**397,378**
Loans and deposits with credit institutions	**-**	**3,836**	**-**	**3,836**
Overseas deposits	**51,851**	**55,191**	**-**	**107,042**
Total	**160,879**	**627,311**	**59,799**	**847,989**

2020	Level 1 £'000	Level 2 £'000	Level 3 £'000	Total £'000
Shares and other variable yield securities and units in unit trusts	23,972	307,998	38,802	370,772
Debt securities and other fixed income securities	98,038	440,773	-	538,811
Loans and deposits with credit institutions	-	4,195	-	4,195
Overseas deposits	64,326	56,947	-	121,273
Total	186,336	809,913	38,802	1,035,051

Information on the methods and assumptions used to determine fair values for each major category of financial instrument measured at fair value is provided below.

Equity instruments listed on a recognised exchange are valued using prices sourced from the primary exchange on which they are listed. Units in unit trusts are valued using the latest unit price or share price provided by the unit trust. Shares and other variable securities and units in unit trusts are generally categorised as level 1 in the fair value hierarchy except where they are not actively traded, in which case they are generally measured on prices of recent transactions in the same instrument. The Syndicate has no exposure to hedge funds.

Debt securities are generally valued using prices provided by external pricing vendors. Pricing vendors will often determine prices by consolidating prices of recent trades for identical or similar securities obtained from a panel of market makers into a composite price. The pricing service may make adjustments for the elapsed time from a trade date to the valuation date to take into account available market information. Lacking recently reported trades, pricing vendors will use modelling techniques to determine a security price.

Some government and supranational securities are listed on recognised exchanges and are generally classified as level 1 in the fair value hierarchy. Those that are not listed on a recognised exchange are generally based on composite prices of recent trades in the same instrument and are generally classified as level 2 in the fair value hierarchy.

Notes (continued)

11. Financial investments (continued)

Corporate bonds, including asset backed securities, that are not listed on a recognised exchange or are traded in an established over-the-counter market are also mainly valued using composite prices. Where prices are based on multiple quotes and those quotes are based on actual recent transactions in the same instrument the securities are classified as level 2, otherwise they are classified as level 3 in the fair value hierarchy.

The fair values for all securities in the fixed maturity investments portfolio are independently provided by the investment accounting service providers, investment managers and investment custodians, each of which utilize internationally recognized independent pricing services. The unadjusted price provided by the investment accounting service providers, investment managers or investment custodians is recorded and validated through a process that includes, but is not limited to:

(i) comparison of prices against alternative pricing sources;
(ii) quantitative analysis (e.g. comparing the quarterly return for each managed portfolio to its target benchmark);
(iii) evaluation of methodologies used by external parties to estimate fair value, including a review of the inputs used for pricing;
(iv) comparing the price to our knowledge of the current investment market.

The Syndicate has on-going due diligence processes with respect to the other investments carried at fair value and their managers. These processes are designed to assist in assessing the quality of information provided by, or on behalf of, each fund and in determining whether such information continues to be reliable or whether further review is warranted. Certain funds do not provide full transparency of their underlying holdings; however, the Syndicate obtains the audited financial statements for funds annually, and regularly review and discuss the fund performance with the fund managers to corroborate the reasonableness of the reported net asset values.

At the reporting date all debt instruments were valued using valuation techniques based on observable market data.

Movement in level 3 investments

The following table provides an analysis of investments valued with reference to level 3 inputs.

	2021 £'000	2020 £'000
At 1 January	**38,802**	9,241
Purchases	**14,518**	28,793
Fair value gains recognised in profit from continuing operations	**7,001**	466
Foreign exchange (loss)/gain	**(522)**	302
At 31 December	**59,799**	38,802

Notes (continued)

12. Debtors arising out of direct insurance operations

	2021 £'000	2020 £'000
Due within one year	**7,458**	13,430
	7,458	13,430

13. Debtors arising out of reinsurance operations

	2021 £'000	2020 £'000
Amounts due within one year	**25,590**	54,581
	25,590	54,581

14. Other debtors due within one year

	2021 £'000	2020 £'000
LCA debtors	**24,576**	10,727
Loss funds	**26,939**	17,866
Commission receivable	**1,104**	1,107
Other	**5,576**	7,655
	58,195	37,355

15. Other assets

As at 31 December 2021, assets of £5.3m and £7.4m pertained to the respective 2019 and 2018 years of account RITC's (2020: 2019 year of account of £7.9m, 2018 year of account £15.1m). These amounts are amortised on a straight-line basis over a five-year period from when they were initially recognised. The total net amortised during the year was £5.3m (2020: £5.4m)

Notes (continued)

16. Claims development

Claims development is shown in the tables below, both gross and net of reinsurance ceded, on an underwriting year basis. Balances have been translated at exchange rates prevailing at 31 December 2021 in all cases.

Pure underwriting year - Gross	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2021 £'000	Total £'000
Estimate of ultimate gross claims							
At end of underwriting year	-	-	-	-	-	1,539,763	1,539,763
One year later	-	-	-	-	-	-	-
Two years later	64,979	-	-	-	-	-	64,979
Three years later	64,066	-	-	808,963	529,388	-	1,402,417
Four years later	66,784	-	717,029	1,008,713	565,384	-	2,357,910
Five years later	69,124	558,849	947,534	1,042,536	575,831	-	3,193,874
Six years later	654,835	794,585	972,552	1,030,604	-	-	3,452,576
Seven years later	878,634	793,090	944,592	-	-	-	2,616,316
Eight years later	924,242	771,595	-	-	-	-	1,695,837
Nine years later	908,029	-	-	-	-	-	908,029
Less gross claims paid	800,279	684,286	823,948	871,567	460,132	1,206,753	4,846,965
Gross ultimate claims reserve	107,750	87,309	120,644	159,037	115,699	333,010	923,449
Gross ultimate claims reserve for 2011 and prior years	475,633	-	-	-	-	-	475,633
Gross claims reserves	583,383	87,309	120,644	159,037	115,699	333,010	1,399,082

Pure underwriting year - Net	2012 £'000	2013 £'000	2014 £'000	2015 £'000	2016 £'000	2021 £'000	Total £'000
Estimate of ultimate gross claims							
At end of underwriting year	-	-	-	-	-	1,539,763	1,539,763
One year later	-	-	-	-	-	-	-
Two years later	25,522	-	-	-	-	-	25,522
Three years later	25,163	-	-	-	207,926	-	233,089
Four years later	26,231	-	-	396,188	222,063	-	644,482
Five years later	27,150	219,497	372,159	409,473	226,167	-	1,254,446
Six years later	257,197	312,086	381,985	404,786	-	-	1,356,054
Seven years later	345,097	311,499	371,004	-	-	-	1,027,600
Eight years later	363,011	303,056	-	-	-	-	666,067
Nine years later	356,643	-	-	-	-	-	356,643
Less net claims paid	314,322	268,764	323,619	342,322	180,725	1,206,753	2,636,505
Net ultimate claims reserve	42,321	34,292	47,385	62,464	45,442	333,010	564,914
Net ultimate claims reserve for 2011 and prior years	186,812	-	-	-	-	-	186,812
Net claims reserves	229,133	34,292	47,385	62,464	45,442	333,010	751,726

Notes (continued)

17. Technical provisions

	2021			2020		
	Gross	**Reinsurance**	**Net**	Gross	Reinsurance	Net
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Incurred claims outstanding:						
Claims notified	**1,058,997**	**(654,171)**	**404,826**	1,108,914	(670,371)	438,543
Claims incurred but not reported	**238,115**	**(130,645)**	**107,470**	484,540	(288,084)	196,456
Balance at 1 January	**1,297,112**	**(784,816)**	**512,296**	1,593,454	(958,455)	634,999
Change in prior year provisions	**383,949**	**(2,041)**	**381,908**	(279)	(13,485)	(13,764)
Claims paid during the year	**(275,405)**	**130,900**	**(144,505)**	(308,756)	199,110	(109,646)
Effect of movements in exchange rates	**(6,574)**	**8,601**	**2,027**	12,693	(11,986)	707
Balance at 31 December	**1,399,082**	**(647,356)**	**751,726**	1,297,112	(784,816)	512,296
Claims notified	**1,018,937**	**(540,931)**	**478,006**	1,058,997	(654,171)	404,826
Claims incurred but not reported	**380,145**	**(106,425)**	**273,720**	238,115	(130,645)	107,470
Balance at 31 December	**1,399,082**	**(647,356)**	**751,726**	1,297,112	(784,816)	512,296
Unearned premiums						
Balance at 1 January	**53,161**	**(29,246)**	**23,915**	99,241	(53,970)	45,271
Premiums written during the year	**418,398**	**(568)**	**417,830**	3,180	424	3,604
Premiums earned during the year	**(443,550)**	**14,481**	**(429,069)**	(51,209)	28,684	(22,525)
Effect of movements in exchange rate	**(1,296)**	**687**	**(609)**	1,949	(4,384)	(2,435)
Balance at 31 December	**26,713**	**(14,646)**	**12,067**	53,161	(29,246)	23,915

The table above shows changes in the insurance contract liabilities and assets from the beginning of the period to the end of the period.

Notes (continued)

18. Creditors arising out of reinsurance operations

Creditors arising out of reinsurance operations	2021 £'000	2020 £'000
Due within one year	**5,723**	5,291
	5,723	5,291

19. Other creditors

	2021 £'000	2020 £'000
Profit commissions	**12,402**	12,014
Other creditors	**16,503**	4,338
	28,905	16,352

Of the £16.5m of other creditors balance, £6.3m relates to intercompany payables (2020: £1.5m) and £4.6m to settled direct creditor (2020: £Nil).

20. Cash and cash equivalents

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.

	2021 £'000	2020 £'000
Short term deposits with credit institutions	**3,836**	4,195
Cash at bank and in hand	**14,014**	12,475
Total cash and cash equivalents	**17,850**	16,670

21. Related parties

The main component of operating expenses was the Enstar EU limited management fees of £23.2m (2020: £24.8m) as shown in note 7.

At 31 December 2021, Syndicate 2008 owed £7.9m to EMAL (2020: £Nil). No amount of profit commission is due to EMAL at 31 December 2021 (2020: £Nil).

B Dimmock, J Lee, M Heap and S Hextall are directors of SGL No.1 Limited which provides 100% of the nominal stamp capacity of the Syndicate. The Syndicate has no stamp arranged for 2022 (2021 YOA: £12m).

Notes (continued)

21. Related parties (continued)

In 2008, the Syndicate ceded to Fitzwilliam (SAC) Insurance Limited ("FW") a 100% quota share in respect of the reinsurance to close of Syndicates 588 and 861. The amount owing to FW at 31 December 2021 is £9.4m (2020: £10.9m). This amount is collateralised on a "funds withheld" basis.

The Syndicate cedes 100% of all profits or losses in relation to the unexpired risks on Syndicate 2243 to StarStone Insurance SE.

The Syndicate also has an intra-group reinsurance arrangement with Cavello Bay Reinsurance Ltd for 50% of the net results on the 2018 and 2019 underwriting years. It is collateralised at 120% through a combination of funds withheld and a letter of credit.

22. Foreign exchange rates

The following currency exchange rates have been used for principal foreign currency transactions

	2021		2020	
	Year-end rate	**Average rate**	Year-end rate	Average rate
Euro	**1.1887**	**1.1632**	1.1166	1.1251
US dollar	**1.3534**	**1.3752**	1.3654	1.2819
Canadian dollar	**1.7119**	**1.7242**	1.7433	1.7196
Australian dollar	**1.8599**	**1.8322**	1.7748	1.8637
Japanese yen	**155.6774**	**151.0284**	141.0431	136.8662

23. Funds at Lloyd's

Every member is required to hold capital at Lloyd's which is held in trust and known as Funds at Lloyds ("FAL"). These funds are intended primarily to cover circumstances where Syndicate assets prove insufficient to meet participating members' underwriting liabilities. The level of FAL that Lloyd's requires a member to maintain is determined by Lloyd's based on Prudential Regulatory Authority requirements and resource criteria. The determination of FAL has regard to a number of factors including the nature and amount of risk to be underwritten by the member and the assessment of the reserving risk in respect of business that has been underwritten. Since FAL is not under the management of the Managing Agent, no amount has been shown in these financial statements by way of such capital resources. However, the Managing agent is able to make a call on the members FAL to meet liquidity requirements or to settle losses.

24. Ultimate parent company

The ultimate parent company and controlling entity of EMAL is Enstar Group Limited, incorporated in Bermuda.

The annual U.S. Securities and Exchange Commission filing of Enstar Group Limited may be obtained from:

U.S. Securities and Exchange Commission
450 Fifth Street, NW
Washington, D.C. 20549
U.S.A.
www.sec.gov

Notes (continued)

25. Post-balance sheet events

On 24 February, Russia launched an invasion of Ukraine. Following the invasion the United Kingdom, European Union, United States, Australia, Canada and Japan announced punitive sanctions and export controls including blocking sanctions on significant Russian financial institutions and members of Russia's government and elite and trading restrictions on Russia's sovereign debt. The sanctions do not only apply to direct payments to named individual or entities, they apply to any payments or financial services that would lead to a benefit to these parties. Payments of claims are covered by the sanctions. It is too early to estimate the possible impact of the invasion from either an underwriting risk or investment risk perspective but the Board remains confident that the Syndicate's future performance should not be materially impacted.